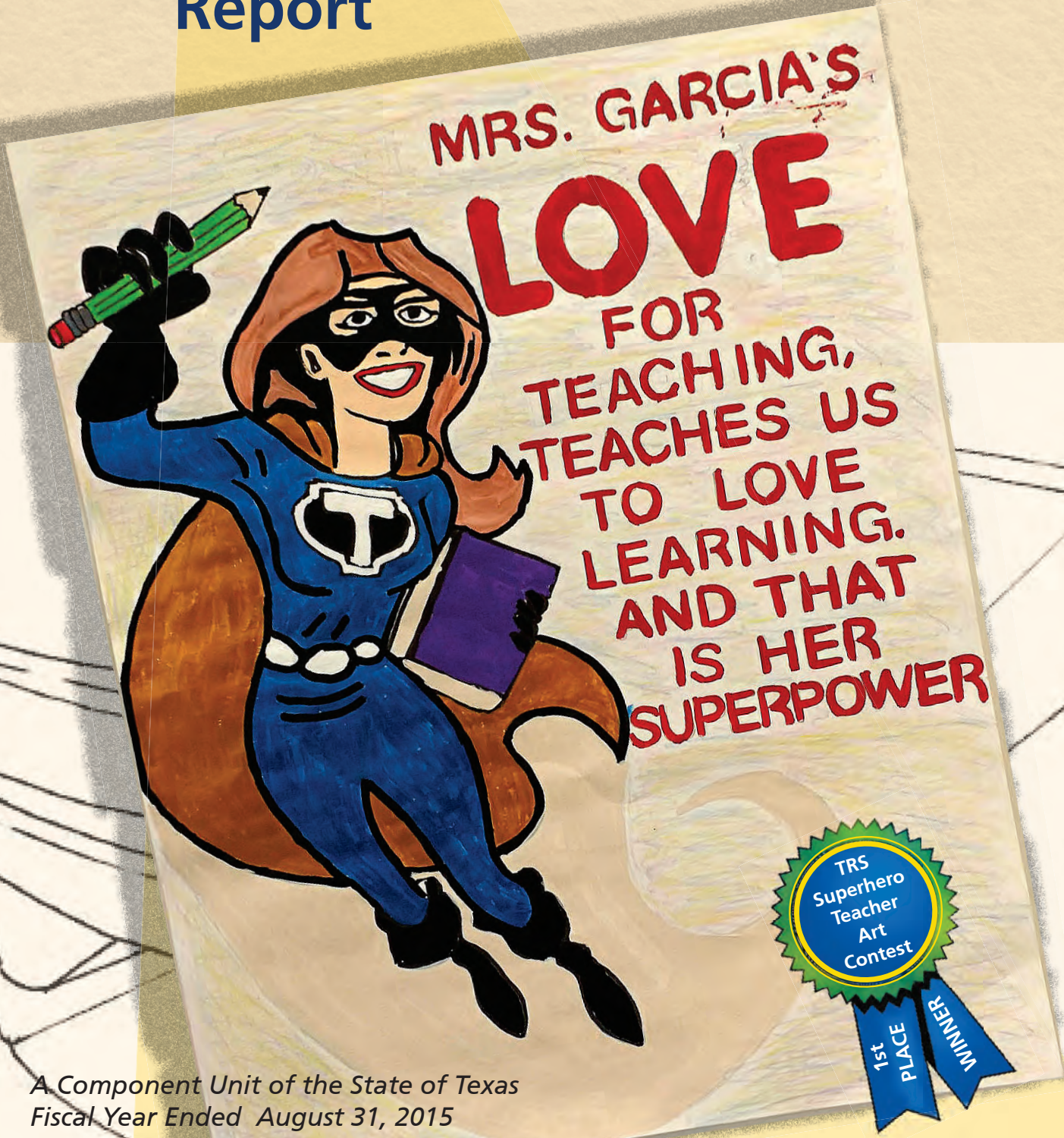


# Teacher Retirement System of Texas

## 2015 Comprehensive Annual Financial Report



A Component Unit of the State of Texas  
Fiscal Year Ended August 31, 2015



# TRS Mission Statement

The mission of the Teacher Retirement System of Texas is:

Improving the retirement security of Texas educators  
by prudently investing and managing trust assets  
and delivering benefits that make a positive difference  
in members' lives.



This year's Comprehensive Annual Financial Report (CAFR) features some amazing artwork submitted by K-5 students from across Texas. More than 3,500 students participated in TRS' "My Superhero Teacher Art Contest." Top entries were then placed on our Facebook page for voting. The art reflects how the students view their teachers as superheroes, and we're proud to share the contest winners' artwork with you in this publication.

First place was awarded to a 3rd grader from Clark Elementary in Laredo, whose artwork appears on our cover. Second place went to a 4th grader from Roosevelt Elementary in San Antonio, whose artwork is on the inside cover, and 3rd place went to a 3rd grader from Live Oak Learning Center in Rockport, whose artwork is on the document's title page. A 4th grader from Ramirez Elementary in Lubbock, received an Honorable Mention. That artwork is on the back of the CAFR.

Top ten artwork from Facebook is featured throughout the CAFR; however, we feel that every participant is a winner. We plan to recognize them and their teachers in other publications and on our website.



# Teacher Retirement System of Texas

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component  
Unit of the  
State of Texas

Fiscal Year Ended  
August 31, 2015



TRS  
Superhero  
Teacher  
Art  
Contest

3rd  
PLACE  
WINNER

Prepared by  
Teacher Retirement System  
of Texas

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

Brian K. Guthrie,  
Executive Director  
[www.trs.texas.gov](http://www.trs.texas.gov)



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# INTRODUCTORY SECTION







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## Board of Trustees



### R. David Kelly, Chair

Managing Partner  
Straight Line Realty Partners, Plano  
Direct appointment of the governor  
Term expires 2017



### Nanette Sissney Vice Chair

School Counselor  
Whitesboro ISD, Whitesboro  
Active public education position  
Term expires 2015



### Todd Barth

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



### Karen Charleston

Space Management Assistant  
Prairie View A&M University, Houston  
Higher education position  
Term expires 2017



### Joe Colonna

Private Investor  
Dallas  
Direct appointment of the governor  
Term expires 2019



### David Corpus

Senior Vice President  
CommunityBank of Texas, Humble  
Position nominated by the  
State Board of Education  
Term expires 2019



### Christopher Moss

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



### Anita Palmer

Former Texas Public School  
Teacher, Administrator and  
University Adjunct Professor  
Jacksboro  
Retiree position  
Term expires 2017



### Dolores Ramirez

Teacher  
San Benito CISD, San Benito  
Active public education position  
Term expires 2019

*For information on the board election process, please refer to Note 1 in the Financial Section.*





## *Professional Awards*



Government Finance Officers Association

# **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, 2014**

Executive Director/CEO



## *Professional Awards*



Public Pension Coordinating Council

***Recognition Award for Administration  
2014***

Presented to

***Teacher Retirement System of Texas***

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

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

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

Alan H. Winkle  
Program Administrator





## Letter of Transmittal



**Brian K. Guthrie**  
Executive Director

[www.trs.state.tx.us](http://www.trs.state.tx.us)  
800.223.8778  
512.542.6400

1000 Red River Street  
Austin, Texas 78701-2698

November 18, 2015

The Honorable Greg Abbott

The Honorable Dan Patrick

The Honorable Joe Straus

The Board of Trustees and Members  
of the Teacher Retirement System

Dear Governor Abbott, Lieutenant Governor Patrick, 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 the *Comprehensive Annual Financial Report (CAFR)* of the Teacher Retirement System of Texas (TRS or System) for the fiscal year ended August 31, 2015, the System's 78<sup>th</sup> year of operation. During the past fiscal year, the System experienced modest growth as membership grew to approximately 1,459,243 participants. The pension trust fund saw slightly negative returns in the past year, consistent with a downturn in world markets. The fund ended the 2015 fiscal year with a net position of \$128.5 billion compared to \$132.8 billion at the close of the 2014 fiscal year. However, contribution increases and benefit changes that were approved by the 83<sup>rd</sup> Texas Legislature, are continuing to enable TRS to provide secure benefits for current and future retirees.

### 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 cost of controls should not exceed the benefits to be derived as the objective of the internal control framework is to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. 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 25 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.



## Letter of Transmittal

### 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.

During the past year, TRS also embarked on a program of auditing reporting entity reports submitted by reporting entities to TRS in response to GASB accounting and AICPA auditing guidance. TRS Internal Audit staff has been testing employer census data and controls pertaining to census data reporting process for active members. TRS is reviewing the following elements of the data: gender; dates of birth; dates of hire or years of service; eligible compensation; and termination or retirement dates. TRS auditors are also testing eligibility and compensation for accuracy, completeness, and compliance with *TRS Laws & Rules*. The TRS Financial Reporting department also gave presentations to reporting entities from across the State of Texas during the past year to provide guidance for implementation of GASB 68 through various organizations.



**Brian K. Guthrie**

### INVESTMENTS

For the 12-month period ending Aug. 31, 2015, the total portfolio had a return of -0.3 percent, which led the fund's benchmark by 0.5 percent. The TRS Pension Trust Fund finished the year with an investment net value of \$127.9 billion, a decrease of \$4.2 billion after contributions and benefit payouts, from fiscal year 2014. For the past 10 years, the time-weighted compound annual return has been 6.2 percent. On a three-year annualized basis, the fund has returned 8.3 percent, which is 1 percent above its benchmark. Annual rates of return for the five- and 10-year periods ending Aug. 31, 2015 were 9.6 percent and 6.2 percent, respectively.

Investment risks are diversified over a very broad range of market sectors and securities. TRS' investment strategy is designed to address four different potential market scenarios and has an advantage in each of them by allocating 57 percent to global equities, 22 percent to real return, 16 percent to stable value, and 5 percent to risk parity, which has a balanced exposure to all three economic scenarios. This allocation is designed to minimize downside risk while capturing upside performance in any of the four scenarios. This strategy reduces portfolio risk to adverse developments in sectors and issuers experiencing unusual difficulties and offers opportunity to benefit from future markets.

### PENSION PLAN BENEFITS

For fiscal year 2015, TRS paid pension benefit payments to more than 377,738 retirees and their beneficiaries totaling \$8.9 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

As of Aug. 31, 2015, the System had a funded ratio of 80.2 percent with an Unfunded Actuarial Accrued Liability of \$33 billion. The System is now deferring net investment losses of \$4.9 billion.





## ***Letter of Transmittal***

The period of time necessary to amortize the unfunded liability has increased from 29.8 years to 33.3 years. Given that current contributions cannot amortize the unfunded liability in less than 31 years, the System does not meet the definition for actuarial soundness. The increase in the period of time necessary to amortize the unfunded liability was anticipated and is partially due to the phasing in of contribution rate increases adopted by the 83<sup>rd</sup> Texas Legislature. In 2013, the Legislature adopted Senate Bill 1458 that provided a stair-step increase in the member contribution rate from 6.4 percent in FY 2014 to 7.7 percent in FY 2017. The member contribution rate for FY 2015 was 6.7 percent. While the increased contribution rates are an actuarial gain to the System, the phased-in approach has partially contributed to the funding period and unfunded liability growth. The state contribution rate for FY 2015 was 6.8 percent, and in FY 2015 school districts that do not participate in Social Security began paying a 1.5 percent contribution rate to the System.

Also impacting the growth of the unfunded liability are lower than expected investment returns for FY 2015 and the adoption of a new mortality assumption based on the increased life expectancy of System members. Adoption of the new mortality assumption was part of a larger study of System experience for the last five years. Texas Government Code Section 825.206 requires TRS to conduct an actuarial experience study at least once every five years to examine the mortality, service, and compensation experience of the members and beneficiaries of the retirement system. The TRS Board is then required to review and adopt the System's actuarial assumptions in light of the relevant experience. In September 2015, TRS concluded the experience study for the four-year period ending Aug. 31, 2014 and adopted a new assumption set. In addition to updating the mortality assumption, the board kept the assumed investment return rate at 8 percent and lowered the assumptions for inflation, real wage growth, and payroll growth. The new assumption set more accurately portrays the actuarial condition of the System given that it incorporates System experience for FY 2011 to FY 2014.

It is estimated that the unfunded liability and the funding period will both continue to increase over the next few years before beginning to once again decline. However, the funding period is anticipated to remain a finite number until the unfunded liability is amortized and the pension fund is fully funded.

Several important legislative changes were enacted by the 84<sup>th</sup> Texas Legislature during the past year. Some of the bills that most directly impacted TRS members included House Bill 2, a supplemental funding bill, which provided biennial funding for TRS-Care in the amount of roughly \$768 million. House Bill 2168 stipulated that monthly annuity payments be paid on the last working day of the month for which the payment accrues. House Bill 2974 contained a variety of selected omnibus provisions covering several important areas. It also created a joint interim committee to study TRS-Care and TRS-ActiveCare. TRS-related legislation is covered in more detail in the "Changes in the Law" section of this report.

### **RETIREE HEALTH BENEFITS PROGRAM**

TRS 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. TRS-Care also receives additional revenue from the Medicare Part D prescription drug program.

An actuarial valuation for TRS-Care was conducted as of Aug. 31, 2015. The valuation results indicate that TRS-Care has an Unfunded Actuarial Accrued Liability of \$44.2 billion. The plan was 2.2 percent funded as of the end of the Fiscal Year 2015. More detailed information about the valuation results is included in the Notes to the Financial Statements and the Required Supplementary Information.

The current funding formula of 1 percent of public school payroll from the State, .55 percent from the district and .65 percent from the member is insufficient to sustain the TRS-Care Program. The state legislature infused \$768 million into the program as a measure intended to ensure solvency of the TRS-Care fund through the FY 16-17 Biennium. The 84<sup>th</sup> Legislature also created a joint interim committee to study TRS-Care and also TRS-ActiveCare. TRS will be supporting the work of the committee to address the ongoing solvency and affordability of the TRS-Care and TRS-ActiveCare programs.



## ***Letter of Transmittal***

### **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 at higher premiums. TRS-ActiveCare covers members currently employed by public education employers that participate in the plan. TRS establishes premiums to pay for the cost of the program. The TRS Board of Trustees approved an additional increase in premiums for fiscal year 2014 and froze TRS-ActiveCare 3 for new enrollment. As noted above, TRS also updated an earlier study submitted to the 83<sup>rd</sup> Legislature of options for improving the sustainability of TRS-Care and expanded the study to also include options to improve the affordability of TRS-ActiveCare.

### **ORGANIZATIONAL CHANGE**

During the past year, TRS named three new chief officers. Chris Cutler became TRS' new chief information officer, Barbie Pearson was named chief benefit officer, and Katrina Daniel joined TRS as the agency's new chief health care officer. Over the past year, we have also made a handful of other organizational changes to focus on our key challenges moving forward: health care fund solvency, pension trust fund sustainability, long-term investment returns, and replacing legacy technology systems. These changes are reflected in the updated organizational chart on the following page.

During the past year, TRS increased its focus on the agency's core values: Customer Satisfaction; Collaboration and Teamwork; Accountability; Respect; Ethics; Excellence; and Employee Fulfillment. These values continue to be incorporated throughout TRS' work environment, including in performance evaluations, employee recognition programs and communications. They also continuously focus our efforts on how to best serve our members.

Thanks to the hard work and dedication of its employees, TRS was named a "Top Workplace" by the *Austin American-Statesman* for the fourth year in a row.

### **ACKNOWLEDGMENTS**

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

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

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

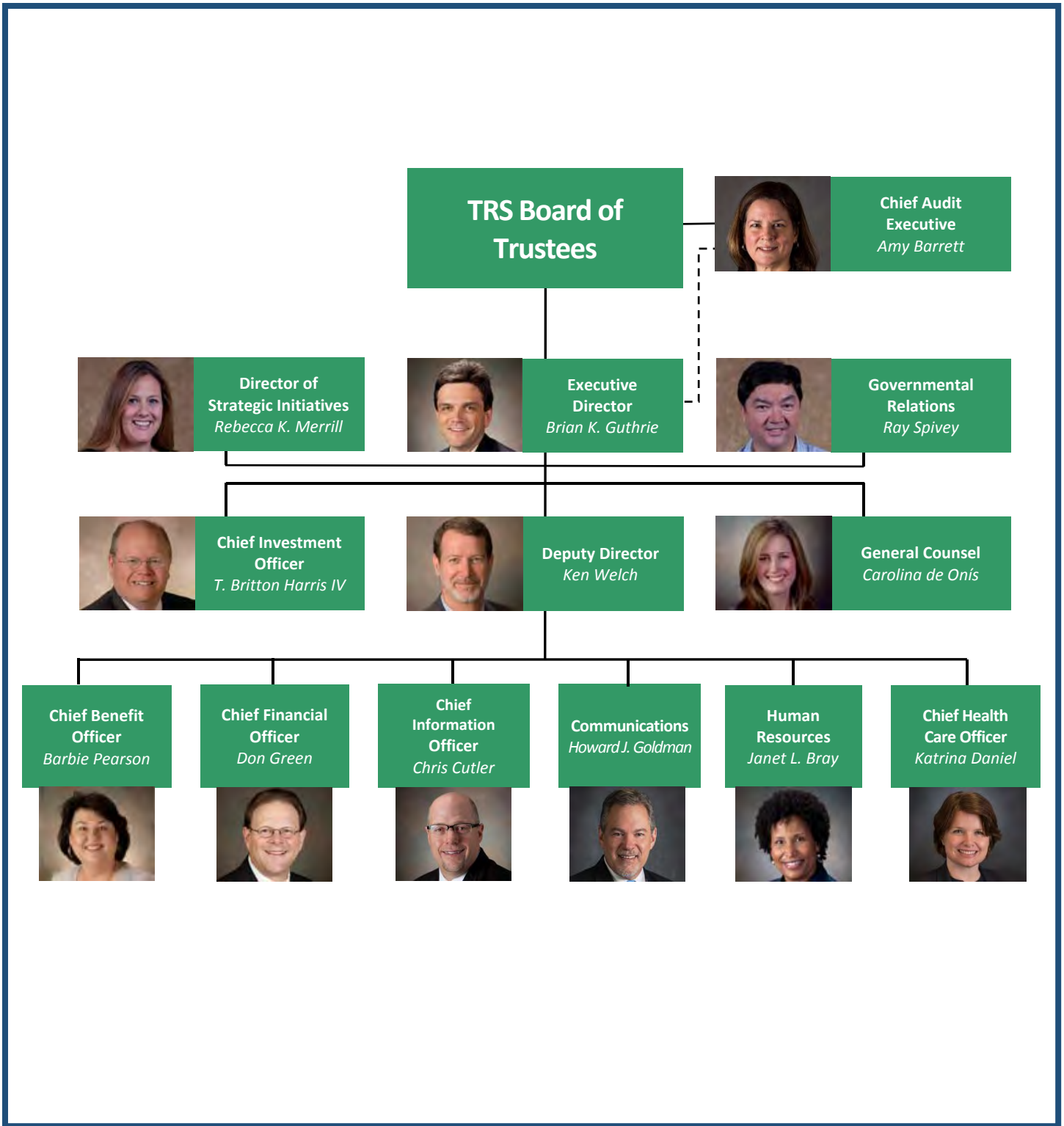
Respectfully submitted,

Brian K. Guthrie  
Executive Director





## Organization Chart





## Staff and Advisors

### EXECUTIVE ADMINISTRATIVE STAFF

Brian K. Guthrie, *Executive Director*  
 Ken Welch, *Deputy Director*  
 T. Britton Harris IV, *Chief Investment Officer*  
 Carolina de Onís, *General Counsel*  
 Amy L. Barrett, *Chief Audit Executive*  
 Barbie Pearson, *Chief Benefit Officer*  
 Don Green, *Chief Financial Officer*  
 Chris Cutler, *Chief Information Officer*  
 Howard J. Goldman, *Director, Communications*  
 Ray Spivey, *Director, Governmental Relations*  
 Janet L. Bray, *Director, Human Resources*  
 Katrina Daniel, *Chief Health Care Officer*  
 Rebecca K. Merrill, *Director, Strategic Initiatives*

### GENERAL INVESTMENT CONSULTANT

Aon Hewitt Investment Consulting, Inc.  
 Chicago, IL

### CONSULTING ACTUARY

Gabriel, Roeder, Smith & Company, Dallas

### INVESTMENT CONSULTANTS

Albourne America, L.L.C., San Francisco, CA  
 (Absolute Return)  
 BlackRock Investment Management, L.L.C., New York, NY  
 (Private Equity Co-investments)  
 Green Street Advisors, Inc., Newport Beach, CA  
 (Real Estate)  
 Hamilton Lane Advisors, L.L.C., San Francisco, CA and  
 Bala Cynwyd, PA  
 (Private Equity)  
 Leading Edge Investment Advisors, L.L.C., San Francisco, CA  
 (Emerging Managers)  
 The Townsend Group, Inc., Cleveland, OH  
 (Real Estate)  
 Tudor Pickering Holt & Co., L.L.C., Houston, TX  
 (Energy and Natural Resources)

### 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

Bill Barnes, Haslet  
 Donnie Breedlove, Ed.D., Dallas  
 Sunday McAdams, Seymour  
 Marcia McNeil, Austin  
 Glenna Purcell, Eagle Pass  
 Active Teacher Position, *Vacant*  
 Active Administrator Position, *Vacant*  
 Active Auxiliary Staff Position, *Vacant*  
 Retired Auxiliary Staff Position, *Vacant*

### 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 of the Teacher Retirement System of Texas includes employees and retirees of state-supported educational institutions in Texas. At August 31, 2015, participating employers included the following:

Public School Districts	1,025
Charter Schools	189
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	5
State Agencies	1
	1,347

<u>Member Categories</u>	2015	2014
Current Members:		
Active Contributing	828,851	873,214
Active Non-contributing*	-	118,635
Deferred Retirement Option	94	122
Inactive Non-vested	161,295	19,489
Inactive Vested	91,265	39,965
Total Current Members	1,081,505	1,051,425
Retirement Recipients:		
Service	355,384	341,302
Disability	9,495	9,413
Survivor	12,859	12,467
Total Retirement Recipients	377,738	363,182
TOTAL MEMBERSHIP	1,459,243	1,414,607

\* For 2015, Active Non-contributing will not be presented as a category. These members are allocated to either Inactive Non-vested or Inactive Vested.

<u>Population Changes</u>	2015	2014
<b>Active Membership:</b>		
New Members	96,854	92,819
Members Withdrawing	(38,519)	(40,829)
Service Retirements	(20,247)	(20,214)
Disability Retirements	(777)	(811)
In-Service Deaths	(1,267)	(1,289)
Other Changes	(5,964)	337
NET INCREASE	30,080	30,013
<b>Retired Membership:</b>		
Retirements	21,024	21,025
Deaths After Retirement	(8,138)	(7,535)
Option Continuations	2,331	2,372
Other Changes	(661)	(908)
NET INCREASE	14,556	14,954

### Active Member Profile

	2015	2014
Average Annual Salary	\$44,787	\$45,717
Average Age	44.6	44.5
Average Years of Service	10.3	9.9

### Annuitant and Beneficiary Profile

	2015	2014
Average Monthly Annuities		
Life Annuities	\$2,012	\$1,995
Disability Annuities	\$1,226	\$1,217
Annuities Certain	\$1,075	\$1,081
Average Age of Current Retirees	70.8	70.6
Average Age at Retirement		
All Retirees	60.0	60.0
Current Year Retirees	61.7	61.5
Average Years of Service		
All Retirees	24.4	24.4
Current Year Retirees	23.2	23.1
Average Salary at Retirement		
All Retirees	\$42,962	\$42,161
Current Year Retirees	\$50,813	\$50,073
Ratio of Current Members to Retirees	2.9 to 1	2.9 to 1

### TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE)

Membership of TRS-Care is eligible to TRS public school retirees.

<u>Member Categories</u>	2015	2014
Retirees	194,619	189,028
Surviving Spouses	6,071	5,910
Surviving Children	105	97
Dependent Spouses and Children	52,236	49,749
TOTAL	253,031	244,784

### TEXAS ACTIVE SCHOOL EMPLOYEES UNIFORM GROUP BENEFITS PROGRAM (TRS-ACTIVECARE)

Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers and other educational districts.

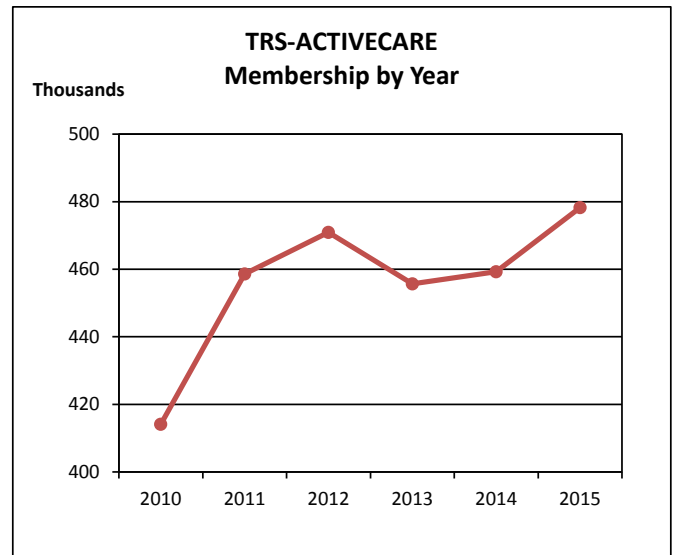
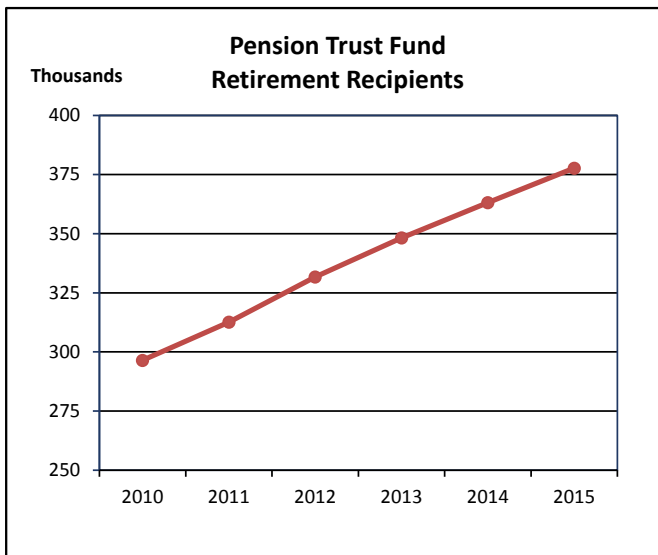
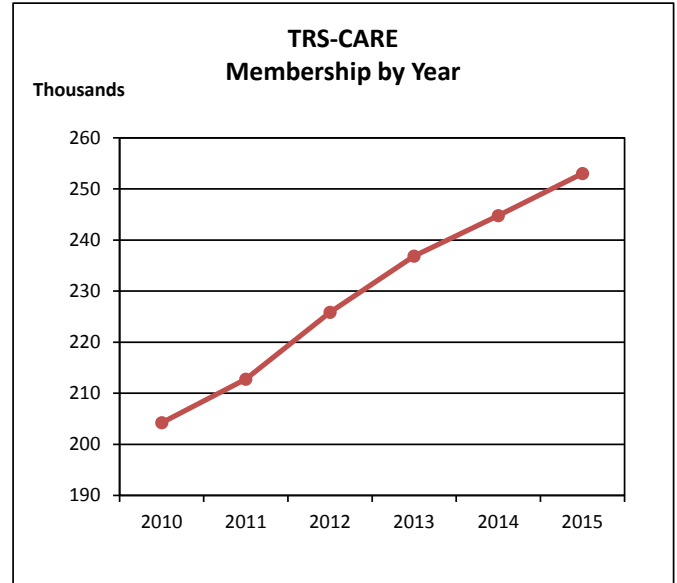
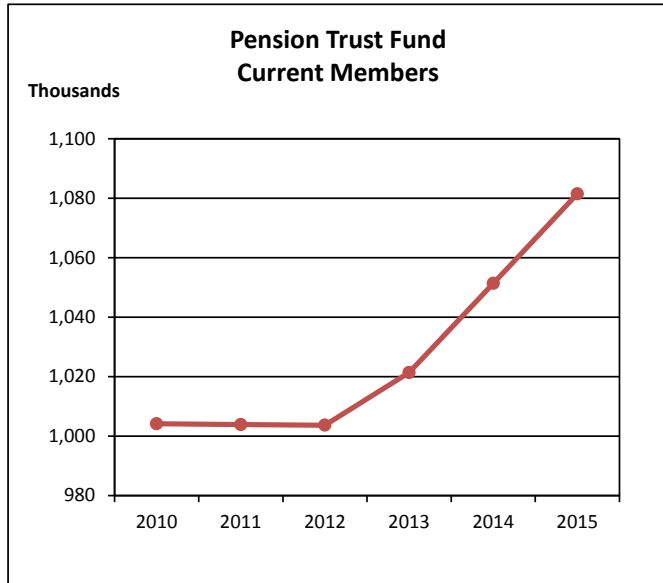
<u>Member Categories</u>	2015	2014
Employees	290,354	279,014
Dependents	187,887	180,218
TOTAL	478,241	459,232

As of August 31, 2015 there were 1,110 participating employers.



## Membership

Using the data presented on the previous page, the following presents a graphical view of the growth of the System for Current Members, Retirement Recipients, TRS-Care and TRS-ActiveCare as of August 31, 2015.







## Communications

During fiscal year 2015, TRS communicated with members, retirees, participating employers, and the general public over the telephone as well as through group presentations, one-on-one meetings, print publications, webcasts, videos, social media, the agency's website, and email. TRS staff also spoke at conferences across the state to update members and retirees on their pension and health care benefits as well as TRS investment performance.

Major communications from the past year are summarized below:

### PRINT PUBLICATIONS

During fiscal year 2015, TRS published three *TRS News* issues to provide members and retirees with important information relating to their benefits. The summer 2015 issue described TRS-related legislative changes enacted into law. Employers received TRS-related information through nine *Update* newsletters. Annual statements were distributed in October 2014 to all active members of the system.

TRS also published a number of publications for members and retirees, including brochures and other materials related to TRS pension and health care benefits.

### THE INTERNET

Over the past year, the TRS website received a total of 3,328,859 visits, representing a 9.7 percent increase from 3,033,862 visits in the previous fiscal year. In addition, 1,732,348 unique visitors used the site during fiscal year 2015 — a 9.6 percent increase from 1,580,841 visitors in fiscal year 2014.

*MyTRS* was promoted during the year through email, newsletter articles, social media, and the agency website. As of Aug. 31, 2015, 490,739 members and retirees had registered to participate in *MyTRS*, nearly 70,000 more than in the previous year.

In 2015, significant online improvements were being developed through the TRS Enterprise Application Modernization (TEAM), a multi-year initiative to update business processes and core technologies used by TRS. While TEAM will ultimately bring enhanced customer service, members experienced temporary, minimal reductions in *MyTRS* functionality during the year as work on TEAM progressed. As a result, it was temporarily not possible to access the following information online in 2015:

- members' beneficiary information
- service purchase forms (once they have been created for a bill) and
- replacement retirement packets (still available by contacting TRS directly)

During the past year, TRS also developed a detailed approach to guide a redesign of the TRS website. A contract to develop and implement a redesigned website was awarded to a contractor in the fall of 2015.

### SOCIAL MEDIA

In 2014-15, TRS broadened its engagement through social media with a growing number of members, retirees, and others. In fiscal year 2015, TRS recorded more than 7,860 Facebook likes, 2,200 followers on LinkedIn and 1,800 followers on Twitter. In addition, TRS videos were viewed 81,334 times on YouTube. During the year, TRS expanded its use of LinkedIn to attract and recruit new employees through a new Career Page managed by Human Resources. At fiscal year-end, TRS heavily promoted a student art contest (kindergarten through fifth grade) to select art work for use in this publication. Submission of art work was slated for September, and voting on Facebook for best art among finalists was scheduled for October.



## ***Communications***

### **WEBCASTING OF BOARD MEETINGS**

As part of its commitment to open and transparent communication, TRS continued to webcast board meetings during the past year. All board meetings are streamed live so members and others can watch the proceedings as they take place from anywhere in Texas or around the world. Each meeting is also recorded for on-demand playback. All TRS board meetings are archived on the TRS website where individual agenda items can be easily accessed through an online catalog. In late fiscal year 2015, TRS announced plans to conduct an October webcast town hall meeting to discuss the sustainability and affordability of TRS-Care and TRS-ActiveCare.

### **ASSOCIATION MEETINGS**

Early in the fiscal year, TRS continued its outreach to members and retirees through a series of Texas Retired Teacher Association meetings. TRS officials spoke to retirees at more than 20 conventions around the state and provided updates on TRS developments. These meetings provide an opportunity for TRS representatives to meet with members and retirees face-to-face and answer any questions they may have. Legislators or their representatives from the area also frequently attend the meetings.

### **GROUP PRESENTATIONS AND INDIVIDUAL RETIREMENT COUNSELING SESSIONS**

Over the past year, TRS made a number of group presentations to professional associations, employee and retiree groups and at regional education service centers. Presentations focused on retirement options, health care benefits for active and retired members, long-term care insurance, employment after retirement, and other TRS benefits. A total of 11,405 people attended 173 group presentations, and 20,800 people attended five conventions where TRS was represented. In addition, 9,300 people visited individually with a TRS counselor – 8,883 in Austin and 417 in field office visit locations. Fiscal year 2015 was the ninth year that one-on-one retirement counseling sessions were offered in limited field locations throughout Texas (450 available appointments in 10 cities).

### **TELECOMMUNICATIONS**

In fiscal year 2015, the agency's Benefit Counseling department handled a total of 486,572 calls. In addition, 181,117 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 460,407 calls, and TRS-Care staff and contractors responded to 589,547 calls.

### **COORDINATION WITH REPORTING ENTITIES**

The TRS Reporting and Query System (TRAQS), the agency's internet-based reporting system for employers, had 1,362 reporting entities submit monthly reports to TRS by year end. During the year, eight professional association and software user group presentations were attended by 420 people. One conference exhibit booth was attended by more than 2,000 school business staff, and one webinar was recorded and posted to the TRS website. In addition, a webinar in partnership with TASBO (Texas Association of School Business Officials) was recorded. One participating employer traveled to TRS for onsite training, and one face-to-face conference training session was conducted with a reporting official.

Twenty-six TRS-ActiveCare training seminars were conducted around the state for more than 1,200 benefit administrators of TRS-ActiveCare participating employers. Additionally, 10 webinars were conducted with 185 registered participants. For 2015, YouTube tutorials were also offered with 3,245 total views, as well as, on-demand voiceover webinars were offered to plan participants. There were 2,643 people who viewed the English version and 261 people who viewed the Spanish version. These seminars/webinars provided information regarding enrollment, changes and ongoing administrative issues for TRS-ActiveCare.





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# FINANCIAL SECTION





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## Independent Auditor's Report

### Teacher Retirement System Board of Trustees

Mr. R. David Kelly, Chairman  
Ms. Nanette Sissney, Vice Chair  
Mr. Todd Barth  
Ms. T. Karen Charleston  
Mr. Joe Colonna  
Mr. David Corpus  
Mr. Christopher Moss  
Ms. Anita Smith Palmer  
Ms. Dolores Ramirez

### Report on the Financial Statements

We have audited the accompanying financial statements of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds and the non-major enterprise fund of the Teacher Retirement System (System), a component unit of the State of Texas, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

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

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

SAO Report No. 16-303

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the statements of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds and the non-major enterprise fund of the System, as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

#### ***Teachers Retirement System Financial Statements***

As discussed in Note 1, the financial statements of the System, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds and the non-major enterprise fund of the State of Texas that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

#### ***Investments with Values that are not Readily Determined***

As discussed in Note 3, the financial statements include investments valued at approximately \$48.2 billion as of August 31, 2015, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.





## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Changes in the Employers' Net Pension Liability and Related Ratios, Schedule of Employers' Net Pension Liability (Historical), Schedule of Employer and Non-Employer Contributing Entity Contributions, Schedule of Investment Returns, Schedule of Funding Progress, and Schedule of Contributions from Employers and Other Contributing Entities, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's financial statements. 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 financial statements.

The information in Exhibit A and Schedules 1 through 4, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Exhibit A and Schedules 1 through 4, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.





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

***Report on Summarized Comparative Information***

We have previously audited the System's fiscal year 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 17, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we issued a separate report on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Lisa R. Collier, CPA, CIDA  
First Assistant State Auditor

November 18, 2015



## ***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, 2015. 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 position of the TRS Pension Trust Fund was \$128.5 billion as of August 31, 2015, a decrease of 3.2%, in fiscal year 2015.

- As of August 31, 2015, 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 80.2%, which is the same as the level at August 31, 2014. The unfunded actuarial accrued liability was \$33 billion, which is more than the \$31.6 billion reported at August 31, 2014.
- The annual rate of return on investments for the pension fund for the year ended August 31, 2015 was (0.27%). The rate of return for fiscal year 2014 was 16.9%.
- The net position of TRS-Care was \$972.9 million as of August 31, 2015, an increase of \$515 million from fiscal year end 2014.
- As of August 31, 2015, the date of the most recent actuarial valuation, TRS-Care trust fund's unfunded actuarial accrued liability was \$43.2 billion, which is more than the \$33.3 billion reported at August 31, 2014.
- TRS-ActiveCare had a net position of \$87.8 million as of August 31, 2015, an increase of \$65.0 million or 285% in fiscal year 2015.

### **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 position available for pension and other post-employment benefits, health care benefits, and other purposes as of August 31, 2015, and summarizes any changes in net position for the year then ended. The information available in each of these sections is summarized as follows:

#### **Fund Financial Statements**

Individual fund financial statements are presented for all fiduciary and proprietary funds as of August 31, 2015 and for the year then ended. Comparative data in total as of August 31, 2014, 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



## ***Management's Discussion and Analysis***

and other beneficiaries, to pay health care benefits for covered participants, and to administer the 403(b) Administrative Program. Fiduciary funds presented include the Pension Trust Fund, TRS-Care 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) Administrative Program enterprise funds.

### **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 1 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 2 provides information on capital assets.
- Note 3 describes deposits and investments, including investing authority, investment risk categorizations, and additional information about cash, derivatives, securities lending, alternative investments and contingent commitments.
- Note 4 provides information on employee compensable leave.
- Note 5 provides information on the operating lease.
- Note 6 provides information on fringe benefits paid by the state and federal government on behalf of employees and participants of the health care plans.
- Note 7 describes deferred compensation plans available to TRS employees.
- Note 8 provides information on contingent liabilities such as TRS employees' accumulated sick leave, lump sum death benefits, incentive compensation, retiree benefits and any pending litigation.
- Note 9 addresses TRS' continuance subject to review under the Texas Sunset Act.
- Note 10 describes other post-employment health care benefits provided to TRS' employees and retired public school employees, contributions to the plan and its funded status.
- Note 11 addresses risk management issues related to the health benefits program for active school district employees.
- Note 12 provides pension disclosure information including detailed data on the plan description, contributions, legal reserve balances and the net pension liability.
- Note 13 provides information on subsequent events.

### **Required Supplementary Information**

Required supplementary information for the pension plan consists of schedules related to the net pension liability, contributions from employers and the non-employer contributing entity, and the annual money weighted rate of return on pension plan investments. RSI for the other employee benefit plan administered by TRS includes schedules related to the funding progress and the contributions from the participating employers. 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, schedule of administrative expenses, investing activity expenses, and payments to consultants.





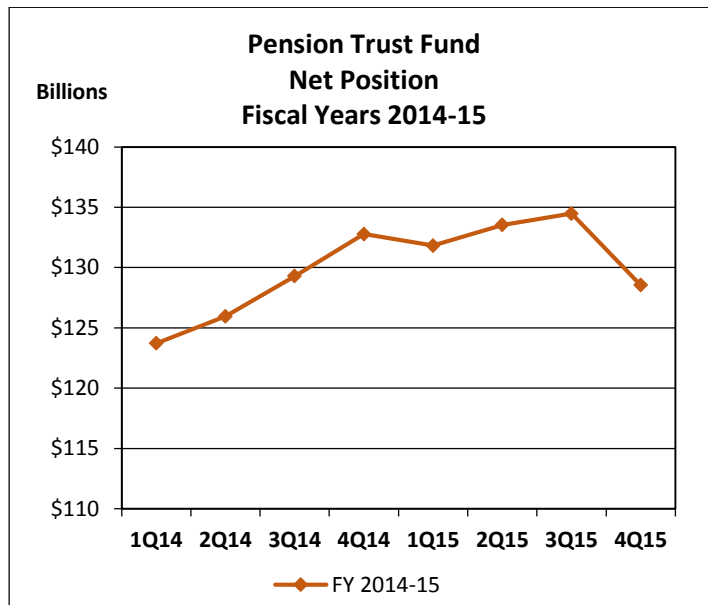
## *Management's Discussion and Analysis*

### FINANCIAL ANALYSIS OF TRS FUNDS

#### *Pension and Other Employee Benefit Trust Funds*

##### Pension Trust Fund

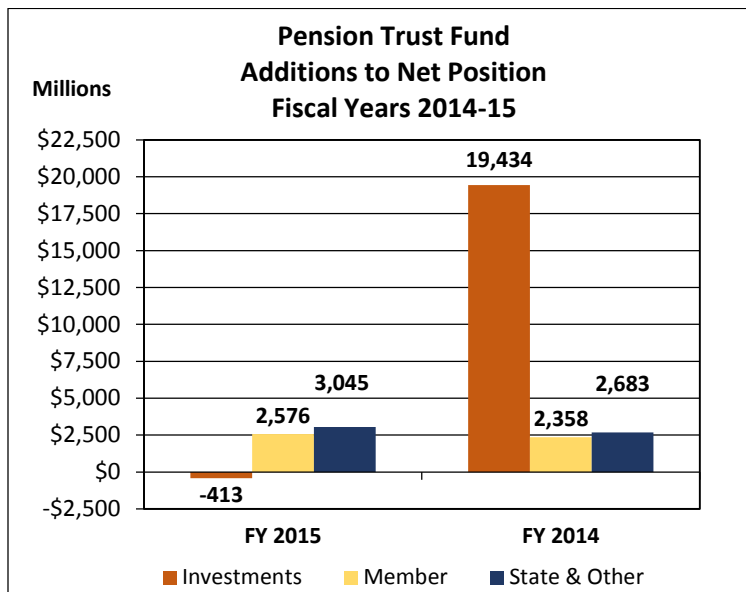
Net position held in trust for benefits at August 31, 2015 was \$128.5 billion, a decrease of \$4.3 billion from the \$132.8 billion at August 31, 2014.



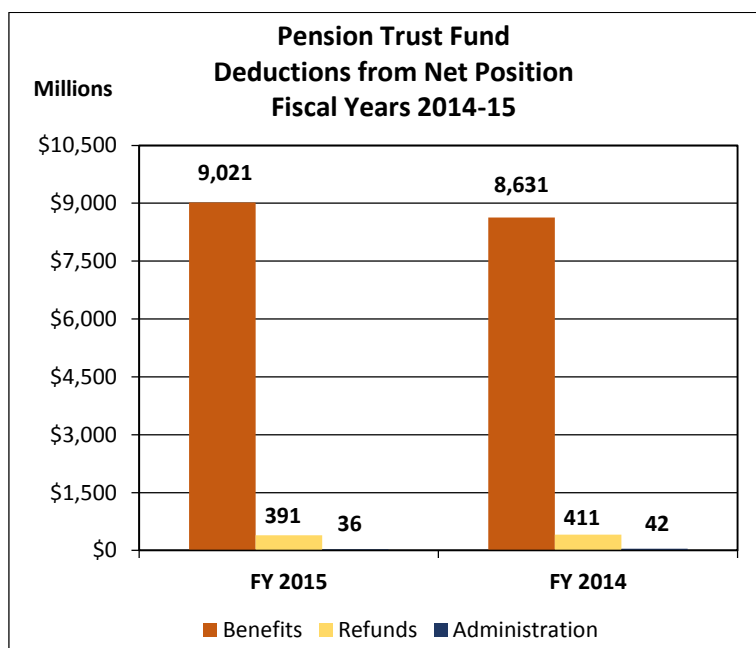
Refer to the following page for a graph of Additions to Net Position. Fiscal year 2015 investment loss was \$412.8 million, a decrease of \$19.8 billion from the \$19.4 billion gain in fiscal year 2014. Current year income from member contributions was \$2.6 billion while state contributions and other additions totaled \$3 billion. Total contributions and other additions increased \$580.3 million, or 11.5%, during fiscal year 2015. An increase in the member contribution rate from 6.4% in fiscal year 2014 to 6.7% in fiscal year 2015, the new employer surcharge for employees not covered by social security and normal payroll growth resulted in an increase in total contributions. The state contribution rate remained at 6.8% for fiscal year 2015.



### Management's Discussion and Analysis



Deductions from TRS net position held in trust for benefits are predominantly retirement, death, and survivor benefit payments. During fiscal year 2015, retirement benefits and other payments totaled \$9 billion, an increase of approximately \$390.3 million, or 4.5%, from fiscal year 2014 payments of \$8.6 billion. Refunds of Contributions for fiscal year 2015 were \$391.3 million, a decrease of \$19.3 million from fiscal year 2014. Administrative expenses were \$35.6 million, a decrease of \$6.3 million from fiscal year 2014. Administrative expenses, excluding investing activities expense, on a cost per member basis were \$24.37 for fiscal year 2015 as compared to \$29.62 in fiscal year 2014. Investment cost per member was \$177.63 for fiscal year 2015. Investment expense in basis points of net position was 19.75 for fiscal year 2015 and was calculated using average net asset value. Investment expense in basis points for fiscal year 2014 was 15.94.



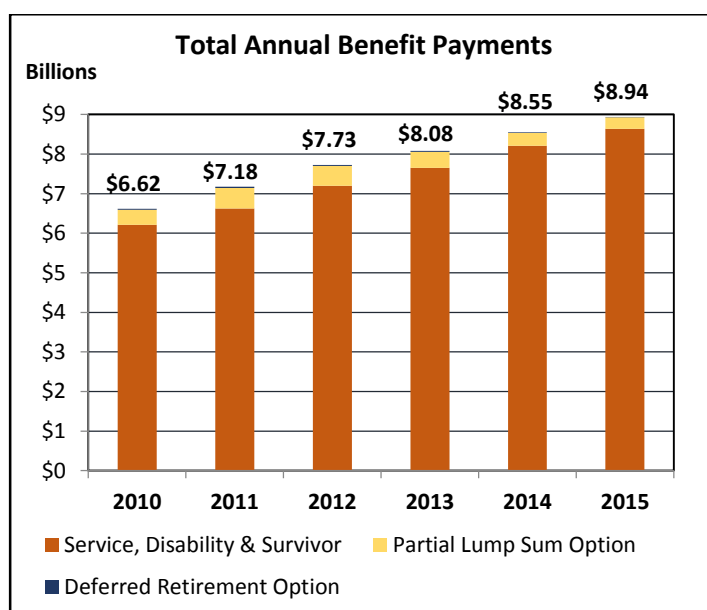


## Management's Discussion and Analysis

**Growth of the System** - As of August 2015, the monthly annuity payroll had grown to \$719 million, and TRS was paying benefits to 377,738 recipients. Refer to the following graph for details on benefit payments by type of recipient.

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 14,556 during fiscal year 2015.

Of the current TRS member accounts, 828,945 (active contributing and deferred retirement option participants) were employed during fiscal year 2015 and made contributions to the system. The remaining 252,560 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 30,080 during fiscal year 2015.



**TRS Enterprise Application Modernization (TEAM)** is the name for the related projects that will modernize TRS technologies, allowing greater flexibility in providing service to TRS membership and reducing the risk of obsolete technology.

The TEAM project is currently in progress and will replace TRS' current mainframe-based pension administration systems. The Data Management project is responsible for preparing TRS legacy data for migration to the LOB system. It includes three sub-projects: Data Assessment, Data Conditioning and Data Migration.

The Website Redesign project is expected to kick-off during the first quarter of fiscal year 2016. This project will redesign the TRS external website making it more user-friendly. Increased functionality, up-to-date content, and a more modern look will benefit our site visitors and members. Easy access to information and self-service features should encourage and increase online business.

TRS continues to explore accounting solutions that will replace our "in-house" developed financial legacy systems. Our goal is to select a product that best meets our current and future business and technology needs and provides the best overall value.





## Management's Discussion and Analysis

### Statement of Net Position - Pension Trust Fund

(Dollars in Thousands)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$3,311,486	\$2,751,967	\$559,519	20.3 %
Investments	127,042,429	131,595,107	(4,552,678)	(3.5)
Invested Securities Lending Collateral	19,372,422	22,876,579	(3,504,157)	(15.3)
Capital Assets	53,725	38,054	15,671	41.2
<b>TOTAL ASSETS</b>	<b>\$149,780,062</b>	<b>\$157,261,707</b>	<b>(\$7,481,645)</b>	<b>(4.8) %</b>
<b>Liabilities</b>				
Benefits Payable	\$760,271	\$747,291	\$12,980	1.7 %
Investments Purchased Payable/Securities Sold Short	1,053,106	799,099	254,007	31.8
Accounts Payable and Other	48,495	66,198	(17,703)	(26.7)
Collateral Obligations	19,379,484	22,869,876	(3,490,392)	(15.3)
<b>TOTAL LIABILITIES</b>	<b>\$21,241,356</b>	<b>\$24,482,464</b>	<b>(\$3,241,108)</b>	<b>(13.2) %</b>
<b>Total Net Position Restricted for Pensions</b>	<b>\$128,538,706</b>	<b>\$132,779,243</b>	<b>(\$4,240,537)</b>	<b>(3.2) %</b>

### Changes in Net Position - Pension Trust Fund

(Dollars in Thousands)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
<b>Additions</b>				
Member Contributions	\$2,576,024	\$2,357,686	\$218,338	9.3 %
State Contributions as Non-Employer Contributing Entity	1,591,483	1,530,624	60,859	4.0
Employer Contributions	1,377,973	984,552	393,421	40.0
Other	75,028	167,392	(92,364)	(55.2)
Investment Income/Loss	(412,759)	19,434,430	(19,847,189)	(102.1)
<b>TOTAL ADDITIONS</b>	<b>\$5,207,749</b>	<b>\$24,474,684</b>	<b>(\$19,266,935)</b>	<b>(78.7) %</b>
<b>Deductions</b>				
Retirement Benefits and Other	\$9,021,388	\$8,631,080	\$390,308	4.5 %
Refunds of Contributions	391,341	410,601	(19,260)	(4.7)
Administrative Expenses	35,557	41,904	(6,347)	(15.1)
<b>TOTAL DEDUCTIONS</b>	<b>\$9,448,286</b>	<b>\$9,083,585</b>	<b>\$364,701</b>	<b>4.0 %</b>
<b>Change in Net Position</b>	<b>(\$4,240,537)</b>	<b>\$15,391,099</b>	<b>(\$19,631,636)</b>	<b>(127.6) %</b>

On a GAAP basis, the overall financial condition of the fund declined during 2015 due to a net investment loss during the year of \$412.8 million – a decrease in investment earnings of 102.1% from fiscal year 2014. This net loss is comprised of a net decrease in fair value of investments of \$7.1 billion, \$6.9 billion in interest and dividend income, and net income of \$81.9 million from securities lending reduced by investing activity expenses of \$259.2 million. The net investment income for fiscal year 2014 was \$19.4 billion.



## Management's Discussion and Analysis

**Investments** - Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, the system's custodian bank, using industry best practices. When comparing returns, it is important to remember that as a pension fund, the TRS investment performance has a very long horizon.

Below are rate of return results for the total fund for the period ending August 31, 2015:

- One-Year -0.3%
- Three-Years 8.3%
- Five-Years 9.6%
- Ten-Years 6.2%

The following table presents the actual investment allocations as of fiscal year end 2015 and 2014 as compared to the target allocations for 2015 and 2014:

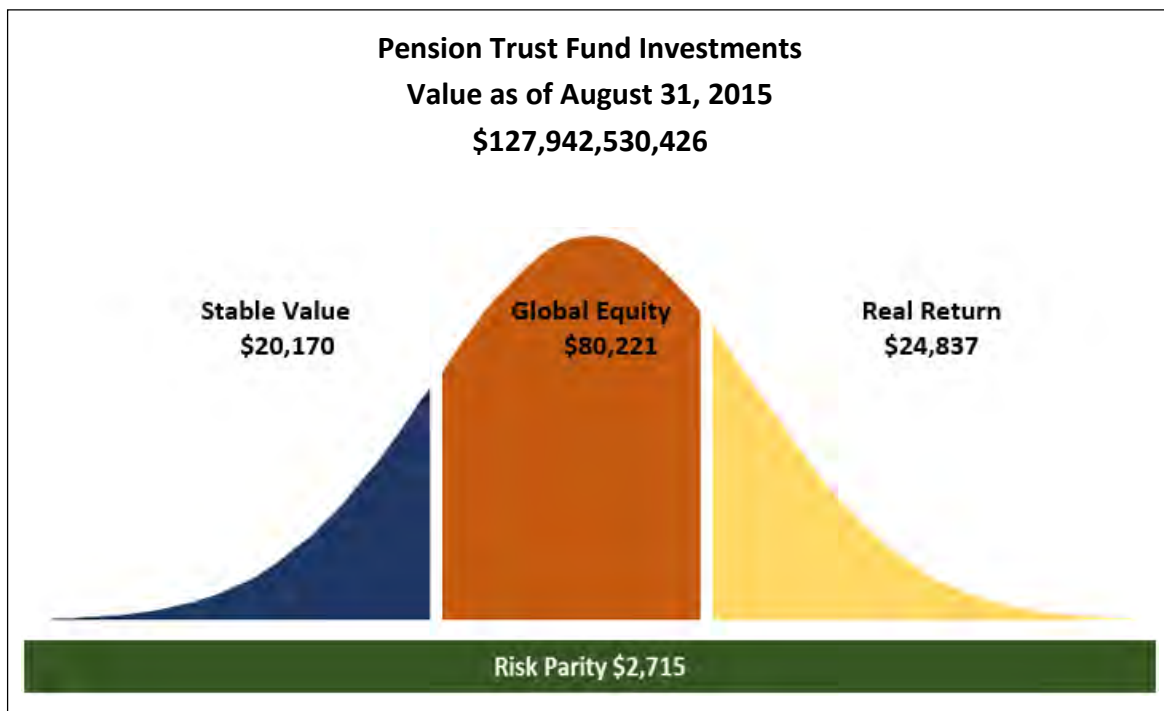
	Fiscal Year 2015		Fiscal Year 2014	
	Target	Actual	Target	Actual
U.S.	19.8 %	20.6 %	N/A %	N/A %
U.S. Large Cap	N/A	N/A	18.0	20.5
U.S. Small Cap	N/A	N/A	2.0	2.2
Non-U.S. Developed	14.8	15.8	15.0	14.9
Emerging Markets	10.3	8.9	10.0	11.8
Directional Hedge Funds	4.6	4.9	5.0	4.9
Public Equity	49.5	50.2	50.0	54.3
Private Equity	11.8	12.5	11.0	11.8
<b>TOTAL GLOBAL EQUITY</b>	<b>61.3 %</b>	<b>62.7 %</b>	<b>61.0 %</b>	<b>66.1 %</b>
U.S. Treasuries	12.8 %	8.7 %	13.0 %	8.8 %
Absolute Return	0.0	2.3	0.0	1.6
Stable Value Hedge Funds	4.0	4.2	4.0	3.8
Cash	1.0	0.5	1.0	1.3
<b>TOTAL STABLE VALUE</b>	<b>17.8 %</b>	<b>15.7 %</b>	<b>18.0 %</b>	<b>15.5 %</b>
Global Inflation Linked Bonds	4.8 %	4.6 %	5.0 %	4.8 %
Real Assets	12.3	12.9	13.0	11.6
Energy and Natural Resources	1.6	1.8	3.0	1.9
Commodities	0.0	0.2	0.0	0.1
<b>TOTAL REAL RETURN</b>	<b>18.7 %</b>	<b>19.5 %</b>	<b>21.0 %</b>	<b>18.4 %</b>
<b>TOTAL RISK PARITY</b>	<b>2.2 %</b>	<b>2.1 %</b>	<b>N/A %</b>	<b>N/A %</b>
<b>TOTAL</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>



## Management's Discussion and Analysis

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 -0.27 percent for the fiscal year of 2015 on investments. At the end of fiscal year 2015 the Pension Trust Fund's investment value was \$127.9 billion\*, a decrease of approximately \$4.3 billion from fiscal year 2014. TRS follows a diversified investment approach that focuses on the three most common economic scenarios. TRS is positioned to take advantage of any of these various market scenarios. TRS is allocated 61.3% to Global Equity markets, which perform well under favorable Gross Domestic Product (GDP) growth and moderate inflation, 18.7% to Real Return, which should perform well in low GDP growth and high inflation, 17.8% to a Stable Value portfolio, which should perform well and minimize downside risk in stagnant GDP growth and low inflation, and 2.2% to the Risk Parity strategy, which has a balanced exposure to all three economic scenarios. Looking ahead, return expectations remain muted in the years ahead. Concerns about the resilience of global growth remain, with China's slowdown taking an increasingly prominent role on the world stage. In addition to China policy actions, much of the market's focus going forward will be on the monetary policy actions of the world's major central banks, with the Federal Reserve expected to begin raising short-term interest rates in late 2015 or early 2016, while the European Central Bank and the Bank of Japan are expected to remain accommodative.



\* Note: Differences between the Total Investment Value above and Total Investments on Exhibit I are due to differences in reporting methodologies. The Total Investment Value includes Investment Related cash, Net Investment Receivables/Payables and Securities Sold Short. In accordance with GASB, these are not reported on this page with Total Investments. Additionally, Total Investments on this page includes a short-term asset pool adjustment from Amortized Cost to Fair Value that is not included here. A complete reconciliation of the two values is located on the Investment Summary Market Values page in the Investment Section.





## Management’s Discussion and Analysis

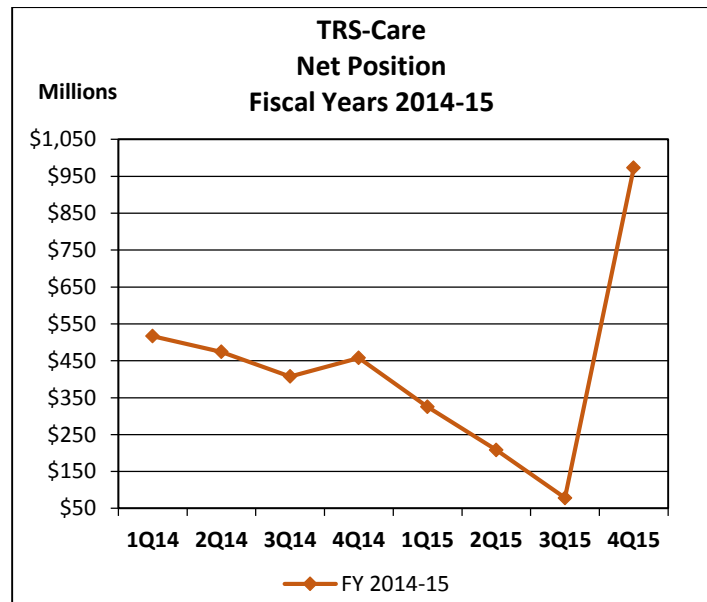
### TRS-Care

The net position of TRS-Care at August 31, 2015 was \$972.9 million, an increase of \$515 million from the \$457.9 million at August 31, 2014.

Additions to net position include premium contributions received from retirees, contributions received from active members, participating employers and the state, federal revenue and investment earnings. Total contributions of \$682.3 million increased by \$32.5 million from the \$649.8 million in fiscal year 2014 due to normal payroll growth. TRS-Care received \$768 million in funding by the 2015 legislature under House Bill 2, a supplemental appropriations bill for the 2016-17 biennium.

Retiree premiums of \$369.1 million in fiscal year 2015 increased \$5.4 million from fiscal year 2014 due to growth in the retiree population. Federal revenue received in fiscal year 2015 includes Retiree Drug Subsidy (RDS) payments totaling \$14 million and Employer Group Waiver Plan subsidy payments totaling \$112.8 million. Investment income was \$1.5 million, a decrease of \$566 thousand from the \$2.1 million in fiscal year 2014. Cash in the State Treasury increased \$464.3 million in fiscal year 2015.

Deductions from net position totaled \$1.7 billion during fiscal year 2015. This is an increase of \$240.3 million or 16.9% over the \$1.4 billion in fiscal year 2014. The change is principally due to a substantial increase in Medicare Advantage (insured plan) premiums. Administrative expenses increased by 3.4% from fiscal year 2014. Deductions for Affordable Care Act mandated Patient-Centered Outcomes Research Institute (PCORI) and Transitional Reinsurance Program fees totaled \$4.5 million. The PCORI fees support research on clinical effectiveness of medical treatments. The Transitional Reinsurance Program provides support to insurers of high risk individuals from 2014 to 2016.





## Management's Discussion and Analysis

### Statement of Net Position - TRS-Care

(Dollars in Thousands)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$1,134,174	\$594,921	\$539,253	90.6 %
<b>TOTAL ASSETS</b>	<b>\$1,134,174</b>	<b>\$594,921</b>	<b>\$539,253</b>	<b>90.6 %</b>
<b>Liabilities</b>				
Accounts Payables and Other	\$2,651	\$770	\$1,881	244.3 %
Health Care Claims Payables	158,604	136,211	22,393	16.4
<b>TOTAL LIABILITIES</b>	<b>\$161,255</b>	<b>\$136,981</b>	<b>\$24,274</b>	<b>17.7 %</b>
<b>Total Net Position</b>	<b>\$972,919</b>	<b>\$457,940</b>	<b>\$514,979</b>	<b>112.5 %</b>

### Changes in Net Position - TRS-Care

(Dollars in Thousands)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
<b>Additions</b>				
Member Contributions	\$198,196	\$189,004	\$9,192	4.9 %
State Contributions	281,098	267,498	13,600	5.1
Participating Employers and Other Contributions	202,977	193,264	9,713	5.0
Health Care Premiums	369,066	363,631	5,435	1.5
Rebates and Discount Income	231,569	200,860	30,709	15.3
Federal Revenue	126,807	78,589	48,218	61.4
Investment Income	1,496	2,062	(566)	(27.4)
Supplemental Appropriation from State	768,101	36,058	732,043	2,030.2
<b>TOTAL ADDITIONS</b>	<b>\$2,179,310</b>	<b>\$1,330,966</b>	<b>\$848,344</b>	<b>63.7 %</b>
<b>Deductions</b>				
Health Care / Insurance Premium and Payments	\$1,613,181	\$1,375,040	\$238,141	17.3 %
Health Care Claims Processing	42,873	41,912	961	2.3
Health Care Fees	4,508	3,476	1,032	29.7
Administrative Expenses	3,769	3,646	123	3.4
<b>TOTAL DEDUCTIONS</b>	<b>\$1,664,331</b>	<b>\$1,424,074</b>	<b>\$240,257</b>	<b>16.9 %</b>
<b>Change in Net Position</b>	<b>\$514,979</b>	<b>(\$93,108)</b>	<b>\$608,087</b>	<b>653.1 %</b>



## **Management’s Discussion and Analysis**

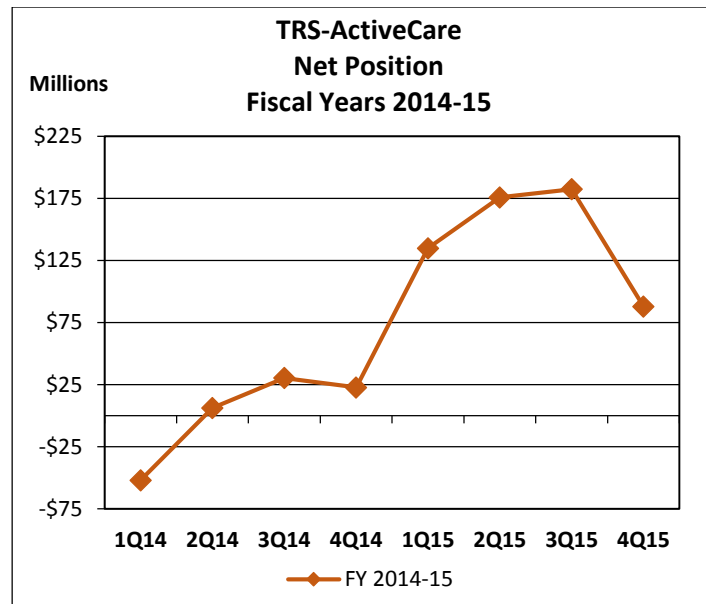
### **Enterprise Funds**

#### **TRS-ActiveCare**

The TRS-ActiveCare program operates under the authority of the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and the Texas Administrative Code, Title 34, Part 3, Chapter 41, and began operations in fiscal year 2003. The Net Position of the plan was \$87.8 million at the end of fiscal year 2015, an increase of \$65 million or 285% from fiscal year 2014.

Revenues for fiscal year 2015 included \$1.9 billion from health care premiums, an increase of \$15.1 million, or 0.8% over fiscal year 2014. This was due to an increase in plan participation. Investment income for the year was \$1.5 million, an increase of \$597 thousand, or 63.5% from fiscal year 2014. Other revenues for 2015 totaled \$237 thousand, an increase of \$18 thousand from fiscal year 2014.

Health care claims for fiscal year 2015 were \$1.6 billion, a \$43.4 million, or 2.9% increase over the \$1.5 billion in fiscal year 2014. Other expenses included claims processing costs of \$113 million, \$178.2 million for HMO premium payments, and \$2.2 million for administrative expenses. Health care fees mandated by the Affordable Care Act totaled \$22 million.







## Management's Discussion and Analysis

### Statement of Net Position - TRS-ActiveCare

(Dollars in Thousands)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
<b>Assets</b>				
Cash and Receivables	\$370,343	\$230,641	\$139,702	60.6 %
<b>TOTAL ASSETS</b>	<b>\$370,343</b>	<b>\$230,641</b>	<b>\$139,702</b>	<b>60.6 %</b>
<b>Liabilities</b>				
Accounts Payable and Other	\$262	\$386	(\$124)	-32.4 %
Unearned Premium Revenue	715		715	
Premiums and Fees Payable	28,177	12,733	15,444	121.3
Health Care Claims Payable	253,374	194,683	58,691	30.1
<b>TOTAL LIABILITIES</b>	<b>\$282,528</b>	<b>\$207,802</b>	<b>\$74,726</b>	<b>36.0 %</b>
<b>Total Net Position</b>	<b>\$87,815</b>	<b>\$22,839</b>	<b>\$64,976</b>	<b>284.5 %</b>

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

(Dollars in Thousands)

	Fiscal Year 2015	Fiscal Year 2014	Dollar Change	Percentage Change
<b>Revenues (Operating and Non-Operating)</b>				
Health Care Premiums	\$1,943,949	\$1,928,895	\$15,054	0.8 %
Investment Income	1,537	940	597	63.5
Other Revenue	237	219	18	8.2
<b>TOTAL REVENUE</b>	<b>\$1,945,723</b>	<b>\$1,930,054</b>	<b>\$15,669</b>	<b>0.8 %</b>
<b>Operating Expenses</b>				
Health Care Claims	\$1,565,256	\$1,521,835	\$43,421	2.9 %
Health Care Claims Processing	113,032	90,680	22,352	24.6
Health Care Fees	22,041	19,245	2,796	14.5
Premium Payments to HMO's	178,192	154,914	23,278	15.0
Administrative Expenses	2,226	2,570	-344	-13.4
<b>TOTAL EXPENSES</b>	<b>\$1,880,747</b>	<b>\$1,789,244</b>	<b>\$91,503</b>	<b>5.1 %</b>
<b>Change in Net Position</b>	<b>\$64,976</b>	<b>\$140,810</b>	<b>(\$75,834)</b>	<b>-53.9 %</b>



## ***Management's Discussion and Analysis***

### **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. Please also refer to our website at [www.trs.texas.gov](http://www.trs.texas.gov).



## Statement of Fiduciary Net Position

AS OF AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

	Fiduciary Fund Types	
	Pension and Other Employee Benefit Trust Funds	
	Pension Trust Fund	TRS-Care
<b>ASSETS</b>		
<b>Cash</b>		
Cash in State Treasury	\$ 967,123,065	\$ 860,109,505
Cash in Bank (Note 3A)	398,825,412	
Cash on Hand (Note 3B)	3,087,674	
TOTAL CASH	\$ 1,369,036,151	\$ 860,109,505
<b>Receivables (Note 1F)</b>		
Sale of Investments	\$ 1,364,937,789	\$
Interest and Dividends	214,892,040	317,174
Member and Retiree	1,117,028	47,103,564
Service Credit Purchases	26,393,340	
Participating Employers	204,844,527	10,836,320
Due from State's General Fund	128,204,905	33,566,874
Due from Employees Retirement System of Texas	1,711,632	
Prepaid Expenses and Deposits	66,819	
Other	281,662	182,240,712
TOTAL RECEIVABLES	\$ 1,942,449,742	\$ 274,064,644
<b>Investments (Note 1F and 3E)</b>		
Short-Term	\$ 3,373,532,192	\$
Short-Term Foreign Currency Contracts	86,385	
Equities	47,167,558,671	
Fixed Income	21,563,259,009	
Alternative Investments	48,186,507,871	
Derivative Investments	65,340,265	
Pooled Investments	6,686,145,072	
TOTAL INVESTMENTS	\$ 127,042,429,465	\$ 0
Invested Securities Lending Collateral	\$ 19,372,421,460	\$ 0
<b>Capital Assets (Note 2)</b>		
Intangible Assets	\$ 10,569,751	\$
Less Accumulated Amortization	(9,499,614)	
Depreciable Assets	55,987,505	
Less Accumulated Depreciation	(30,368,999)	
Non-Depreciable Assets	27,036,363	
TOTAL CAPITAL ASSETS	\$ 53,725,006	\$ 0
<b>TOTAL ASSETS</b>	\$ 149,780,061,824	\$ 1,134,174,149





**Fiduciary Fund Types**

<b>Total Pension and Other Employee Benefit Trust Funds</b>		<b>Agency Funds</b>	
<b>2015</b>	<b>2014</b>	<b>Child Support Employee Deductions</b>	
\$ 1,827,232,570	\$ 1,332,743,714	\$	6,599
398,825,412	297,354,404		
3,087,674	2,526,510		
<b>\$ 2,229,145,656</b>	<b>\$ 1,632,624,628</b>	<b>\$</b>	<b>6,599</b>
\$ 1,364,937,789	\$ 949,152,042	\$	
215,209,214	217,654,084		
48,220,592	45,422,289		
26,393,340	42,096,484		
215,680,847	204,151,629		
161,771,779	129,084,870		
1,711,632	1,540,855		
66,819			
182,522,374	125,162,030		
<b>\$ 2,216,514,386</b>	<b>\$ 1,714,264,283</b>	<b>\$</b>	<b>0</b>
\$ 3,373,532,192	\$ 3,932,153,291	\$	
86,385	(37,174)		
47,167,558,671	52,316,260,451		
21,563,259,009	23,475,157,395		
48,186,507,871	44,345,750,419		
65,340,265	93,701,725		
6,686,145,072	7,432,120,860		
<b>\$ 127,042,429,465</b>	<b>\$ 131,595,106,967</b>	<b>\$</b>	<b>0</b>
<b>\$ 19,372,421,460</b>	<b>\$ 22,876,578,455</b>	<b>\$</b>	<b>0</b>
\$ 10,569,751	\$ 10,159,743	\$	
(9,499,614)	(8,968,661)		
55,987,505	53,814,541		
(30,368,999)	(27,444,410)		
27,036,363	10,493,166		
<b>\$ 53,725,006</b>	<b>\$ 38,054,379</b>	<b>\$</b>	<b>0</b>
<b>\$ 150,914,235,973</b>	<b>\$ 157,856,628,712</b>	<b>\$</b>	<b>6,599</b>

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## Statement of Fiduciary Net Position

AS OF AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

	Fiduciary Fund Types	
	Pension and Other Employee Benefit Trust Funds	
	Pension Trust Fund	TRS-Care
<b>LIABILITIES (Note 1F)</b>		
Accounts Payable	\$ 5,185,910	\$ 2,087,258
Payroll Payable	5,005,826	248,231
External Manager Fees Payable	23,235,445	
Benefits Payable	760,271,035	
Health Care Claims Payable		158,604,093
Investments Purchased Payable	865,498,021	
Securities Sold Short	187,607,731	
Collateral Obligations	19,379,483,580	
Due to Employees Retirement System of Texas	7,065,544	
Employee Compensable Absences Payable (Note 4)	7,729,025	315,327
Unrealized Lease Incentives	273,495	
Funds Held for Others		
<b>TOTAL LIABILITIES</b>	<b>\$ 21,241,355,612</b>	<b>\$ 161,254,909</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 53,725,006	\$
Restricted for Pensions/Other Employee Benefits	128,484,981,206	972,919,240
<b>NET POSITION RESTRICTED FOR PENSIONS AND OTHER EMPLOYEE BENEFITS</b>	<b>\$ 128,538,706,212</b>	<b>\$ 972,919,240</b>

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



**Fiduciary Fund Types**

<b>Total Pension and Other Employee Benefit Trust Funds</b>		<b>Agency Funds Child Support Employee Deductions</b>	
<b>2015</b>	<b>2014</b>		
\$ 7,273,168	\$ 9,741,611	\$	
5,254,057	4,610,218		
23,235,445	38,222,531		
760,271,035	747,290,981		
158,604,093	136,210,995		
865,498,021	646,945,719		
187,607,731	152,153,586		
19,379,483,580	22,869,875,747		
7,065,544	6,845,375		
8,044,352	7,306,238		
273,495	242,139		
			6,599
<b>\$ 21,402,610,521</b>	<b>\$ 24,619,445,140</b>	<b>\$</b>	<b>6,599</b>
\$ 53,725,006	\$ 38,054,379	\$	
129,457,900,446	133,199,129,193		
<b>\$ 129,511,625,452</b>	<b>\$ 133,237,183,572</b>	<b>\$</b>	<b>0</b>



## Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

Exhibit II

	Pension and Other Employee Benefit Trust Funds	
	Pension Trust Fund	TRS-Care
<b>ADDITIONS</b>		
<b>Contributions</b>		
Member	\$ 2,576,024,311	\$ 198,196,273
State's General Fund - Non-Employer Contributing Entity	1,591,482,988	281,098,358
Employer		
State's General Fund	93,079,033	
Participating Employer Contributions	924,216,283	191,517,780
Surcharges		
Employment after Retirement-Employee	7,481,714	
Employment after Retirement-Employer	8,339,748	11,458,690
Non-OASDI Participating Employers	344,855,875	
Purchase of Service Credit-Refundable	23,508,475	
Purchase of Service Credit - Non-Refundable	26,580,631	
State Contributions for 415 Excess Benefit Arrangement	2,151,359	
Employees Retirement System of Texas:		
For Service Contributions	18,989,008	
For 415 Excess Benefit Arrangement	65,227	
Health Care Premiums		369,066,459
Federal Revenue (Note 6)		126,806,652
Rebate and Discount Income		231,569,472
Supplemental Appropriation from State		768,100,754
Paid by State's General Fund on Behalf of TRS Employees (Note 6)		
<b>TOTAL CONTRIBUTIONS AND PREMIUMS</b>	<b>\$ 5,616,774,652</b>	<b>\$ 2,177,814,438</b>
<b>Investment Income</b>		
From Investing Activities:		
Net Increase/(Decrease) in Fair Value of Investments	\$ (7,107,642,634)	\$
Interest	623,717,202	1,495,680
Dividends	6,248,497,146	
Total Investing Activities Income/(Loss)	\$ (235,428,286)	\$ 1,495,680
Less: Investing Activity Expenses (Schedule 3)	(259,203,853)	
Net Income/(Loss) from Investing Activities	\$ (494,632,139)	\$ 1,495,680
From Securities Lending Activities:		
Securities Lending Income	\$ 120,970,871	\$
Securities Lending Expenses:		
Borrower Rebates	(30,143,454)	
Management Fees	(8,954,378)	
Net Income from Securities Lending Activities	\$ 81,873,039	\$ 0
<b>TOTAL NET INVESTMENT INCOME/(LOSS)</b>	<b>\$ (412,759,100)</b>	<b>\$ 1,495,680</b>
<b>Other Additions</b>		
Miscellaneous Revenue	\$ 3,733,133	\$ 0
<b>TOTAL ADDITIONS</b>	<b>\$ 5,207,748,685</b>	<b>\$ 2,179,310,118</b>





<b>Pension and Other Employee Benefit Trust Funds</b>	
<b>2015</b>	<b>2014</b>
\$ 2,774,220,584	\$ 2,546,689,903
1,872,581,346	1,798,121,739
93,079,033	120,206,921
1,115,734,063	1,035,151,832
7,481,714	6,247,139
19,798,438	16,071,271
344,855,875	
23,508,475	67,386,116
26,580,631	76,147,975
2,151,359	2,202,592
18,989,008	17,440,313
65,227	71,240
369,066,459	363,631,292
126,806,652	78,589,415
231,569,472	200,859,859
768,100,754	36,058,148
	139,422
<u>\$ 7,794,589,090</u>	<u>\$ 6,365,015,177</u>
\$ (7,107,642,634)	\$ 16,443,655,756
625,212,882	1,866,157,795
6,248,497,146	1,254,816,385
<u>\$ (233,932,606)</u>	<u>\$ 19,564,629,936</u>
(259,203,853)	(200,672,176)
<u>\$ (493,136,459)</u>	<u>\$ 19,363,957,760</u>
\$ 120,970,871	\$ 122,114,760
(30,143,454)	(17,464,911)
(8,954,378)	(32,115,830)
<u>\$ 81,873,039</u>	<u>\$ 72,534,019</u>
<u>\$ (411,263,420)</u>	<u>\$ 19,436,491,779</u>
\$ 3,733,133	\$ 4,143,449
<u>\$ 7,387,058,803</u>	<u>\$ 25,805,650,405</u>

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## Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

**Exhibit II (Concluded)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	
	<b>Pension Trust Fund</b>	<b>TRS-Care</b>
<b>DEDUCTIONS</b>		
Benefits	\$ 8,935,111,459	\$
Refunds of Contributions - Active	385,866,706	
Refunds of Contributions - Death	5,474,475	
415 Excess Benefit Arrangement	1,929,315	
Benefits Paid to Employees Retirement System of Texas:		
For Service Contributions	84,059,353	
For 415 Excess Benefit Arrangement	287,271	
Health Care Claims and Insurance Premium Payments		1,613,181,278
Health Care Claims Processing		42,872,769
Patient-Centered Outcomes Research Institute Fee		337,148
Transitional Reinsurance Fee		4,170,490
Administrative Expenses, Excluding Investing Activity Expenses:		
Salaries and Wages	20,963,938	2,414,400
Payroll Related Costs	6,861,911	486,829
Professional Fees and Services	369,886	731,307
Travel	93,414	7,698
Materials and Supplies	2,256,166	41,646
Communications and Utilities	132,364	2,212
Repairs and Maintenance	1,988,978	
Rentals and Leases	187,193	54,490
Printing and Reproduction	69,353	12,750
Depreciation Expense	1,641,856	
Amortization Expense	530,953	
Loss on Capital Asset		
Other Expense	460,967	18,348
<b>TOTAL DEDUCTIONS</b>	<b>\$ 9,448,285,558</b>	<b>\$ 1,664,331,365</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ (4,240,536,873)</b>	<b>\$ 514,978,753</b>
<b>NET POSITION: RESTRICTED FOR PENSIONS/OTHER EMPLOYEE BENEFITS - BEGINNING OF YEAR</b>	<b>\$ 132,779,243,085</b>	<b>\$ 457,940,487</b>
<b>NET POSITION: RESTRICTED FOR PENSIONS/OTHER EMPLOYEE BENEFITS - END OF YEAR</b>	<b>\$ 128,538,706,212</b>	<b>\$ 972,919,240</b>

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



<b>Pension and Other Employee Benefit Trust Funds</b>	
<b>2015</b>	<b>2014</b>
\$ 8,935,111,459	\$ 8,548,642,525
385,866,706	405,144,490
5,474,475	5,455,829
1,929,315	1,971,677
84,059,353	80,163,847
287,271	302,155
1,613,181,278	1,375,039,945
42,872,769	41,911,930
337,148	475,839
4,170,490	3,000,000
23,378,338	21,331,482
7,348,740	8,199,006
1,101,193	5,912,940
101,112	193,398
2,297,812	2,672,698
134,576	270,011
1,988,978	3,880,469
241,683	199,021
82,103	149,769
1,641,856	1,868,689
530,953	428,434
	23,994
479,315	420,825
<b>\$ 11,112,616,923</b>	<b>\$ 10,507,658,973</b>
\$ (3,725,558,120)	\$ 15,297,991,432
<b>\$ 133,237,183,572</b>	<b>\$ 117,939,192,140</b>
<b>\$ 129,511,625,452</b>	<b>\$ 133,237,183,572</b>



## Statement of Net Position

### PROPRIETARY FUNDS

AS OF AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

	Enterprise Funds	
	Major Fund	Non-Major Fund
	TRS-ActiveCare	403(b) Administrative Program
<b>ASSETS</b>		
<b>Current Assets</b>		
<b>Cash</b>		
Cash In State Treasury	\$ 370,204,982	\$ 307,266
<b>TOTAL CASH</b>	<b>\$ 370,204,982</b>	<b>\$ 307,266</b>
<b>Receivables</b>		
Interest	\$ 138,076	\$ 107
Health Care Premiums		
<b>TOTAL RECEIVABLES</b>	<b>\$ 138,076</b>	<b>\$ 107</b>
<b>TOTAL ASSETS</b>	<b>\$ 370,343,058</b>	<b>\$ 307,373</b>
<b>LIABILITIES (Note 1F)</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 1,496	\$ 370
Payroll Payable	120,506	6,168
Unearned Premium Revenue	714,480	
Fees Payable	13,508,000	
Premiums Payable to HMOs	14,669,296	
Health Care Claims Payable	253,374,387	
Employee Compensable Absences Payable (Note 4)	100,022	1,765
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 282,488,187</b>	<b>\$ 8,303</b>
<b>Non-Current Liabilities</b>		
Employee Compensable Absences Payable (Note 4)	\$ 39,595	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>\$ 39,595</b>	<b>\$ 0</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 282,527,782</b>	<b>\$ 8,303</b>
<b>NET POSITION</b>		
Restricted for Health Care Programs	\$ 87,815,276	\$
Restricted for Administrative Expenses		299,070
<b>TOTAL NET POSITION</b>	<b>\$ 87,815,276</b>	<b>\$ 299,070</b>

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





<b>Total Enterprise Funds</b>	
<b>2015</b>	<b>2014</b>
\$ 370,512,248	\$ 230,331,707
\$ 370,512,248	\$ 230,331,707
\$ 138,183	\$ 75,182
0	576,694
\$ 138,183	\$ 651,876
\$ 370,650,431	\$ 230,983,583
\$ 1,866	\$ 128,338
126,674	113,619
714,480	
13,508,000	18,800,000
14,669,296	12,733,152
253,374,387	175,883,104
101,787	105,757
\$ 282,496,490	\$ 207,763,970
\$ 39,595	\$ 52,345
\$ 39,595	\$ 52,345
\$ 282,536,085	\$ 207,816,315
\$ 87,815,276	\$ 22,839,112
299,070	328,156
\$ 88,114,346	\$ 23,167,268



## Statement of Revenues, Expenses and Changes in Net Position

### PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

	Enterprise Funds	
	Major Fund	Non-major Fund
	TRS-ActiveCare	403(b) Administrative Program
<b>OPERATING REVENUES</b>		
Health Care Premiums	\$ 1,943,949,265	\$
Administrative Fees	141,534	
Certification Fees		27,000
Product Registration Fees		21,000
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 1,944,090,799</b>	<b>\$ 48,000</b>
<b>OPERATING EXPENSES</b>		
Health Care Claims	\$ 1,565,255,957	\$
Health Care Claims Processing	113,032,001	
Premium Payments to HMOs	178,192,468	
Patient-Centered Outcomes Research Institute Fees	939,522	
Transitional Reinsurance Fee	21,101,894	
Administrative Expenses:		
Salaries and Wages	1,161,112	71,954
Payroll Related Costs	214,416	6,492
Professional Fees and Services	782,921	
Travel	6,779	
Materials and Supplies	943	
Communications and Utilities	1,056	
Repairs and Maintenance	250	
Rentals and Leases	56,668	
Other Operating Expense	1,271	
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 1,880,747,258</b>	<b>\$ 78,446</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ 63,343,541</b>	<b>\$ (30,446)</b>
<b>NON-OPERATING REVENUE</b>		
Investment Income	\$ 1,537,408	\$ 1,360
Other Non-operating Revenue	95,215	
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees (Note 6)		
<b>TOTAL NON-OPERATING REVENUES</b>	<b>\$ 1,632,623</b>	<b>\$ 1,360</b>
<b>Change in Net Position</b>	<b>\$ 64,976,164</b>	<b>\$ (29,086)</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR</b>	<b>\$ 22,839,112</b>	<b>\$ 328,156</b>
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ 87,815,276</b>	<b>\$ 299,070</b>

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



<b>Total Enterprise Funds</b>			
<b>2015</b>		<b>2014</b>	
\$	1,943,949,265	\$	1,928,895,465
	141,534		139,608
	27,000		15,000
	21,000		15,000
<b>\$</b>	<b>1,944,138,799</b>	<b>\$</b>	<b>1,929,065,073</b>
\$	1,565,255,957	\$	1,521,834,989
	113,032,001		90,680,328
	178,192,468		154,913,859
	939,522		1,245,626
	21,101,894		18,000,000
	1,233,066		1,211,715
	220,908		336,450
	782,921		1,020,179
	6,779		8,230
	943		2,913
	1,056		771
	250		0
	56,668		46,684
	1,271		5,544
<b>\$</b>	<b>1,880,825,704</b>	<b>\$</b>	<b>1,789,307,288</b>
<b>\$</b>	<b>63,313,095</b>	<b>\$</b>	<b>139,757,785</b>
\$	1,538,768	\$	941,346
	95,215		
			82,923
<b>\$</b>	<b>1,633,983</b>	<b>\$</b>	<b>1,024,269</b>
\$	64,947,078	\$	140,782,054
\$	23,167,268	\$	(117,614,786)
<b>\$</b>	<b>88,114,346</b>	<b>\$</b>	<b>23,167,268</b>



## Statement of Cash Flows

### PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

	Enterprise Funds	
	Major Fund	Non-major Fund
	TRS-ActiveCare	403(b) Administrative Program
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Health Care Premiums	\$ 1,945,240,439	\$
Receipts from Long-Term Care Administrative Fees	141,534	
Receipts from Certification/Product Registration Fees		48,000
Payments for Administrative Expenses	(2,349,876)	(84,122)
Payments for Health Care Claims	(1,487,764,675)	
Payments for Health Care Claims Processing	(113,032,001)	
Payments for HMO Premiums	(176,256,324)	
Payments for Affordable Care Act Fees	(27,333,416)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 138,645,681	\$ (36,122)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from Other Non-Operating Revenue	\$ 95,215	
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	\$ 95,215	\$ 0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	\$ 1,474,411	\$ 1,356
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 1,474,411	\$ 1,356
Net Increase (Decrease) in Cash	\$ 140,215,307	\$ (34,766)
CASH AND CASH EQUIVALENTS - SEPTEMBER 1	\$ 229,989,675	\$ 342,032
CASH AND CASH EQUIVALENTS - AUGUST 31	\$ 370,204,982	\$ 307,266
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 63,343,541	\$ (30,446)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Changes in Assets & Liabilities:		
Decrease in Health Care Premiums Receivable/Unearned Premium Revenue	\$ 1,291,174	\$
Increase in Premiums Payable to HMOs	1,936,144	
Increase (Decrease) in Health Care Claims Payable*	77,491,282	
(Decrease) in Affordable Care Act Fees Payable*	(5,292,000)	
Increase (Decrease) in Accounts Payable	(126,841)	370
Increase (Decrease) in Payroll Payable	10,934	2,121
Increase (Decrease) in Employee Compensable Absences Payable	(8,553)	(8,167)
NonCash Transactions:		
Proceeds from Fringe Benefits Paid by the State's General Fund on Behalf of TRS Employees		
Total Adjustments	\$ 75,302,140	\$ (5,676)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 138,645,681	\$ (36,122)

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

*\* During 2015, \$18,800,000 was reclassified from Health Care Claims Payable to Fees Payable for 2014.*





<b>Total Enterprise Funds</b>	
<b>2015</b>	<b>2014</b>
\$ 1,945,240,439	\$ 2,020,390,239
141,534	139,608
48,000	30,000
(2,433,998)	(2,587,879)
(1,487,764,675)	(1,575,470,963)
(113,032,001)	(90,680,328)
(176,256,324)	(150,691,609)
(27,333,416)	(19,245,626)
<b>\$ 138,609,559</b>	<b>\$ 181,883,442</b>
\$ 95,215	\$ 0
\$ 95,215	\$ 0
\$ 1,475,767	\$ 892,291
\$ 1,475,767	\$ 892,291
\$ 140,180,541	\$ 182,775,733
\$ 230,331,707	\$ 47,555,974
\$ 370,512,248	\$ 230,331,707
\$ 63,313,095	\$ 139,757,785
\$ 1,291,174	\$ 91,494,774
1,936,144	4,222,250
77,491,282	(34,835,974)
(5,292,000)	(18,800,000)
(126,471)	(27,426)
13,055	(12,899)
(16,720)	2,009
0	82,923
\$ 75,296,464	\$ 42,125,657
<b>\$ 138,609,559</b>	<b>\$ 181,883,442</b>



## ***Notes to the Financial Statements***

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## ***Notes to the Financial Statements***

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **A. REPORTING ENTITY**

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

- Three are direct appointments by the Governor.
- Two appointments are from a list nominated by the State Board of Education.
- Two appointments are from three public school district active members nominated by employees of public school districts.
- One appointment is from three higher education active members nominated by employees of institutions of higher education.
- One appointment is from three retired member candidates nominated by TRS retirees.

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

This report includes all activities and programs for which TRS exercises fiscal control and responsibility and includes all funds that comprise the system's legal entity. TRS administers retirement and related benefits to employees and beneficiaries of employees of the public, state-supported, educational institutions of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

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

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

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

The system also administers a 403(b) Administrative Program in which companies must be certified by TRS to offer qualified investment products to public education employees through payroll deductions in accordance with Internal Revenue Code section 403(b). Authority for the program can be found in Vernon's Civil Statutes, Title 109, Article 6228a-5, Sections 4-8A and in the Texas Administrative Code, Title 34, Part 3, Chapter 53. The program began operations on September 1, 2001.

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



## Notes to the Financial Statements

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

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

- *Fiduciary Funds* – include the Pension Trust Fund, TRS-Care (employee benefits trust fund) and the Agency Fund.
- *Proprietary Funds* – include TRS-ActiveCare and the 403(b) Administrative Program which are both Enterprise funds. TRS ActiveCare is 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 position and changes in net position. 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 employee benefit plan. Agency funds are used to report resources held in a purely custodial capacity by the reporting government.

*Proprietary*, enterprise funds account for business-type activities or those for which a fee is charged to external users for goods or services. The reporting focus is on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating activities from non-operating. Operating activities generally result from providing services and producing or delivering goods. Operating revenues for the system's proprietary funds are derived from self-insurance premiums and providing plan and product certification services to qualified 403(b) plans. Operating expenses include the costs of claims, costs of certification/product services and related administrative expenses. Non-operating revenues and expenses are those items that do not meet any of the above definitions.

Separate financial statements are provided for each fund. The fiduciary (excluding 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 of the timing of related cash flows. Contributions are recognized in the period in which amounts are due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. All economic resources, including financial and capital assets, and related liabilities, both current and long-term, and the changes therein are reported in each fund's financial statements. Capital assets are depreciated or amortized on a straight-line basis, if appropriate.

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.

### C. NEW ACCOUNTING PRONOUNCEMENTS

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, relates to governmental employers that provide pensions through trusts and is effective for fiscal years beginning after June 15, 2014. TRS issued GASB 68 Allocation Schedules for the first time for use by employers participating in the TRS pension plan.



## ***Notes to the Financial Statements***

### **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, 2014, from which the summarized information was derived. These reclassifications had no effect on previously reported net positions.

Certain items from the prior year's financial statements have been reclassified to conform to the presentation in the current year's financial statements. For the fiscal year 2015, the Statement of Changes in Fiduciary Net Position for the Pension Trust Fund includes a reclassification from Net Increase in Fair Value of Investments to Dividends. For TRS-Care, the \$36 million Supplemental Appropriation received from the state in 2014 was presented separately this year due to the size of the amount received in 2015. It was previously presented as State's General Fund – Non Employer Contributing Entity in 2014. For TRS ActiveCare on the Statement of Net Position, Fees Payable were presented in Health Care Claims Payable in 2014 and are now shown separately. Pension Surcharges for Employment after Retirement were combined in 2014 and have been separated in 2015 for the employee and employer rates.

### **E. BUDGETS AND APPROPRIATIONS**

The administrative costs and capital asset outlay for each of the system's funds and programs are controlled by annual budgets approved by the board of trustees.

The Pension Trust Fund receives state contributions for retirement benefits from general revenue appropriations. In fiscal years 2015 and 2014, contributions were made by the State of Texas to the retirement system at the rate of 6.8% 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.

The 83<sup>rd</sup> Texas Legislature enacted Senate Bill 1458 which reduced the annual interest paid on member account balances from five percent to two percent effective September 1, 2014.

TRS-Care received contributions from the state's General Fund equal to one percent of salaries paid to public education employees in fiscal year 2015. Administrative expenses for this program are paid from the trust fund. House Bill 2 provided an additional \$768 million in funding for TRS-Care. The funding was transferred in fiscal year 2015.

The two Enterprise Funds, TRS-ActiveCare and the 403(b) Administrative 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.). This legislation created a separate, nonqualified, unfunded excess benefit arrangement outside the trust fund of the retirement system. 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 position; therefore, for reporting purposes only the contributions and benefits are reflected on Exhibit II, Statement of Changes in Fiduciary Net Position.





## Notes to the Financial Statements

### F. ASSETS, LIABILITIES AND LEGAL RESERVES

#### Receivables

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

- *Sale of Investments* receivables occur when the trade date is before the fiscal year-end and the settlement date is in the next fiscal year.
- *Interest and Dividend* receivables represent distributions of income made on bank accounts and other investments that TRS earned in the current fiscal year but did not receive until after fiscal year-end.
- *Member and Retiree* receivables represent contributions that are due from members for the current fiscal year but not received until after fiscal year-end.
- *Reporting Entity* receivables represent contributions that are due from reporting entities for the current fiscal year which are not received until after fiscal year-end.
- *Service Credit Purchase* receivables represent the outstanding balance due from members on service credit purchase installment contracts at fiscal year-end. Payments can be made on a monthly basis for up to five years for purchasing additional creditable service. Receivables are recognized when an agreement is signed.
- *Other* receivables represent amounts owed to TRS such as refund or annuity repayments at fiscal year-end but not received until the next fiscal year.

#### Investments

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.

Short-Term Investments are those maturing within one year of purchase date. Included in short-term investments are foreign currency contracts. These foreign exchange contracts are reported at the spot rate and the net difference between the value of the foreign currency and the U.S. dollar is reported in the net increase (decrease) in fair value of investments. 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. 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".

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 investing in the local market or in the American Depository Receipt (ADR) or Global Depository Receipt (GDR), 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.



## ***Notes to the Financial Statements***

The system has Alternative Investments in the form of Limited Partnerships (LP) and other non-publicly traded equities. These LPs include interests in private equity, real asset, hedge fund, and other absolute return partnership arrangements. These investments are generally illiquid, and the system's ability to gain insight into the underlying portfolios of some of the LPs may be limited. The fair value of these LP's 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 with TRS' fiscal year end. 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. Derivative instruments associated with investments that are already reported at fair value are classified as investment derivative instruments. Changes in fair value of investment derivative instruments are reported as net increase (decrease) in fair value of investments, a component of investment income.

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.

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



## Notes to the Financial Statements

### Other Assets

Prepaid deposits and rent expense reflects payment for rental costs applicable to a future accounting period.

### Capital Assets

Capital assets associated with the funds' activities are included in the statement of net position. Purchases of capital assets by the fund are reported at cost on the acquisition date. Depreciation of all exhaustible capital assets is charged as an expense against the fund's operations. Depreciation is calculated using the straight-line method over the asset's useful life. Note 2 includes a table identifying the capitalization threshold and estimated useful life by asset type.

### Liabilities

*Accounts Payable* represents the liability for assets or services received at fiscal year-end for which payment has not been made.

*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. Health care claims payable for TRS-Care and TRS-ActiveCare includes an estimate for health care claims incurred but not reported to the system at fiscal year-end.

*Investments Purchased Payable* represents the liability for securities purchased prior to fiscal year-end that has not been made. Foreign investments purchased payable is reported at current exchange rates.

*Securities Sold Short* represent obligations to deliver securities. The system may sell equity securities short in anticipation of a decline in fair value. In a short sale, the system borrows the securities from another party and delivers the securities to the buyer. The system is required to "cover" its short sale in the future through the purchase of the security in the market at the prevailing market price and deliver it to the counterparty from which it borrowed. The system is exposed to market risk to the extent that the security price increases during the time from when the security is borrowed to the time when the system purchases it in the market to cover the short sale.

*Collateral Obligations* represent both collateral associated with securities lending, and that associated with payables to brokers for collateral held related to derivative instrument-activity.

*Employee Compensable Absences Payable* represents the liability that becomes due upon the resignation, retirement and use of leave balances by 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 non-current in the statement of net position for enterprise funds, if appropriate.

*Unrealized Lease Incentives* represent a reduction to rental expenses for the rent abatement and incentives received from the non-cancelable operating lease that are being amortized over the lease term.

### Interfund/Interagency Transactions and Balances

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

Interagency transactions have been classified using the above criteria for reciprocal inter-fund activity.



## Notes to the Financial Statements

### Legal Reserve Accounts

The Pension Trust Fund has five statutorily required reserves.

- The *Member Savings Account* represents the accumulation of active member deposits plus interest.
- The *State Contribution Account* represents the reserves available to fund future active member retirement, death, and survivor benefits.
- The *Retired Reserve Account* represents the reserves available to fund retirement, death, survivor benefits and post-retirement benefit increases.
- The *Deferred Retirement Option Account* represents 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 the 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.

### NOTE 2: CAPITAL ASSETS

Capital assets are presented at historical cost or, if not purchased, at fair value at the date of acquisition. When appropriate straight-line depreciation and amortization have been charged over the shorter of estimated useful lives of the assets or lease period. All capital assets belong to the pension trust fund. Capitalization thresholds for all capital asset classes and useful lives for exhaustible assets are shown on the following page:

Asset Class	Capitalization Threshold	Depreciable Life
Land	\$ 0	--
Construction in Progress	0	--
Buildings	100,000	50 years
Building Improvements	100,000	15 years
Facilities and Other Improvements	100,000	10 years
Leasehold Improvements	100,000	6 years
Furniture and Equipment	5,000	5 years
Vehicles, Boats, and Aircraft	5,000	7 years
Internally Generated Computer Software	1,000,000	5 years
Other Computer Software	100,000	5 years
Other Capital Assets	Various	Various



## Notes to the Financial Statements

Capital asset balances and current year transactions are presented in the following table:

Asset Class	Balance 09/01/2014	Reclasses & Completed CIP	Additions	Deletions	Balance 08/31/2015 (Exhibit I)
<b>Non-Depreciable Assets:</b>					
Land and Land Improvements	\$ 1,658,310	\$	\$	\$	\$ 1,658,310
Construction in Progress	8,710,720		16,543,197		25,253,917
Other Tangible Capital Assets	124,136				124,136
<b>Total Non-Depreciable Assets</b>	<b>\$ 10,493,166</b>	<b>\$ 0</b>	<b>\$16,543,197</b>	<b>\$ 0</b>	<b>\$27,036,363</b>
<b>Depreciable Assets:</b>					
Buildings and Building Improvements	\$39,175,704	\$		\$	\$39,175,704
Furniture and Equipment	11,122,663		1,736,770	(15,332)	12,844,101
Vehicle, Boats & Aircraft	76,363				76,363
Leasehold Improvements	3,096,189		451,526		3,547,715
Facilities and Other Improvements	343,622				343,622
<b>Total Depreciable Assets at Historical Cost</b>	<b>\$53,814,541</b>	<b>\$ 0</b>	<b>\$ 2,188,296</b>	<b>\$ (15,332)</b>	<b>\$55,987,505</b>
<b>Less Accumulated Depreciation for:</b>					
Buildings and Building Improvements	\$(18,145,873)	\$	\$(1,353,671)	\$	\$(19,499,544)
Furniture and Equipment	(6,303,401)		(1,286,168)	15,332	(7,574,237)
Vehicles, Boats & Aircraft	(40,915)		(5,991)		(46,906)
Leasehold Improvements	(2,838,171)		(259,729)		(3,097,900)
Facilities and Other Improvements	(116,050)		(34,362)		(150,412)
<b>Total Accumulated Depreciation</b>	<b>\$(27,444,410)</b>	<b>\$ 0</b>	<b>\$(2,939,921)</b>	<b>\$ 15,332</b>	<b>\$(30,368,999)</b>
<b>Depreciable Assets, Net</b>	<b>\$ 26,370,131</b>	<b>\$ 0</b>	<b>\$ (751,625)</b>	<b>\$ 0</b>	<b>\$ 25,618,506</b>
<b>Intangible Assets:</b>					
Computer Software	\$ 10,159,743	\$	\$ 410,008	\$	\$ 10,569,751
<b>Total Amortizable Assets at Historical Cost</b>	<b>\$ 10,159,743</b>	<b>\$ 0</b>	<b>\$ 410,008</b>	<b>\$ 0</b>	<b>\$ 10,569,751</b>
<b>Less Accumulated Amortization for:</b>					
Computer Software	\$(8,968,661)	\$	\$(530,953)	\$	\$(9,499,614)
<b>Total Accumulated Amortization</b>	<b>\$(8,968,661)</b>	<b>\$ 0</b>	<b>\$(530,953)</b>	<b>\$ 0</b>	<b>\$(9,499,614)</b>
<b>Intangible Assets, Net</b>	<b>\$ 1,191,082</b>	<b>\$ 0</b>	<b>\$ (120,945)</b>	<b>\$ 0</b>	<b>\$ 1,070,137</b>
<b>Fiduciary Capital Assets, Net of Accumulated Depreciation/Amortization</b>	<b>\$ 38,054,379</b>	<b>\$ 0</b>	<b>\$15,670,627</b>	<b>\$ 0</b>	<b>\$ 53,725,006</b>





## ***Notes to the Financial Statements***

### **NOTE 3: 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, 2015, the carrying amount totaled \$398,825,412 and the bank balance totaled \$398,824,726. 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 ON HAND AND CASH EQUIVALENTS**

At August 31, 2015, the system had \$3,087,674 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.

Investments with an original maturity of three months or less and that are used for cash management rather than investing activities are considered cash equivalents. Highly liquid investments invested as part of a short-term investment fund are not considered cash equivalents.

#### **C. CUSTODY OF INVESTMENTS**

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

#### **D. INVESTMENT ALLOCATION, 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 establish and may amend 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. The Investment Division assists the Board in engaging in an asset-liability study for the pension plan at least once every five years to review asset classes, return-risk assumptions, and correlation of returns with applicable benchmarks and across asset classes. The most recent study was completed in fiscal year 2015 and the adopted asset allocation was effective October 1, 2014. A key objective of the asset-liability study shall be the development through statistical modeling techniques of a diversified portfolio that specifies ranges of prudent portfolio exposures and a "long-term normal" position for each asset class. The normal portfolio mix will represent the portfolio that is expected to meet the Board's actuarial return objectives for the pension plan within specific risk tolerances.



## Notes to the Financial Statements

The following was the asset allocation and Long-Term Expected Real Rate of Return as of August 31, 2015:

Asset Allocation and Long-Term Expected Real Rate of Return			
Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns <sup>1</sup>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13	5.1	0.8
Emerging Markets	9	5.9	0.7
Directional Hedge Funds	4	3.2	0.1
Private Equity	13	7.0	1.1
<b>Stable Value</b>			
U.S. Treasuries	11	0.7	0.1
Absolute Return	0	1.8	0.0
Stable Value Hedge Funds	4	3.0	0.1
Cash	1	-0.2	0.0
<b>Real Return</b>			
Global Inflation Linked Bonds	3	0.9	0.0
Real Assets	16	5.1	1.1
Energy and Natural Resources	3	6.6	0.2
Commodities	0	1.2	0.0
<b>Risk Parity</b>			
Risk Parity	5	6.7	0.3
Inflation Expectation			2.2%
Alpha			1.0
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

<sup>1</sup> The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns

For the year ended August 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was -0.32 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



## *Notes to the Financial Statements*

### E. INVESTMENTS

The fair values of investments at August 31, 2015, are shown in the following table:

<b>Pension Trust Fund</b>	
<b>Investment Type</b>	<b>Fair Value</b>
Short-Term Investment Fund	\$ 2,813,074,520
U.S. Treasury Bill	9,596,171
Other Short-Term	550,861,501
Short-Term Foreign Currency Contracts	86,385
Equities:	
Domestic Equities:	
Equity Securities	20,646,085,075
Equity Commingled Funds	2,871,308,066
International Equities:	
Equity Securities	26,521,473,596
Equity Commingled Funds	3,488,680,255
Equity Mutual Funds	91,908,027
Debt Securities:	
Domestic Debt Securities:	
Asset and Mortgage Backed	185,705,826
Corporate	43,271,751
U.S. Treasury	14,784,523,332
U.S. Treasury STRIPS	242,603,869
U.S. Treasury TIPS	6,004,020,596
U.S. Government Agency	36,178,295
Debt Commingled Funds	173,017,818
International Debt Securities:	
Government	263,705,310
Corporate	3,250,030
Debt Commingled Funds	31,571,803
Alternative Investments:	
Domestic Alternative Investments:	
Private Equity	12,997,417,625
Real Assets	13,327,277,730
Hedge Funds	11,158,758,163
Absolute Return	173,654,091
Energy and Natural Resources	2,250,960,367
Risk Parity	1,757,759,921
International Alternative Investments:	
Private Equity	3,413,830,007
Real Assets	2,648,964,608
Hedge Funds	457,885,359

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## Notes to the Financial Statements

<b>Pension Trust Fund (concluded)</b>	
<b>Investment Type</b>	<b>Fair Value</b>
Investment Derivatives:	
Domestic Investment Derivatives:	
Forward Contracts	6,960,269
Options	(2,570,953)
Swap Contracts	(14,081,051)
Warrants	22,919,926
International Investment Derivatives:	
Swap Contracts	(785,112)
Warrants	52,897,186
Other Investments:	
Other Commingled Funds - Domestic	29,659,103
<b>Total Investments (Exhibit I)</b>	<b>\$127,042,429,465</b>
Invested Securities Lending Collateral:	
Securities Lending Pooled Investments	\$ 19,372,421,460
<b>Total Securities Lending Collateral (Exhibit I)</b>	<b>\$ 19,372,421,460</b>

Categories of permissible investments include equities, debt securities, cash equivalents, alternative investments including private equity, real assets, absolute return, hedge funds, other absolute return investments, 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.

The objectives of the Private Equity and Real Asset investments is to provide diversification to the Total Fund, and provide for enhanced returns and diversification within the portfolio by allocating assets among the various strategies. 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. Funding of committed capital in either the Private Equity or the Real Asset Portfolio will occur over an extended time period and may take several years before the total allocation to each asset class is fully invested. Because an individual investment may begin to return capital to the investor prior to the full funding of the investor's commitment, the outstanding invested capital of a Private Equity or Real Asset investment might at times be substantially less than the total commitment. Hedge funds are private commingled investment vehicles 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. The permissible hedge fund allocation is a maximum of 10% of the market value of the total fund on the date of each hedge fund investment. Absolute Return investments include credit sensitive investments as well as other limited partnerships that are not hedge funds, private equity, or real assets. A commingled fund is 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. Energy and Natural Resources investments include private and public energy or natural resource related securities either directly or through funds. Risk Parity portfolios are asset allocation strategies that focus upon equalizing the risk contributions of the asset



## Notes to the Financial Statements

classes or risk factors comprising the portfolio. Risk Parity then uses leverage to scale the resulting portfolio to target a stated level of portfolio risk/return commensurate with typical pension fund unlevered asset allocation strategies.

### F. DERIVATIVES

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. 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. The system's swap contracts are a financial contract in that the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract. 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 a contract in which one counterparty agrees to either pay to or receive from the other counterparty cash flows based on changes in the value of an underlying asset. A credit default swap is a contract that provides credit protection against a specified credit event such as the default or bankruptcy of the underlying financial instrument (reference asset). The purchaser (buyer) pays a premium to the writer (seller) in return for payment, which is contingent on a credit event affecting the referenced asset. 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. 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.

The fair value balances and notional amounts of investment derivative instruments outstanding at August 31, 2015, classified by type, and the changes in fair value of such investment derivative instruments for the fiscal year ended August 31, 2015 were as follows:

Changes in Fair Value			Fair Value at August 31, 2015		
Classification	Amount		Classification	Amount	Notional
	Gain/(Loss)				
<b>Fiduciary Funds</b>					
<b>Investment Derivatives:</b>					
Forward Contracts	Investment Revenue	\$ 478,858,356	Investment	\$ 6,960,269	\$ 15,804,273,155
Futures Contracts	Investment Revenue	\$ (754,028,134)	Investment	\$ 0	\$ 3,438,884,458
Swap Contracts	Investment Revenue	\$ (110,042,846)	Investment	\$ (14,866,163)	\$ 815,710,774
Warrants	Investment Revenue	\$ (18,782,173)	Investment	\$ 75,817,112	\$ 30,631,554
Options	Investment Revenue	\$ (13,113,747)	Investment	\$ (2,570,953)	\$ 2,674,236

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.

The system's investment policy states that derivatives may only be used to efficiently manage and reduce the risk of the overall investment portfolio in accordance with applicable law, 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





## ***Notes to the Financial Statements***

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. 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. 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 unless such derivatives are cash-settled whether by its contract terms, by rolling the position, or by trading out of the position before a delivery obligation can arise.

Any counterparty to an over-the-counter derivative transaction must have a credit rating of at least A- (Standard & Poor's or Fitch) or A3 (Moody's) 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. If the over-the-counter derivative transaction is a type of contract that must be centrally cleared as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act, it is subject to clearing agreements.

### **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, 2015, the balance of uncollateralized cash in U.S. and non-U.S. banks for investments pending settlement was \$398,530,412.

#### **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 \$550,861,501 are held by the custodian's agent in an investment pool not evidenced by a security, and are not exposed to custodial credit risk. 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



## ***Notes to the Financial Statements***

which is 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, and are not exposed to custodial credit risk. At August 31, 2015, the system held no collateral associated with investment derivative activity.

At August 31, 2015, the deposits with broker on exchange-traded investment derivative instruments and investment derivative instruments subject to mandatory clearing through a designated clearing organization in the amount of \$578,819,254 were uninsured and uncollateralized.

### **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 primary sources of credit risk are derivative counterparty credit risk, the risk from repurchase agreements, and securities lending. The system does not have a formal credit risk policy relating to its investments in Short-Term Investment Funds. For over-the-counter (OTC) derivatives, any counterparty in a transaction with TRS must have a credit rating of at least A- (Standard & Poor's or Fitch) or A3 (Moody's) or better at the inception of the contract. All OTC derivative transactions, including those managed through Agency Agreements, must be subject to established ISDA Master Agreements and have full documentation of all legal obligations of TRS under the transactions. 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 transactions and tri-party repurchase transactions 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, 2015, using the Standard & Poor's (S&P) rating scale, are as follows and on the following page.

**Investment Derivative Instruments:** the aggregate fair value of investment derivative instruments in asset positions at August 31, 2015, was \$136,406,437. This represents the maximum loss that would be recognized at August 31, 2015, if all counterparties failed to perform as contracted. This maximum exposure is reduced by \$119,329,395 of liabilities included in netting arrangements with those counterparties resulting in a net exposure of investment derivative instruments to credit risk of \$17,077,042.

At August 31, 2015, approximately 98.5% of the net exposure to credit risk of \$17,077,042 are held with three counterparties, all with an S&P rating of A. Approximately 1.5% of the net exposure to credit risk is held with one counterparty with an S&P rating of AA.



## Notes to the Financial Statements

### Debt Securities:

Investment Type	S&P Rating	Fair Value
Short-Term Investment Fund	NR	\$ 2,813,074,520
Other Short-Term	NR	550,861,501
Total Credit Risk of Short-Term		\$ 3,363,936,021
U.S. Treasury Bill**		\$ 9,596,171
Short-Term Foreign Currency Contracts		86,385
<b>Total Short-Term (Exhibit I)</b>		<b>\$ 3,373,618,577</b>
U.S. Government Agency Obligations	AA	\$ 36,178,295
Total U.S. Government Agency Obligations*		\$ 36,178,295
Asset and Mortgage Backed Obligations	AAA	\$ 4,223,232
Asset and Mortgage Backed Obligations	AA	4,806,261
Asset and Mortgage Backed Obligations	A	6,626,343
Asset and Mortgage Backed Obligations	BBB	12,417,184
Asset and Mortgage Backed Obligations	BB	37,061,321
Asset and Mortgage Backed Obligations	B	38,060,394
Asset and Mortgage Backed Obligations	CCC	47,700,317
Asset and Mortgage Backed Obligations	CC	1,350,917
Asset and Mortgage Backed Obligations	D	9,555,653
Asset and Mortgage Backed Obligations	NR	23,904,204
Total Asset and Mortgage Backed Obligations		\$ 185,705,826
Corporate Obligations	BBB	\$ 1,303,854
Corporate Obligations	BB	17,676,184
Corporate Obligations	B	15,001,045
Corporate Obligations	CCC	1,321,250
Corporate Obligations	D	690,031
Corporate Obligations	NR	7,279,387
Total Corporate Obligations		\$ 43,271,751
International Government Obligations	AA	\$ 7,282,329
International Government Obligations	A	5,742,309
International Government Obligations	BBB	4,949,034
International Government Obligations	CCC	5,325,646
International Government Obligations	NR	240,405,992
Total International Government Obligations		\$ 263,705,310
International Corporate Obligations	CCC	\$ 2,387,910
International Corporate Obligations	NR	862,120
Total International Corporate Obligations		\$ 3,250,030
Total Credit Risk of Debt Securities (excluding Short-Term)		\$ 532,111,212
U.S. Government Obligations and U.S. Government Agency Obligations**		\$ 21,031,147,797
<b>Total Fixed Income (Exhibit I)</b>		<b>\$ 21,563,259,009</b>

\*U.S. Government Agency Obligations with a credit rating are investments implicitly guaranteed by the U.S. Government.

\*\*U.S. Treasury Bill, U.S. Government Obligations, and U.S. Government Agency Obligations without a credit rating are investments explicitly guaranteed by the U.S. Government.



## Notes to the Financial Statements

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

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 below shows the maturities of the system's Swap contracts at August 31, 2015.

Maturities in Years			
Less than 1 Year	1-5	6-10	Total
\$ (9,197,502)	\$ 561,087	\$ (159,612)	\$ (8,796,027)

The table below shows the long-term fixed income investments by investment type, fair value, and the effective weighted duration rate as of August 31, 2015.

Investment Type	Fair Value	Effective Weighted Duration Rate
U.S. Government Obligations	\$ 14,784,523,332	17.620
U.S. Government STRIPS and TIPS	6,246,624,465	5.873
U.S. Government Agency Obligations	36,178,295	4.453
Asset and Mortgage Backed Obligations	185,705,826	1.139
Corporate Obligations	43,271,751	4.289
International Government Obligations	263,705,310	8.184
International Corporate Obligations	3,250,030	5.664
<b>Total Fixed Income (Exhibit I)</b>	<b>\$ 21,563,259,009</b>	<b>13.909</b>

### 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, 2015, these securities totaled \$185,705,826.

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, 2015, these funds totaled \$204,589,621.

The system's investments in Swap contracts have various reference rates based on various interbank offered rates. As these reference rates fluctuate, the payments due to/from the system fluctuate.



## Notes to the Financial Statements

At August 31, 2015, the notional amount and fair value of these contracts were as follows:

Terms	Notional	Fair Value
ICE LIBOR GBP 3 month	\$ 805,898	\$ (6,364)
ICE LIBOR USD 3 month	146,603,946	(7,547,130)
ICE LIBOR USD 1 month	2,040,352	(1,138,393)
ICE LIBOR CHF 3 month	17,208,572	(1,165,109)
CAD Interbank 3 month	7,399,766	45,922
CAD Interbank 1 month	2,072,180	(131,022)
MXN Interbank 1 month	196,565,197	201,466
U.S. Fed Funds Effective Rate	21,855,162	654,916
JPY BOJ Estimated Unsecured Overnight Call Rate	1,390,799	289,687
<b>Total</b>	<b>\$ 395,941,872</b>	<b>\$ (8,796,027)</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 applying currency hedge ratios to foreign exposures and potentially engaging in currency overlay strategies. When 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, 2015, is presented in the tables on the following pages.





## Notes to the Financial Statements

### Deposits:

Currency	Cash in Non-U.S. Banks
Australian Dollar	\$ 7,433,552
Bangladeshi Taka	118,130
Botswana Pula	85,730
Brazilian Real	1,720,989
Canadian Dollar	4,357,941
Chilean Peso	52,132
Colombian Peso	96,889
Croatian Kuna	28,994
Czech Koruna	97
Danish Krone	65,031
Egyptian Pound	581,285
Euro	214,841,227
Ghanaian Cedi	87,487
Hong Kong Dollar	12,715,107
Hungarian Forint	110,241
Indian Rupee	4,219,682
Indonesian Rupiah	88,422
Israeli Shekel	271,690
Japanese Yen	71,798,080
Jordanian Dinar	47,696
Kenyan Shilling	50,653
Kuwaiti Dinar	205,538
Malaysian Ringgit	1,073,046
Mauritius Rupee	115,991
Mexican Peso	1,043,970
Moroccan Dirham	159,549
New Turkish Lira	134,135
New Zealand Dollar	31,573
Nigerian Naira	76,985
Norwegian Krone	4,310,639
Omani Rial	30,519
Pakistan Rupee	90,908
Peruvian Nuevo Sol	106,759
Philippine Peso	30,970
Polish Zloty	1,380,347
Pound Sterling	12,097,091
Qatar Riyal	37,782
Romanian Leu	19,674
Singapore Dollar	472,113
South African Rand	1,796,692
South Korean Won	617,718
Sri Lanka Rupee	81,818
Swedish Krona	359,608
Swiss Franc	10,407,639
Taiwan Dollar	8,906,802
Thai Baht	124,226
Tunisian Dinar	100,495
United Arab Emirates Dirham	27,118
Vietnamese Dong	892,174
Total Deposits Subject Foreign Currency Risk	\$ 363,502,934



## Notes to the Financial Statements

### Investments:

Currency	Debt	Equity	Alternative Investments	Commingled Funds	Derivatives	Total Fair Value
Australian Dollar	\$ 46,382,916	\$ 335,998,187	\$	\$	\$	\$ 382,381,103
Bangladeshi Taka		10,609,129				10,609,129
Botswana Pula		5,424,571				5,424,571
Brazilian Real		546,333,717			6,088	546,339,805
Canadian Dollar		752,643,891			(85,100)	752,558,791
Chilean Peso		74,555,400				74,555,400
Colombian Peso		32,240,572				32,240,572
Croatian Kuna		6,822,095				6,822,095
Czech Koruna		38,318,908				38,318,908
Danish Krone		412,662,489				412,662,489
Egyptian Pound		25,707,404				25,707,404
Euro	77,612,560	4,530,380,282	2,184,241,298	583,820,985	160,564	7,376,215,689
Ghanaian Cedi		2,438,845				2,438,845
Hong Kong Dollar		2,422,104,732			3,642	2,422,108,374
Hungarian Forint		40,820,477				40,820,477
Indian Rupee	862,121	927,492,749				928,354,870
Indonesian Rupiah		290,084,185				290,084,185
Israeli Shekel		20,111,305				20,111,305
Japanese Yen	879,430	3,676,999,933			801,257	3,678,680,620
Jordanian Dinar		6,759,199				6,759,199
Kenyan Shilling		8,717,338				8,717,338
Kuwaiti Dinar		15,746,691				15,746,691
Malaysian Ringgit		192,524,791			103,140	192,627,931
Mauritius Rupee		6,436,697				6,436,697
Mexican Peso	5,742,309	400,317,361			201,466	406,261,136
Moroccan Dirham		6,226,569				6,226,569
New Turkish Lira		172,621,654				172,621,654
New Zealand Dollar	7,282,329	2,452,370				9,734,699
Nigerian Naira		6,355,634				6,355,634
Norwegian Krone		236,723,408				236,723,408
Omani Rial		6,104,366				6,104,366
Pakistan Rupee		40,302,217				40,302,217
Peruvian Nuevo Sol		3,964,217				3,964,217
Philippine Peso		120,185,919				120,185,919
Polish Zloty		128,074,837				128,074,837
Pound Sterling	121,700,315	2,880,961,882	408,808,437		(6,364)	3,411,464,270
Qatar Riyal		32,154,666				32,154,666
Romanian Leu		9,828,174				9,828,174
Russian Ruble		40,144,094				40,144,094
Singapore Dollar		90,947,255				90,947,255
South African Rand	4,105,451	730,833,031				734,938,482
South Korean Won		1,343,192,942			(862,433)	1,342,330,509
Sri Lankan Rupee		5,800,626				5,800,626
Swedish Krona		348,702,050				348,702,050
Swiss Franc		1,112,997,407			(1,165,109)	1,111,832,298
Taiwan Dollar		908,458,514			(172,046)	908,286,468
Thai Baht		287,784,474			38,550	287,823,024
Tunisian Dinar		2,469,803				2,469,803
United Arab Emirates Dirham		35,337,982				35,337,982
Vietnamese Dong		5,891,058				5,891,058
Total Investments Subject to Foreign Currency Risk	\$ 264,567,431	\$ 23,340,766,097	\$ 2,593,049,735	\$ 583,820,985	\$ (976,345)	\$ 26,781,227,903



## Notes to the Financial Statements

### 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 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 cash collateral received is invested in an unrated cash collateral pool held by the counterparty, the system's securities lending agent and is not exposed to custodial credit risk. 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
Domestic Obligations	\$ 3,913,935
Domestic Equities	417,952,146
International Equities	44,404,802
<b>Total</b>	<b>\$ 466,270,883</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, 2015, the weighted average term of these loans was five days. As of August 31, 2015, the weighted average maturity of the invested cash collateral was 30 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. The total market value of all loans cannot exceed 30% of the portfolio.



## Notes to the Financial Statements

The following table represents the fair market values of the securities lending transactions based on type of collateral received as of August 31, 2015:

	Cash	Non-Cash	Total
Securities on Loan	\$ 18,870,536,867	\$ 466,270,883	\$ 19,336,807,750
Collateral Received	\$ 19,379,483,580	\$ 477,599,005	\$ 19,857,082,585
Reinvested Collateral	\$ 19,372,421,460		\$ 19,372,421,460

For fiscal year 2015, the system earned income of \$81,873,041 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. If the collateral posting thresholds of all these investments derivative instruments did not exist at August 31, 2015, the system would be required to post the aggregate amount of \$43,789,055 in collateral to its counterparties. Where none of the contractual thresholds were surpassed, the system has posted no collateral at August 31, 2015.

The system's investments in certain limited partnerships commit the system to possible future capital contributions. At August 31, 2015, the remaining commitment was \$26,223,477,366.

### NOTE 4: EMPLOYEE COMPENSABLE LEAVE

Salary costs related to employees' rights to be compensated for leave balances are accrued as expenses in the period in which the services are rendered. Accumulated compensable leave liabilities are reported in the Statement of Fiduciary Net Position for the Pension and Other Employee Benefit Trust Funds and in the Statement of Net Position for the Enterprise Funds. The employees' compensable leave activity for fiscal year 2015 is shown in the table below.

	Beginning Balance 09/01/14	Additions	Reductions	Ending Balance 08/31/15	Amounts Due Within One Year	Amounts Due Thereafter
<i>Fiduciary Funds:</i>						
Pension Trust Fund	\$ 6,994,880	\$ 7,531,766	\$ (6,797,621)	\$ 7,729,025	\$ 4,865,394	\$ 2,863,631
TRS-Care	311,358	301,870	(297,901)	315,327	187,267	128,060
<i>Proprietary Funds:</i>						
TRS-ActiveCare	148,170	149,176	(157,729)	139,617	100,022	39,595
403(b) Administrative Program	9,932	24,402	(32,569)	1,765	1,765	
<b>Total</b>	<b>\$ 7,464,340</b>	<b>\$ 8,007,214</b>	<b>\$ (7,285,820)</b>	<b>\$ 8,185,734</b>	<b>\$ 5,154,448</b>	<b>\$ 3,031,286</b>



## Notes to the Financial Statements

### NOTE 5: OPERATING LEASES

In fiscal year 2014, TRS entered into a non-cancelable operating lease agreement for building space which expires March 31, 2021. As part of the building lease, TRS received a construction allowance which is being amortized on a straight-line basis over the life of the lease as a reduction of rental expenses.

Rental expenses related to the lease for the fiscal year ended August 31, 2015 for the Pension Trust Fund were \$1,834,116 and include amortization of unrealized lease incentives of \$420,170. Off-site storage fees for data security was \$13,890.

The future minimum lease payment for the next six years ending August 31 are as follows:

Fiscal Year	Amount
2016	\$ 1,095,304
2017	1,125,150
2018	1,161,936
2019	1,196,663
2020	1,232,526
2021	<u>731,457</u>
Total	\$ 6,543,036

### NOTE 6: FRINGE BENEFITS PAID BY THE STATE OF TEXAS AND THE FEDERAL GOVERNMENT

The state has a joint contributory retirement plan for substantially all its employees. The employees of TRS participate in the same plan they administer (Note 12).

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 TRS-Care on behalf of certain plan participants totaling \$14,013,622 for the fiscal year ended August 31, 2015. Under TRS-Care's Employer Group Waiver Plan (EGWP) reimbursements totaled \$43,652,580 for Medicare Part D direct subsidies, \$61,663,640 for catastrophic reinsurance subsidies and \$7,476,810 for low income subsidies.

### NOTE 7: 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.

### NOTE 8: 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.





## ***Notes to the Financial Statements***

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.

A Performance Incentive Compensation Plan was adopted effective October 1, 2007 and modified October 1, 2008 to enable the system to remain competitive in its efforts to attract, retain and motivate high caliber investment division staff. The purpose of the Plan is to provide the opportunity for investment division employees to earn performance incentive pay based on the fund's investment performance and the employee's job performance. The performance incentive pay is paid over the subsequent 2 years. For the incentive pay plan year ending September 30, 2015 the liability is estimated not to exceed \$ 16 million. 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.

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

### **NOTE 9: 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."

### **NOTE 10: POST-EMPLOYMENT HEALTH CARE BENEFITS**

#### **A. PLAN DESCRIPTION**

##### **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 post-employment health care plan. ERS issues a publicly available financial report that includes financial statements and required supplementary information for the SRHP. That report may be obtained by visiting the ERS website 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 18<sup>th</sup> 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, 2015, 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:



## Notes to the Financial Statements

<b>Employer Contribution Rates</b>			
<b>Retiree Health and Basic Life Premium</b>			
<b>Type of Coverage</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
Member Only	\$ 537.66	\$ 503.14	\$ 470.38
Member/Spouse	845.54	791.16	739.58
Member/Children	743.80	696.00	650.62
Member/Family	1,051.68	984.02	919.82

The system covers 100% of a Member Only premium and 50% of their 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, 2015, there were 255 retirees and their beneficiaries receiving post-employment 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, 2015, 2014, and 2013 the system recognized expenditures of \$1,822,022, \$1,649,877, and \$1,426,887, 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 contribution rates. Section 1575.052 grants the board the authority to establish basic and optional group insurance coverage for participants. Charter Schools in the TRS system are considered "open enrollment" and receive the same treatment as public school employees.

TRS-Care is a cost-sharing, multiple-employer, defined benefit, other post-employment 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. To alleviate a funding shortfall for the 2016-17 biennium, the 84<sup>th</sup> Texas legislature, House Bill 2 appropriated \$768 million in supplemental funding that was paid in August 2015.

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 2015, deductibles were \$1,800 for those enrolled in Medicare Part A and eligible for Part B, \$3,000 for those not enrolled in Medicare Part A, but eligible for Part B, and \$4,000 for those not enrolled in Medicare.



## Notes to the Financial Statements

At August 31, 2015, the number of reporting entities is summarized in the chart below. Other contributing entities include the State of Texas and the Federal Government.

Independent School Districts	1,025*
Charter Schools (open enrollment only)	189
Regional Education Service Centers	20
Other Educational Districts	<u>5</u>
Total	<u>1,239</u>

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

At August 31, 2015, OPEB membership consisted of the following:

Retirees and beneficiaries receiving Benefits	259,578
Active Plan Members	<u>684,578</u>
Total	<u>944,156</u>

### B. CONTRIBUTIONS

Funding for free basic coverage is provided by the program based upon public school district payroll. The State of Texas, active public school employee and reporting entities contribution rates and amounts collected are reflected in the table below for fiscal year 2015. Per Texas Insurance Code, Chapter 1575.204, 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.

	<u>Contribution Rate</u>	<u>Amount</u>
Active Employee	0.65 %	\$ 198,196,273
State	1.00	281,098,358
Participating Employers	0.55	179,157,485
Federal/Private Funding*	1.00	<u>23,818,985</u>
Total		<u>\$ 682,271,101</u>

\*Included in Participating Employers on Exhibit II

The following table shows past and future contribution rates:

<u>Year</u>	<u>Contribution Rates</u>			
	<u>Active Employee</u>	<u>State</u>	<u>Participating Employers</u>	<u>Federal/Private Funding</u>
2013	0.65%	0.50%	0.55%	0.50%
2014	0.65	1.00	0.55	1.00
2015	0.65	1.00	0.55	1.00
2016	0.65	1.00	0.55	1.00
2017	0.65	1.00	0.55	1.00



### Notes to the Financial Statements

The contributions shown above and premium contributions of \$369,066,459 contribute toward the total plan expenditures of \$1,664,331,365. Expenses for TRS-Care are recognized as retirees report claims and include a provision for estimated claims incurred but not yet received.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions and most of the economic assumptions are identical to those which were adopted by the Board in 2015 based on the 2015 actuarial experience study of TRS.

Additional valuation information follows:

Valuation Date .....	August 31, 2015
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%
Payroll Growth Rate .....	2.50%
Projected Salary Increases * .....	3.50% to 9.50%
Weighted-Average at Valuation Date .....	4.79%
Healthcare Trend Rates * .....	10.00% to 4.20%**
<i>*Includes Inflation at 2.50%</i>	
<i>**Initial rates are 7.50% for medical and 10.00% for prescriptions.</i>	

Certain economic and behavioral assumptions are unique to medical benefits. The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2015 TRS annual actuarial valuation:

Rate of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

The following assumptions which are specific to TRS-Care were updated from the prior year’s report:

- The trend rates were reset to better reflect the plan’s anticipated experience. The new trend assumptions assume:
  - Faster growth in prescription drug costs than the prior assumption
  - Retiree premiums will not increase in FY 2017
  - A lower ultimate trend assumption based on the revised inflation assumption
- The ultimate trend assumption was increased by 0.2% to reflect the anticipated costs associated with the “Cadillac Tax”. This is an excise tax on high cost health plans offered by employers. Beginning in 2018, health plans that cost more than \$10,200 for an individual or \$27,500 for a family plan will be subject to the tax, which is 40% of the amount that exceeds those thresholds.



## Notes to the Financial Statements

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.

### C. FUNDED STATUS AND FUNDING PROGRESS – OPEB PLAN

The TRS-Care funded status is shown below:

<b>Schedule of Funding Progress</b>						
(DOLLAR AMOUNTS SHOWN IN MILLIONS)						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Valuation as of August 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
2015	\$973	\$44,203	\$43,230	2.2%	\$31,254	138%

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.

### NOTE 11: RISK MANAGEMENT

The 77th Texas Legislature enacted the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343), establishing a new statewide health coverage program for public school employees and their dependents. TRS began administering this program, known as TRS-ActiveCare, September 1, 2002. The plan is available to all public school districts, charter schools with open enrollment, 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.

### NOTE 12: PENSION DISCLOSURE

#### A. PLAN DESCRIPTION

The Teacher Retirement System of Texas is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The plan is administered through a trust and has the following characteristics:





## **Notes to the Financial Statements**

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on the plan are irrevocable,
- Pension plan assets are dedicated to providing pensions to plan members in accordance with benefit terms, and
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. Plan assets are also legally protected from creditors of the plan members.

Benefits are established or amended primarily under the authority of the provisions of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The pension's board of trustees does not have the authority to establish or amend benefits. 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. The benefit formula is 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to equal the annual standard annuity. For members who are grandfathered, the three highest annual salaries are used. To be eligible for disability retirement, a member must have a physical or mental disability that precludes the member's continued performance of current duties, and the disability must be certified by the TRS Medical Board as probably permanent. 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 plan does not provide automatic cost of living adjustments (COLA's). Death and Survivor retirement benefits are available to the beneficiary of an active member. For more detail about benefits see the *Summary of Benefits* section in this report.

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

As of August 31, 2015, the numbers of participating employers were as follows:

Independent School Districts	1,025
Charter Schools (open enrollment only)	189
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	5
State Agencies	<u>1</u>
<b>Total</b>	<b><u>1,347</u></b>

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.

As of August 31, 2015, TRS gross membership consisted of the following:

Retired plan members or beneficiaries currently receiving benefits	377,738
Inactive plan members entitled to but not yet receiving benefits	252,560
Active plan members	<u>828,945</u>
<b>Total</b>	<b><u>1,459,243</u></b>



## ***Notes to the Financial Statements***

The Average Expected Remaining Service Life (AERSL) of 6.9029 is based on the membership information as of the beginning of the fiscal year.

### **B. CONTRIBUTIONS**

Contribution requirements are established or amended pursuant to the following state laws: (1) Article 16, section 67 of the Texas 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 paid to members of the system during the fiscal year. Government Code section 821.006 prohibits benefit improvements, 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.

As the non-employer contributing entity, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the applicable salary. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended the Government Code section 825.402 to add the 1.5% contribution for those school districts and charter schools.
- When employing a retiree of the Teacher Retirement System, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act established the employer contribution rate for fiscal year 2015. Contribution rates and amounts for fiscal year 2015 are as follows:



## *Notes to the Financial Statements*

Fiscal Year 2015		
<u>Contributor</u>	<u>Contribution Rate</u>	<u>Amount</u>
Member	6.7 %	\$2,576,024,311
Non-Employer Contributing Entity (State)	6.8	1,591,482,988
Employers	6.8	<u>1,017,295,316</u>
Total		<u>\$5,184,802,615</u>

The following table shows past and future contribution rates:

Contribution Rates		
<u>Year</u>	<u>Member</u>	<u>Employer</u>
2013	6.4%	6.4%
2014	6.4	6.8
2015	6.7	6.8
2016	7.2	6.8
2017	7.7	6.8

### C. LEGAL RESERVE ACCOUNT BALANCES

Section 825.309 of the Government Code requires that money in the Retired Reserve Account be used to pay all retirement annuities and all death or survivor benefits, including post-retirement benefit increases and other adjustments to annuities.

The balances in the statutory accounts as of August 31, 2015 were:

Member Savings Account	\$ 33,982,141,449
State Contribution Account	12,400,234,982
Retired Reserve Account	82,026,879,743
Deferred Retirement Option Account	29,290,153
Expense Account	<u>100,159,885</u>
<b>Total (Exhibit 1)</b>	<b><u>\$ 128,538,706,212</u></b>

### D. DEFERRED RETIREMENT OPTION PROGRAM

The Deferred Retirement Option Plan (DROP) was closed to new members on December 31, 2005. It was a plan available for active members who were eligible for normal age service retirement and had at least 25 years of credited service. They could choose to participate in 12-month increments for up to five years. For detailed information on the plan, see the Summary of Benefits section. The remaining balance in the reserve account is shown in item C. above.



## **Notes to the Financial Statements**

### **E. PENSION LIABILITY**

**Components of the Liability** – Components of the Net Pension Liability of the pension plan as of August 31, 2015 are as follows:

<u>Components of Liability</u>	<u>Amount</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
<b>Net Pension Liability</b>	<b><u>\$ 35,348,668,960</u></b>
Net Position as a Percentage of Total Pension Liability	78.43 %

**Actuarial Assumptions** – The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions have been selected by the Board of Trustees based upon analysis and recommendations by the System’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and were adopted in September 2015.

The active mortality rates were based on 90% of the RP 2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS Healthy Pensioner Mortality Tables.

**Discount Rate** – A single discount rate of 8.0 % was used to measure the total pension liability. There was no change in the discount rate since the previous fiscal year. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this single discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2013 legislative session and continued in the 2015 session.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability with no cross-over point to a municipal bond rate.

The long-term expected rate of return on pension plan investments is 8.0%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System’s target asset allocation as of August 31, 2015 are summarized in Note 3.



## Notes to the Financial Statements

The following assumptions were applied to this measurement period:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	8.00 %
Long-term expected Investment Rate of Return	8.00 %
Municipal Bond Rate*	N/A*
Last year ending August 31 in the 2015 to 2114 projection period (100 years)	2114
Inflation	2.50 %
Salary Increases	3.50 % to 9.50 % including inflation
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

\* If a municipal bond rate was to be used, the rate would be 3.790% as of August 2015 (i.e. the weekly rate closest to but not later than the Measurement Date). The source for the rate is the Federal Reserve Statistical Release H.15, citing the Bond Buyer Index of general obligation bonds with 20 years to maturity and an average AA credit rating.

**Sensitivity of the Net Pension Liability** – The following presents the net pension liability of the plan using the discount rate of 8 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7%) or one-percentage point higher (9%) than the current rate:

<b>Sensitivity of the Net Pension Liability to the Single Discount Rate Assumptions</b>		
<b>1% Decrease 7%</b>	<b>Current Single Discount Rate 8%</b>	<b>1% Increase 9%</b>
\$55,384,701,778	\$35,348,668,960	\$18,659,898,872

### NOTE 13: SUBSEQUENT EVENTS

Teacher Retirement System formed a “private limited company” or subsidiary in the United Kingdom. The name of the subsidiary is “Teacher Retirement Investment Company of Texas Ltd.” The subsidiary was created for the purpose of opening a London investment office and is expected to be operational in November 2015. The primary purpose of the office is to increase the size and number of investment opportunities for the TRS portfolio, especially in private equity funds and co-investments.





## Required Supplementary Information

PENSION TRUST FUND

Fiscal Years 2006-2015

### SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

(DOLLAR AMOUNTS SHOWN IN THOUSANDS)

	2015	2014	2013	2012
<b>Total Pension Liability*</b>				
Service Cost	\$ 4,225,449	\$ 3,965,994	\$	\$
Interest on Net Pension Liability	12,555,646	11,813,446		
Differences between Expected and Actual Experience	(1,588,619)	482,639		
Changes of Actuarial Assumptions	(1,474,724)	2,028,541		
Benefit Payments	(8,935,112)	(8,548,643)		
Refunds of Member Accounts	(391,341)	(410,600)		
<b>Net Change in Total Pension Liability</b>	<b>\$ 4,391,299</b>	<b>\$ 9,331,377</b>		
Total Pension Liability--Beginning	159,496,076	150,164,699		
<b>Total Pension Liability--Ending (a)</b>	<b>\$ 163,887,375</b>	<b>\$ 159,496,076</b>	<b>\$ 150,164,699</b>	<b>\$ 0</b>
<b>Plan Fiduciary Net Position</b>				
Contributions--Employer	\$ 1,377,973	\$ 984,552	\$ 925,694	\$ 760,838
Contributions--Member	2,576,024	2,357,686	2,252,095	2,188,020
Non-Employer Contributing Entity	1,591,483	1,530,624	1,337,215	1,299,078
Net Investment Income	(412,759)	19,434,430	9,834,136	7,847,298
Benefit Payments	(8,935,112)	(8,548,643)	(8,075,209)	(7,723,622)
Refunds of Member Accounts	(391,341)	(410,600)	(391,292)	(381,231)
Administrative Expense	(35,557)	(41,904)	(36,264)	(33,074)
Other	(11,248)	84,954	91,882	71,793
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ (4,240,537)</b>	<b>\$ 15,391,099</b>	<b>\$ 5,938,257</b>	<b>\$ 4,029,100</b>
<b>Plan Fiduciary Net Position--Beginning</b>	<b>\$ 132,779,243</b>	<b>\$ 117,388,144</b>	<b>\$ 111,449,887</b>	<b>\$ 107,420,787</b>
<b>Plan Fiduciary Net Position--Ending (b)</b>	<b>\$ 128,538,706</b>	<b>\$ 132,779,243</b>	<b>\$ 117,388,144</b>	<b>\$ 111,449,887</b>
<b>Net Pension Liability--Ending (a)-(b)</b>	<b>\$ 35,348,669</b>	<b>\$ 26,716,833</b>	<b>\$ 32,776,555</b>	
Plan Fiduciary Net Position as a Percentage of the total Pension Liability*	78.43%	83.25%	78.17%	
Covered-Employee Payroll	\$ 38,448,124	\$ 36,654,291	\$ 35,188,983	
Net Pension Liability as a percentage of Covered - Employee Payroll	91.94%	72.89%	93.14%	

\*Total pension liability is calculated using a new methodology, and will be presented on a prospective basis in accordance with GASB 67, paragraph 50.



## Required Supplementary Information

PENSION TRUST FUND  
Fiscal Years 2006-2015

2011	2010	2009	2008	2007	2006
\$	\$	\$	\$	\$	\$
\$	\$	\$	\$	\$	\$
0	0	0	0	0	0
\$ 856,220	\$ 835,605	\$ 791,450	\$ 703,723	\$ 469,568	\$ 432,811
2,243,955	2,205,017	2,107,058	1,998,139	1,862,596	1,700,415
1,484,286	1,461,035	1,378,304	1,352,243	1,283,642	1,166,690
14,636,935	9,411,447	(13,971,869)	(4,604,972)	14,298,547	8,950,870
(7,173,505)	(6,617,397)	(6,294,434)	(6,406,645)	(5,762,885)	(5,540,134)
(334,269)	(265,187)	(266,695)	(278,003)	(280,006)	(267,810)
(35,850)	(29,993)	(28,310)	(26,124)	(27,503)	(26,444)
54,610	34,906	26,970	43,335	45,878	114,749
\$ 11,732,382	\$ 7,035,433	\$ (16,257,526)	\$ (7,218,304)	\$ 11,889,837	\$ 6,531,147
\$ 95,688,405	\$ 88,652,972	\$ 104,910,498	\$ 112,128,780	\$ 100,238,963	\$ 93,707,816
\$ 107,420,787	\$ 95,688,405	\$ 88,652,972	\$ 104,910,498	\$ 112,128,780	\$ 100,238,963



## Required Supplementary Information

PENSION TRUST FUND  
For Fiscal Years Ending August 31

SCHEDULE OF THE EMPLOYERS' NET PENSION LIABILITY (HISTORICAL)						
(DOLLAR AMOUNTS IN THOUSANDS)						
Fiscal Year Ended August 31	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	NPL as a % of Covered Payroll
2013	\$150,164,699	\$117,388,144	\$32,776,555	78.17%	\$35,188,983	93.14%
2014	159,496,076	132,779,243	26,716,833	83.25	36,654,291	72.89
2015	163,887,375	128,538,706	35,348,669	78.43	38,448,124	91.94

*\*Total pension liability is calculated using a new methodology, and will be presented on a prospective basis in accordance with GASB 67, paragraph 50.*

SCHEDULE OF EMPLOYER AND NON-EMPLOYER CONTRIBUTING ENTITY ACTUARIALLY DETERMINED CONTRIBUTIONS (ADC)					
Fiscal Year Ending August 31	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$3,177,927,012	\$2,515,176,220	\$662,750,792	\$36,654,290,800	6.86%
2015	3,171,970,234	2,969,455,641	202,514,593	38,448,124,045	7.72

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

### NOTE 1

**Actuarial Assumptions** – The information presented in the preceding table was used in the actuarial valuation for determining the actuarially determined contribution rate. The assumptions are as follows:

Valuation Date	August 31, 2015
Actuarial Cost Method	Ultimate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	33 years
Asset Valuation Method	5 year Smoothed Market
Actuarial Assumptions:	
Inflation	2.5 %
Salary Increases	3.5% to 9.50% including inflation
Investment Rate of Return	8.00%
Ad hoc post-employment benefit changes	None
Benefit Changes during the year	None



## ***Required Supplementary Information***

PENSION TRUST FUND  
For Fiscal Years Ending August 31

<b>SCHEDULE OF INVESTMENT RETURNS</b>						
<b>Annual Money-Weighted Rate of Return, Net of Investment Expense</b>						
<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
-0.27%	16.90%	9.00%	7.46%	15.57%	10.80%	(13.57%)

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



## Required Supplementary Information

TRS-CARE

For Fiscal Years 2009 – 2015

<b>SCHEDULE OF FUNDING PROGRESS</b>						
(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] Funded Ratio Assets as a % of AAL (2)/(3)	[6] Annual Covered Payroll	[7] UAAL as a % of Covered Payroll (4)/(6)
2009	\$800	\$24,357	\$23,557	3.3%	\$29,490	80%
2010	815	25,808	24,993	3.2	30,758	81
2011	891	29,785	28,894	3.0	30,515	95
2012	741	27,542	26,801	2.7	29,777	90
2013	551	29,835	29,284	1.8	30,511	96
2014	458	33,719	33,261	1.4	32,247	103
2015	973	44,203	43,230	2.2	31,254	138

<b>SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS AND OTHER CONTRIBUTING ENTITIES</b>						
Annual Required Contributions (ARC)						
(DOLLAR AMOUNTS SHOWN IN THOUSANDS)						
[1] Fiscal Year Ended	[2] Annual Required Contributions (ARC)	Actual Contributions				[7] Percentage Contributed (6)/(2)
		[3] From State	[4] From Employers	[5] On-Behalf From Federal Government	[6] Total (3)+(4)+(5)	
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
2011	1,821,817	282,891	158,724	136,888	578,503	31.8
2012	1,980,371	272,029	154,608	68,634	495,271	25.0
2013	1,898,160	241,577	160,953	74,511	477,041	25.1
2014	2,058,689	303,695	193,125	78,589	575,409	28.0
2015	2,357,011	1,049,199	202,976	126,807	1,378,982	58.5





## ***Notes to Required Supplemental Information***

TRS-CARE

Fiscal Years 2009 - 2015

### **NOTE 1**

The employer ARC was determined by netting the active employee contributions (0.65%) out of the total ARC (8.38%). The ARC for FY2015 was determined by applying the Employer ARC determined in the 2014 valuation as a percentage of payroll (7.73%) to the actual payroll paid in FY2015 (\$30.5 billion).



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## ***Statement of Changes in Assets and Liabilities***

### **Agency Funds**

For the Fiscal Year Ended August 31, 2015

	Balances September 1, 2014	Additions	Deductions	Balances August 31, 2015
<b>Child Support Employee Deductions</b>				
<b>Total Assets:</b>				
Cash in State Treasury	\$5,387	\$72,715	\$71,503	\$6,599
<b>TOTAL ASSETS</b>	<b>\$5,387</b>	<b>\$72,715</b>	<b>\$71,503</b>	<b>\$6,599</b>
<b>Total Liabilities:</b>				
Funds Held for Others	5,387	\$72,715	\$71,503	\$6,599
<b>TOTAL LIABILITIES</b>	<b>5,387</b>	<b>\$72,715</b>	<b>\$71,503</b>	<b>\$6,599</b>

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



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

	INTEREST ACCOUNT	2015	2014
Schedule 1	<b>Additions</b>		
	Interest, Dividends and Other Income:		
	Short-Term	\$ 3,296,668	\$ 18,897,780
	Equities	6,248,497,146	1,254,816,385
	Fixed Income	620,420,534	1,851,686,895
	Derivatives		(6,488,625)
	Securities Lending Program	81,873,039	72,534,019
	Net Increase/ (Decrease) in Fair Value of Investments	(7,107,642,634)	16,443,655,756
	Transfer from State Contribution Account for:		
	Investment Income*	212,729,627	4,463,894,756
	Net Depreciation in Fair Value of Investments	7,107,642,634	
	<b>TOTAL ADDITIONS</b>	<b>\$ 7,166,817,014</b>	<b>\$ 24,098,996,966</b>
	<b>Deductions</b>		
	Bank Fees	\$ 7,150,913	\$
	External Manager Fees	181,939,993	
External Legal Fees	2,655,297	930,643	
External Custodial Fees	22,000,000	152,954,835	
Transfers Out:			
Allocation of Interest to (from):			
Member Savings Account	659,595,576	1,568,996,846	
Retired Reserve Account	6,189,324,942	5,824,476,921	
Deferred Retirement Option Account	667,930	2,295,263	
Expense Account	103,482,363	105,686,702	
Transfer to State Contribution Account for Net Appreciation in Fair Value of Investments		16,443,655,756	
<b>TOTAL DEDUCTIONS</b>	<b>\$ 7,166,817,014</b>	<b>\$ 24,098,996,966</b>	
<b>Net Change 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>	

\* The prior year transfer of \$4,463,894,756 from State Contributions for Investment Income was reported in the Deductions section in 2014.



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

MEMBER SAVINGS ACCOUNT	2015	2014
<b>Additions</b>		
Contributions:		
Contributions Paid by Member	\$ 2,576,024,311	\$ 2,357,686,000
Employment After Retirement Surcharge Paid by		
Employers - Employee		6,247,139
Purchase of Service Credit-Refundable	23,508,475	67,386,116
Transfer In:		
Allocation from Interest Account	659,595,576	1,568,996,846
<b>TOTAL ADDITIONS</b>	<b>\$ 3,259,128,362</b>	<b>\$ 4,000,316,101</b>
<b>Deductions</b>		
Refund of Contributions-Active	\$ 385,866,706	\$ 405,144,490
Transfers Out:		
Transfer to Retired Reserve Account:		
For Dormant Accounts	24,054,441	21,531,326
To Fund Benefits	2,037,001,787	1,926,583,284
<b>TOTAL DEDUCTIONS</b>	<b>\$ 2,446,922,934</b>	<b>\$ 2,353,259,100</b>
<b>Net Change in Account Balance</b>	<b>\$ 812,205,428</b>	<b>\$ 1,647,057,001</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 33,169,936,021</b>	<b>\$ 31,522,879,020</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 33,982,141,449</b>	<b>\$ 33,169,936,021</b>





## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

STATE CONTRIBUTION ACCOUNT	2015	2014
<b>Additions</b>		
Contributions:		
State's General Fund - Non-Employer		
Contributing Entity	\$ 1,591,482,988	\$ 1,530,623,829
State's General Fund - Employer	93,079,033	120,206,921
Participating Employer	924,216,283	851,936,793
Surcharges:		
Employment after Retirement - Employee	7,481,714	6,161,538
Employment after Retirement - Employer	8,339,748	
Non-OASDI Participating Employers	344,855,875	
Purchase of Service Credit-Non-Refundable	26,580,631	76,147,975
Transfers In:		
Transfers from Interest Account for		
Net Increase in Fair Value of Investments		16,443,655,756
Transfers from Retired Reserve Account:		
For Retirement Benefits Forfeited While		
Member Returned to Teaching	1,096,898	654,798
For Retirement Benefits Waived by Member	33,889	38,940
<b>TOTAL ADDITIONS</b>	<b>\$ 2,997,167,059</b>	<b>\$ 19,029,426,550</b>
<b>Deductions</b>		
Transfers Out:		
Transfers to Interest Account:		
For Investment Income	\$ 212,729,627	\$ 4,463,894,756
For Net Decrease in Fair Value of Investments	7,107,642,634	
Transfers to Retired Reserve Account:		
To Fund Benefits	4,339,063,087	4,186,949,487
Based on Actuarial Valuation as of August 31	556,680,791.0	1,320,132,885
<b>TOTAL DEDUCTIONS</b>	<b>\$ 12,216,116,139</b>	<b>\$ 9,970,977,128</b>
<b>Net Change in Account Balance</b>	<b>\$ (9,218,949,080)</b>	<b>\$ 9,058,449,422</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 21,619,184,062</b>	<b>\$ 12,560,734,640</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 12,400,234,982</b>	<b>\$ 21,619,184,062</b>

\* The prior year transfer of \$4,463,894,756 to the Interest Account for Investment Income was reported in the Additions section in 2014.



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

RETIRED RESERVE ACCOUNT	2015	2014
<b>Additions</b>		
Contributions Transferred in from Employees Retirement System of Texas	\$ 18,989,008	\$ 17,440,313
Transfers In:		
Allocation from Interest Account	6,189,324,942	5,824,476,921
Transfer from Member Savings Account:		
For Dormant Accounts	24,054,441	21,531,326
To Fund Benefits	2,037,001,787	1,926,583,284
Transfer from State Contribution Account:		
To Fund Benefits	4,339,063,087	4,186,949,487
Based on Actuarial Valuation as of August 31	556,680,791	1,320,132,885
Transfer from Deferred Retirement Option Account to Fund Benefits	40,337	7,625
<b>TOTAL ADDITIONS</b>	<b>\$ 13,165,154,393</b>	<b>\$ 13,297,121,841</b>
<b>Deductions</b>		
Benefits Paid:		
Service Retirement Annuities	\$ 8,215,765,876	\$ 7,795,690,586
Partial Lump Sums	288,923,266	322,033,388
Disability Retirement Annuities	169,318,064	164,299,506
Death and Survivor Benefits:		
Annual Salary	39,574,595	44,846,010
Survivor Annuities	100,150,048	97,822,817
Life Annuities	90,563,081	89,547,742
60 Monthly Payments	14,443,193	13,415,885
Remainder of Contributions	6,730,215	6,012,086
Refund of Contributions-Death	5,474,475	5,455,829
Benefits Transferred to		
Employees Retirement System of Texas	84,059,353	80,163,847
Retirement Benefits Forfeited While Member:		
Returned to Teaching	1,096,898	654,798
For Retirement Benefits Waived by Member	33,889	38,940
<b>TOTAL DEDUCTIONS</b>	<b>\$ 9,016,132,953</b>	<b>\$ 8,619,981,434</b>
<b>Net Change in Account Balance</b>	<b>\$ 4,149,021,440</b>	<b>\$ 4,677,140,407</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 77,877,858,303</b>	<b>\$ 73,200,717,896</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 82,026,879,743</b>	<b>\$ 77,877,858,303</b>



## Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

DEFERRED RETIREMENT OPTION ACCOUNT	2015	2014
<b>Additions</b>		
Transfers In:		
Allocation from Interest Account	\$ 667,930	\$ 2,295,263
TOTAL ADDITIONS	\$ 667,930	\$ 2,295,263
<b>Deductions</b>		
Benefits Paid	\$ 9,643,121	\$ 14,974,505
Transfer Out:		
Transfer from Retired Reserve Account to Fund Benefits	40,337	7,625
TOTAL DEDUCTIONS	\$ 9,683,458	\$ 14,982,130
<b>Net Change in Account Balance</b>	<b>\$ (9,015,528)</b>	<b>\$ (12,686,867)</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 38,305,681</b>	<b>\$ 50,992,548</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 29,290,153</b>	<b>\$ 38,305,681</b>

Schedule 1



## Comparative Schedule of Changes in Account Balance

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

EXPENSE ACCOUNT	2015	2014
<b>Additions:</b>		
Miscellaneous Revenues	\$ 3,733,133	\$ 4,143,449
Transfer In:		
Allocation from Interest Account	103,482,363	105,686,702
<b>TOTAL ADDITIONS</b>	<b>\$ 107,215,496</b>	<b>\$ 109,830,151</b>
<b>Deductions:</b>		
Administrative Expenses:		
Salaries, Wages and Other Personnel Costs	\$ 63,381,520	\$ 59,369,410
Professional Fees and Services	1,634,050	10,264,842
Travel	921,395	1,062,078
Materials and Supplies	3,470,876	3,614,537
Communications and Utilities	644,183	928,820
Repairs and Maintenance	3,693,269	6,270,907
Rentals and Leases	1,879,531	1,815,219
Printing and Reproduction	235,925	294,754
Depreciation Expense	2,939,923	3,116,326
Amortization Expense	530,953	428,434
Loss on Capital Assets		23,994
Other Expense	1,683,004	1,501,567
<b>TOTAL DEDUCTIONS</b>	<b>\$ 81,014,629 *</b>	<b>\$ 88,690,888</b>
<b>Net Change in Account Balance</b>	<b>\$ 26,200,867</b>	<b>\$ 21,139,263</b>
<b>Account Balance - Beginning September 1</b>	<b>\$ 73,959,018</b>	<b>\$ 52,819,755</b>
<b>Account Balance - Ending August 31</b>	<b>\$ 100,159,885</b>	<b>\$ 73,959,018</b>

\* This amount includes total internal administrative investing activity expenses of \$45,457,650 (Schedule 3) and Administrative expenses net of investing activity expenses are \$35,556,979 (Exhibit II).



## Schedule of Administrative Expenses

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Schedule 2

	Pension Trust Fund	TRS-Care
<b>Personnel Services:</b>		
<i>Salaries and Wages:</i>		
Salaries	\$ 19,753,092	\$ 2,342,313
Longevity Pay	419,397	58,579
Benefit Replacement Pay	57,304	9,539
Employee Compensable Absences	734,145	3,969
<i>Payroll Related Costs:</i>		
Employer FICA Contributions	2,305,525	175,867
Employer Health Insurance Contributions	4,552,174	310,962
Other Employee Benefits	4,212	
<b>TOTAL PERSONNEL SERVICES</b>	<b>\$ 27,825,849</b>	<b>\$ 2,901,229</b>
<b>Professional Fees and Services</b>	<b>\$ 369,886</b>	<b>\$ 731,307</b>
<b>Other Operating Expenses:</b>		
Travel	\$ 93,414	\$ 7,698
<i>Materials and Supplies:</i>		
Consumable Supplies and Fuels	215,408	896
Subscriptions and Reference Information	44,671	500
Postage, Mailing and Delivery Services	1,536,735	39,734
Furniture and Equipment - Expensed	459,352	516
Communications and Utilities	132,364	2,212
<i>Repairs and Maintenance</i>		
Software Purchases and Maintenance	903,709	
Computer Hardware Maintenance	294,727	
Maintenance - Buildings and Equipment	790,542	
Rentals and Leases	187,193	54,490
Printing and Reproduction	69,353	12,750
Depreciation Expense	1,641,856	
Amortization Expense	530,953	
<i>Other Expense</i>		
Dues, Fees and Staff Development	193,816	1,256
Insurance Premiums	53,448	
Other Miscellaneous Expenses	213,703	17,092
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>\$ 7,361,244</b>	<b>\$ 137,144</b>
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$ 35,556,979</b>	<b>\$ 3,769,680</b>



TRS-ActiveCare	403(b) Administrative Program	Total
\$ 1,148,008	\$ 79,090	\$ 23,322,503
20,522		498,498
1,134	1,031	69,008
(8,552)	(8,167)	721,395
83,035	6,492	2,570,919
129,278		4,992,414
2,103		6,315
<u>\$ 1,375,528</u>	<u>\$ 78,446</u>	<u>\$ 32,181,052</u>
<u>\$ 782,921</u>	<u>\$</u>	<u>\$ 1,884,114</u>
\$ 6,779	\$	\$ 107,891
308		216,612
635		45,806
		1,576,469
		459,868
1,056		135,632
		903,709
		294,727
250		790,792
56,668		298,351
		82,103
		1,641,856
		530,953
345		195,417
		53,448
926		231,721
<u>\$ 66,967</u>	<u>\$ 0</u>	<u>\$ 7,565,355</u>
<u>\$ 2,225,416</u>	<u>\$ 78,446</u>	<u>\$ 41,630,521</u>





## Comparative Schedule of Investing Activity Expenses

### PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015 (With Comparative Data for August 31, 2014)

Schedule 3

	2015	2014
<b>Direct Expenses:</b>		
Salaries and Other Personnel Costs	\$ 30,504,075	\$ 25,389,603
Professional Fees and Services	254,558	4,094,014
Consumable Supplies	14,709	20,568
Travel	720,295	780,085
Building Lease	1,430,445	1,347,329
Copier Rentals	97,441	92,937
Dues, Fees and Staff Development	42,641	32,165
Subscriptions and Reference Materials	63,092	49,660
Reproduction and Printing Services	12,565	9,361
Software Upgrades	110,545	128,291
Telecommunication and Data Services	300,894	400,761
Furniture and Equipment - Expensed	83,661	58,677
Depreciation - Leasehold Improvements	259,729	516,031
<b>Total Direct Expenses</b>	<b>\$ 33,894,650</b>	<b>\$ 32,919,482</b>
<b>Indirect Expenses:</b>		
Depreciation	\$ 350,965	\$ 326,386
Executive Management Support	2,860,773	2,829,854
Legal Support	2,257,077	3,086,944
Audit Support	623,865	596,652
Human Resources Support	786,448	661,321
Fiscal Management Support	1,261,884	1,220,623
Information Technology Support	2,008,639	3,514,812
Staff Services Support	1,032,172	1,176,764
Other Support Services	381,177	453,860
<b>Total Indirect Expenses</b>	<b>\$ 11,563,000</b>	<b>\$ 13,867,216</b>
<b>Total Internal Administrative Investing Activity Expenses*</b>	<b>\$ 45,457,650</b>	<b>\$ 46,786,698</b>
Bank Fees**	\$ 7,150,913	
External Manager Fees**	181,939,993	152,954,835
External Legal Fees**	2,655,297	930,643
External Custodial Fees**	22,000,000	
<b>Total Investing Activity Expenses (Exh. II)***</b>	<b>\$ 259,203,853</b>	<b>\$ 200,672,176</b>

\* Total is not netted against or included in performance calculations.

\*\* Performance calculations are net of Bank Fees, External Legal Fees, External Manager Fees and External Custodial Fees.

\*\*\* The investing activity expenses do not include the following expenditures: During fiscal year 2015, the system paid commissions to various brokers totaling \$67,337,677. A portion of the total commissions was paid through various Commission Sharing Arrangements (CSA) generating \$22,409,961 in CSA proceeds. These proceeds were used in accordance with Section 28(e) of the Securities Exchange Act of 1934 to acquire research services from various investment related firms totaling \$21,069,278. Unspent CSA proceeds (totaling \$5,221,095) are held by State Street Bank and Trust Company as the system's CSA Administrator.

During fiscal year 2015, the system paid commissions through various external managers totaling \$831,289. A portion of the total commissions was paid through various Commission Recapture Arrangements (CRA) generating \$453,328 in CRA proceeds. These proceeds were used to acquire services totaling \$194,018. Unspent CRA proceeds (totaling \$479,693) are held by State Street Bank and Trust Company as the system's CRA Administrator.

Through its contractual agreements with various firms, the system benefited from \$5,041,965 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 commission expenses mentioned above, \$695,661,445 was paid to various Alternative and Pooled Investment General Partners for a total of \$762,999,122 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 Increase/(Decrease) in Fair Value of Investments. Custodial management fees were netted against income from securities lending activities.



## Schedule of Professional and Consulting Fees

ALL FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

Individual or Firm	Nature of Service	Amount
Hewlett Packard	Consulting Services	\$ 15,200,000
Allied Consultants Inc	Consulting Services	1,588,216
Gabriel, Roeder, Smith, & Company	Actuarial Services	1,502,211
Hamilton Lane Advisors LLC	Investment Consulting Services	1,350,000
Hewitt Ennis Knupp, Inc	Investment Consulting Services	1,133,333
Jackson Walker LLP	Legal Services	864,488
Cognizant Technology Solutions	Consulting Services	645,000
Townsend Group, The	Investment Consulting Services	600,000
Ernst & Young LLP	Financial and Accounting Services	440,424
Albourne America	Investment Consulting Services	400,000
Teksystems	Temporary Employment Services	362,061
Austin Ribbon & Computer Supplies Inc	Other Professional Services	283,481
Loblolly Consulting LLC	Temporary Employment Services	266,356
Katten Muchin Rosenman LLP	Legal Services	262,342
Soal Technologies LLC	Temporary Employment Services	228,707
Focus Consulting Group Inc	Consulting Services	175,808
Green Street Advisors	Investment Consulting Services	157,500
Sagebrush Solutions Inc	Financial and Accounting Services	145,573
State Auditors Office	Financial and Accounting Services	134,700
Rhyan Technology Services	Temporary Employment Services	129,600
Gartner Group	Consulting Services	122,485
CEM Benchmarking Inc	Consulting Services	115,000
Vr Election Services DbA Voice Retrieval	Board Election Services	111,486
Forrester Research, Inc	Consulting Services	109,000
State Street Bank And Trust Company	Investment Consulting Services	95,301
Rosen Consulting Group	Investment Consulting Services	95,000
Brown, Keith C.	Investment Consulting Services	80,000
Momentum Search Partner LLC	Consulting Services	75,000
Mobius Partners Inc	Consulting Services	65,394
Customer Relationship Metrics LC	Consulting Services	51,000
Corporate Executive Board	Consulting Services	47,500
Cohen Milstein Sellers & Toll, PLLC	Legal Services	45,000
Franklin Covey Co	Consulting Services	43,514
Perryman Group	Consulting Services	41,800
Cox, Alice D. Md	Medical Services	36,630
Reinarz, James Allen Md	Medical Services	36,630
Wilson, Larry Md	Medical Services	36,630
Protiviti Inc	Financial and Accounting Services	33,225
Adjacent Technologies Inc	Consulting Services	31,200
Planet Technologies Inc	Consulting Services	29,000
Myers And Stauffer LC	Consulting Services	28,756
TIBH Industries Inc	Temporary Employment Services	23,770
Unify Inc	Consulting Services	22,740
Workers Assistance Program Inc	Consulting Services	18,092
Lyrus Technologies	Other Professional Services	16,051
Unboundid Corp	Temporary Employment Services	15,276
Texas Facilities Commission	Consulting Services	12,310
API Productions LLC	Other Professional Services	11,350
Aggregate Payees less than \$10,000	Other Professional Services	55,916
		<u>\$ 27,374,856</u>
Prior Year Expenditure Adjustment		(1,966,840)
<b>TOTAL PROFESSIONAL AND CONSULTING FEES</b>		<b><u>\$ 25,408,016</u></b>



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# INVESTMENT SECTION







## *Investment Overview*

### PORTFOLIO STRUCTURE

TRS follows a diversified investment approach that focuses on the three most common economic scenarios. Scenario One is characterized by favorable Gross Domestic Product (GDP) growth and moderate inflation as measured by the Consumer Price Index (CPI), which has been the prevailing economic condition 68 percent of the time since 1948. Scenario Two is one of low GDP growth and high inflation, which has occurred 18 percent of the time. Finally, Scenario Three is characterized by stagnant GDP growth and low inflation, which has occurred 14 percent of the time. TRS is positioned to take advantage of any of these various market scenarios. TRS's long-term asset allocation target is 57 percent to Global Equity markets, which perform well under Scenario One, 22 percent to Real Return, which should perform well in Scenario Two, 16 percent to a Stable Value portfolio, which should perform well and minimize downside risk in Scenario Three, and 5 percent to the Risk Parity strategy, which has a balanced exposure to all three economic scenarios.

### INVESTMENT PORTFOLIO PERFORMANCE

For the year ending Aug. 31, 2015, the TRS Pension Fund (Trust) delivered investment returns of -0.3 percent, which led the fund's benchmark by 0.5 percent. Global Equity returned -3.1 percent, but was largely counterbalanced by returns of 6.2 percent in Stable Value and 6.1 percent in Real Return. On a three-year annualized basis, the fund has returned 8.3 percent, which is 1.0 percent above its benchmark. As a result, the total investment value of the fund as of August 31 was \$127.9 billion, or \$4.3 billion less than this time last year, after contributions and benefit payouts. Annual rates of return for the five- and 10-year periods ending Aug. 31, 2015 were 9.6 percent and 6.2 percent, 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, 2015 and include comparisons with established benchmarks for the same 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, independently and using industry best practices.

### STRATEGIC INITIATIVES

The year 2015 marked the seventh anniversary of the TRS Public Strategic Partnership Network (SPN). At its outset, four managers (JP Morgan, Neuberger Berman, Morgan Stanley, and BlackRock) were funded with \$1 billion each to invest globally across the same public asset classes as the Trust. As of Aug. 31, 2015, the total Public SPN is valued at \$6.3 billion. In addition, each year, the SPN collaborates to produce several research projects used to benefit the Trust and to provide valuable insights into asset allocation. TRS also replicated the SPN concept in the private markets in 2012, establishing long-term partnerships with Apollo and KKR to manage assets in private equity, real assets, and credit markets. In early 2015, TRS committed another \$1 billion each to KKR and Apollo to be directed toward tactical opportunities, including non-traditional credit investments. As of Aug. 31, 2015, the total Private SPN has a net asset value of \$2.6 billion and commitments total \$10 billion. These partnerships remain in their early stages, but are already proving beneficial to the Trust.

The past year saw continued growth in the successful Principal Investments Program, which seeks to take advantage of TRS's competitive advantages as a large, long-term investor by initiating high-transparency, low-fee, alpha-producing investment arrangements with select investment partners. Since the beginning of the program in 2009, the fund has committed \$6 billion in more than 50 principal investments across Private Equity, Real Assets, Energy and Natural Resources, Special Opportunities, and Internal Public Markets. In addition, the Investment Management Division (IMD)



## ***Investment Overview***

has committed another \$1.2 billion across nearly 70 smaller principal investments in separate dedicated vehicles managed by select general partners, as well as an even greater volume of principal investments in side-car vehicles. In late 2014, the IMD executed an initiative called “Preferred Destination” to further increase general partner awareness of IMD’s desire to make TRS one of the world’s primary destinations for large, attractive principal investment opportunities. This effort was highly successful and has resulted in an even greater level of high quality deal flow for TRS, which will continue to make principal investments a greater portion of IMD’s private market investments. To date, this effort has been highly accretive to the Trust’s returns and it should continue to be in the future.

To further support the “Preferred Destination” effort, the IMD also announced the opening of an office in London. The office, which is expected to open in November of 2015, is TRS’s first international office. With a presence in London, the IMD hopes to be a better investment partner, have greater access to attractive deal flow, and be more knowledgeable about markets in the United Kingdom and Europe. TRS will continue to build upon its reputation as a leading institutional investor and strengthen investment relationships with key players overseas.

The IMD has a dedicated risk management function. The Risk group monitors the risk of the fund versus its risk objectives, performs an independent risk certification for every new manager commitment, and monitors the performance of each manager and portfolio monthly with a risk signals review. During the last 12 months, the Risk group continued to refine its suite of tools and reports, including expanding existing risk signals to incorporate additional performance data, Trust holdings data, macro indicators, and risk indicators. They also performed an in-depth review of best practices for stress testing various Trust exposures. In addition to risk management, the Risk group is also increasingly active in managing certain quantitative investment strategies, with a goal of generating alpha that is uncorrelated to the alpha generated by the rest of the Trust.

Looking ahead, return expectations remain muted in the years ahead. Concerns about the resilience of global growth remain, with China’s slowdown taking an increasingly prominent role on the world stage. In addition to China’s policy actions, much of the market’s focus going forward will be on the monetary policy actions of the world’s major central banks, with the Federal Reserve expected to begin raising short-term interest rates in late 2015 or early 2016, while the European Central Bank and the Bank of Japan are expected to remain accommodative.

*Prepared by:  
Investment staff of the system*





## Total Time-Weighted Returns

PENSION TRUST FUND  
For Periods Ended June 30

Total Portfolio <sup>1</sup>	2010	2011	2012	2013	2014	2015	3 Years	5 Years	10 Years
TRS	15.6%	22.2%	2.7%	10.2%	16.3%	4.2%	10.1%	10.9%	6.8%
Custom Benchmark <sup>2</sup>	12.8%	21.2%	4.1%	8.7%	15.5%	3.8%	9.2%	10.5%	6.5%
TRS U.S.A.	16.7%	31.9%	2.2%	20.9%	24.5%	5.8%	16.8%	16.5%	N/A
U.S.A. Composite Benchmark <sup>3</sup>	15.6%	32.8%	3.4%	21.2%	25.1%	7.7%	17.8%	17.5%	N/A
TRS Non-U.S. Developed	8.1%	30.1%	-13.1%	18.7%	22.8%	-0.6%	13.1%	10.4%	N/A
Non-U.S. Developed Composite Benchmark <sup>4</sup>	7.0%	30.3%	-14.1%	17.1%	23.8%	-5.3%	11.1%	9.0%	N/A
TRS Emerging Markets	24.3%	27.2%	-15.9%	5.6%	14.5%	-4.6%	4.9%	4.3%	N/A
Emerging Markets Composite Benchmark <sup>5</sup>	23.2%	27.8%	-16.0%	2.9%	14.3%	-5.1%	3.7%	3.7%	N/A
TRS Directional Hedge Funds	N/A	N/A	N/A	10.0%	12.6%	1.4%	7.9%	N/A	N/A
Directional Hedge Fund Composite Benchmark <sup>6</sup>	N/A	N/A	N/A	7.2%	7.7%	3.8%	6.2%	N/A	N/A
<b>TRS Public Equity</b>	<b>14.4%</b>	<b>30.3%</b>	<b>-8.1%</b>	<b>15.7%</b>	<b>20.9%</b>	<b>1.3%</b>	<b>12.3%</b>	<b>11.2%</b>	<b>5.8%</b>
<b>Public Equity Composite Benchmark<sup>7</sup></b>	<b>14.3%</b>	<b>31.2%</b>	<b>-7.7%</b>	<b>14.8%</b>	<b>20.8%</b>	<b>0.8%</b>	<b>11.8%</b>	<b>11.1%</b>	<b>5.7%</b>
TRS Private Equity	24.6%	24.6%	7.1%	16.7%	21.7%	12.6%	16.9%	16.4%	15.4%
Private Equity Composite Benchmark <sup>8</sup>	34.9%	21.9%	7.3%	8.9%	17.6%	8.4%	11.5%	12.7%	9.3%
<b>Total TRS Global Equity</b>	<b>16.1%</b>	<b>29.5%</b>	<b>-5.5%</b>	<b>15.8%</b>	<b>21.0%</b>	<b>3.2%</b>	<b>13.1%</b>	<b>12.1%</b>	<b>6.6%</b>
<b>Global Equity Composite Benchmark<sup>9</sup></b>	<b>17.0%</b>	<b>30.3%</b>	<b>-5.2%</b>	<b>13.7%</b>	<b>20.2%</b>	<b>2.3%</b>	<b>11.8%</b>	<b>11.6%</b>	<b>6.2%</b>
TRS U.S. Treasuries	12.7%	-0.4%	33.1%	-7.9%	6.6%	8.2%	2.0%	7.1%	N/A
U.S. Treasuries Composite Benchmark <sup>10</sup>	12.0%	-1.1%	32.3%	-8.4%	6.3%	6.3%	1.2%	6.2%	N/A
TRS Absolute Return	34.3%	14.0%	2.4%	28.8%	12.3%	13.6%	18.0%	13.9%	N/A
Absolute Return Composite Benchmark <sup>11</sup>	2.4%	2.3%	2.5%	2.3%	2.2%	2.3%	2.3%	2.3%	N/A
TRS Stable Value Hedge Funds	7.7%	5.9%	-2.6%	5.5%	5.1%	5.2%	5.2%	3.8%	3.8%
Stable Value Hedge Fund Composite Benchmark <sup>12</sup>	2.4%	2.3%	1.7%	6.9%	6.6%	2.6%	5.5%	4.0%	4.8%
<b>Total TRS Stable Value</b>	<b>19.1%</b>	<b>5.0%</b>	<b>18.9%</b>	<b>-2.7%</b>	<b>6.2%</b>	<b>7.6%</b>	<b>3.6%</b>	<b>6.8%</b>	<b>6.0%</b>
<b>Stable Value Composite Benchmark<sup>13</sup></b>	<b>9.3%</b>	<b>-0.3%</b>	<b>23.9%</b>	<b>-4.6%</b>	<b>6.0%</b>	<b>5.4%</b>	<b>2.2%</b>	<b>5.7%</b>	<b>5.9%</b>
TRS Global Inflation Linked Bonds	10.3%	8.3%	11.7%	-4.5%	4.5%	-1.6%	-0.6%	3.5%	N/A
Global Inflation Linked Bonds Composite Benchmark <sup>14</sup>	10.6%	7.7%	11.7%	-4.8%	4.4%	-1.7%	-0.8%	3.3%	N/A
TRS Real Assets	-8.9%	19.4%	11.5%	10.6%	13.4%	13.2%	12.3%	14.4%	N/A
Real Assets Composite Benchmark <sup>15</sup>	-15.7%	19.0%	13.6%	9.7%	12.7%	12.4%	11.6%	13.4%	N/A
TRS Energy and Natural Resources	N/A	N/A	N/A	N/A	N/A	-6.3%	N/A	N/A	N/A
Energy and Natural Resources Composite Benchmark <sup>16</sup>	N/A	N/A	N/A	N/A	N/A	-9.0%	N/A	N/A	N/A
TRS Commodities	-0.2%	28.4%	-18.2%	-29.9%	32.2%	-57.0%	-26.4%	-16.0%	N/A
Commodities Composite Benchmark <sup>17</sup>	-5.4%	26.1%	-10.7%	2.0%	10.4%	-36.8%	-10.7%	-4.3%	N/A
<b>Total TRS Real Return</b>	<b>7.7%</b>	<b>17.4%</b>	<b>10.2%</b>	<b>4.6%</b>	<b>10.6%</b>	<b>6.4%</b>	<b>7.2%</b>	<b>9.8%</b>	<b>7.1%</b>
<b>Real Return Composite Benchmark<sup>18</sup></b>	<b>2.6%</b>	<b>16.8%</b>	<b>11.6%</b>	<b>5.7%</b>	<b>9.8%</b>	<b>6.7%</b>	<b>7.5%</b>	<b>10.1%</b>	<b>N/A</b>
TRS Risk Parity	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Risk Parity Benchmark <sup>19</sup>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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



## Total Time-Weighted Returns

PENSION TRUST FUND  
For Periods Ended June 30

<sup>2</sup> 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, 5% MSCI USA Small Cap/ 8% MSCI USA Large Cap/ 33% MSCI World Net/ 6% MSCI EM Net/ 4% 3 month LIBOR + 2%/ 15% BC Long Treasury/ 2% Goldman Sachs Commodity/ 8% BC US TIPS/ 8% SSPEI 1 QTR lagged/ 8% NCREIF ODCE Net lagged/ 2% MSCI US REIT/ 1% 90 day US Treasury through 9/10, 5% MSCI Small Cap/ 20% MSCI USA/ 15% MSCI EAFE + Canada/ 10% MSCI EM/ 15% BC Long Treasuries/ 4% 3 month LIBOR + 2%/ 1% Citigroup 90 day US Treasury/ 8% BC US TIPS/ 2% MSCI US REIT/ 10% SSPEI 1 QTR lagged/ 2% Goldman Sachs Commodity Index/ 8% NCREIF Open Ended fund lagged through 9/11, 2% MSCI Small Cap/ 18% MSCI USA/ 15% MSCI EAFE + Canada/ 10% MSCI EM/ 13% BC Long Treasuries/ 4% HFRI FOF: Conservative Index/ 5% HFRI Fund of Funds Composite/ 1% Citigroup 90 day US Treasury/ 5% BC US TIPS/ 2% MSCI US REIT/ 12% SSPEI 1 QTR lagged/ 13% NCREIF Open Ended fund lagged through 9/12, 2% MSCI Small Cap/ 18% MSCI USA/ 15% MSCI EAFE + Canada/ 10% MSCI EM/ 13% BC Long Treasuries/ 4% HFRI FOF: Conservative Index/ 5% HFRI Fund of Funds Composite/ 1% Citigroup 90 day US Treasury/ 5% BC US TIPS/ 11% SSPEI Adj 1 QTR lagged/ 13% NCREIF Open Ended fund lagged/ 3% (75% Cambridge Associates Natural Resources (reweighted)/ 25% quarterly Consumer Price Index lagged 1 quarter) through 9/14, 20.13% MSCI USA Investible Market/ 15.13% MSCI EAFE + Canada/ 10.24% MSCI EM/ 13.13% BC Long Treasuries/ 4% HFRI FOF: Conservative Index/ 4.89% HFRI Fund of Funds Composite/ 1% Citigroup 90 day US Treasury/ 5.13% BC US TIPS/ 11.97% SSPEI Adj 1 QTR lagged/ 11.84% NCREIF Open Ended fund lagged/ 1.99% (75% Cambridge Associates Natural Resources (reweighted)/ 25% quarterly Consumer Price Index lagged 1 quarter)/ 0.55% Risk Parity Benchmark through 12/14, 20.03% MSCI USA Investible Market/ 15.03% MSCI EAFE + Canada/ 10.25% MSCI EM/ 13.03% BC Long Treasuries/ 4% HFRI FOF: Conservative Index/ 4.78% HFRI Fund of Funds Composite/ 1% Citigroup 90 day US Treasury/ 5.03% BC US TIPS/ 11.77% SSPEI Adj 1 QTR lagged/ 12.01% NCREIF Open Ended fund lagged/ 1.96% (75% Cambridge Associates Natural Resources (reweighted)/ 25% quarterly Consumer Price Index lagged 1 quarter)/ 1.11% Risk Parity Benchmark through 3/15, currently 19.97% MSCI USA Investible Market/ 14.97% MSCI EAFE + Canada/ 10.31% MSCI EM/ 12.97% BC Long Treasuries/ 4% HFRI FOF: Conservative Index/ 4.66% HFRI Fund of Funds Composite/ 1% Citigroup 90 day US Treasury/ 4.97% BC US TIPS/ 11.43% SSPEI Adj 1 QTR lagged/ 12.17% NCREIF Open Ended fund lagged/ 1.85% (75% Cambridge Associates Natural Resources (reweighted)/ 25% quarterly Consumer Price Index lagged 1 quarter)/ 1.7% Risk Parity Benchmark.

<sup>3</sup> 43% Russell 1000 Growth/ 43% Russell 1000 Value/ 14% Russell 2000 through 9/08, 40% Russell 1000 Growth/ 40% Russell 1000 Value/ 20% Russell 2000 through 9/09, 81% MSCI Large Cap/ 19% MSCI Small Cap through 9/10, 80% MSCI USA/ 20% MSCI Small Cap through 9/11, 90% MSCI USA/ 10% MSCI Small Cap through 9/14, Currently MSCI USA Investible Market.

<sup>4</sup> 100% MSCI EAFE + Canada Index.

<sup>5</sup> 100% MSCI EM Index.

<sup>6</sup> 100% HFRI Fund of Funds Composite.

<sup>7</sup> 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/ 12.22% S&P 400/ 6.5% S&P 600, 21.12% 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, 27.28% Russell 1000 Growth/ 27.27% Russell 1000 Value/ 9.09% Russell 2000/ 27.27% MSCI EAFE + Canada/ 9.09% 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, 11.5% MSCI EM/ 63.5% MSCI All-Country World Net/ 9.6% MSCI USA Small Cap/ 15.4% MSCI USA Large Cap through 9/10, 20% MSCI EM/ 30% MSCI EAFE + Canada/ 40% MSCI USA Gross/ 10% MSCI USA Small Cap through 9/11, 20% MSCI EM/ 30% MSCI EAFE + Canada/ 36% MSCI USA Gross/ 4% MSCI USA Small Cap/ 10% HFRI Fund of Funds Composite through 9/14, 20.32% MSCI EM/ 30.03% MSCI EAFE + Canada/ 39.95% MSCI USA Investible Market/ 9.7% HFRI Fund of Funds Composite through 12/14, 20.45% MSCI EM/ 30.01% MSCI EAFE + Canada/ 39.99% MSCI USA Investible Market/ 9.55% HFRI Fund of Funds Composite through 3/15, currently 20.66% MSCI EM/ 29.99% MSCI EAFE + Canada/ 40.01% MSCI USA Investible Market/ 9.34% HFRI Fund of Funds Composite

<sup>8</sup> 3 years at 0, then Russell 2000 + 500 bps through 9/07, Russell 3000 + 5% through 9/09, SSPEI 1 QTR lagged through 9/13, currently SSPEI Adj 1 QTR lagged.



## Total Time-Weighted Returns

PENSION TRUST FUND  
For Periods Ended June 30

<sup>9</sup> 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, 56.49% S&P 500/ 11.44% S&P 400/ 6.11% S&P 600, 19.85% MSCI ACWI free ex-US/ 6.11% Russell 2000 + 5% through 3/06, 56% 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/ 8.33% Russell 2000/ 25% MSCI EAFE + Canada/ 8.33% MSCI EM/ 8.34% 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, 10% MSCI EM Net/ 55% AC World Net/ 13.33% SSPEI 1 QTR lagged/ 8.33% MSCI USA Small Cap/ 13.34% MSCI USA Large Cap through 9/10, 16.7% MSCI EM/ 25% MSCI EAFE + Canada/ 8.3% MSCI USA Small Cap/ 33.3% MSCI USA Gross/ 16.7% SSPEI 1 QTR lagged through 9/11, 16.1% MSCI EM/ 24.2% MSCI EAFE + Canada/ 3.2% MSCI USA Small Cap/ 29% MSCI USA Gross/ 8.1% HFRI Fund of Funds Composite/ 19.4% SSPEI 1 QTR lagged through 9/13, 16.4% MSCI EM/ 24.6% MSCI EAFE + Canada/ 3.3% MSCI USA Small Cap/ 29.5% MSCI USA Gross/ 8.2% HFRI Fund of Funds Composite/ 18% SSPEI Adj 1 QTR lagged through 9/14, 16.42% MSCI EM/ 24.26% MSCI EAFE + Canada/ 32.28% MSCI USA Investible Market/ 7.84% HFRI Fund of Funds Composite/ 19.2% SSPEI Adj 1 QTR lagged through 12/14, 16.57% MSCI EM/ 24.30% MSCI EAFE + Canada/ 32.38% MSCI USA Investible Market/ 7.72% HFRI Fund of Funds Composite/ 19.03% SSPEI Adj 1 QTR lagged through 3/15, currently 16.81% MSCI EM/ 24.4% MSCI EAFE + Canada/ 32.56% MSCI USA Investible Market/ 7.6% HFRI Fund of Funds Composite/ 18.63% SSPEI Adj 1 QTR lagged.

<sup>10</sup> 100% BC Long Treasuries Index.

<sup>11</sup> 100% 3 month LIBOR + 2%.

<sup>12</sup> 70% 3-month LIBOR/ 30% S&P 500 through 9/07, 3 Month LIBOR + 2% through 9/11, currently 100% HFRI FOF: Conservative Index.

<sup>13</sup> 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, 75% BC Long Treasury/ 20% Hedge Fund Composite/ 5% 91 day T-Bill through 9/11, 72.2% BC Long Treasury/ 22.2% HFRI FOF: Conservative Index/ 5.6% Citigroup 91 day T-Bill through 9/14, 72.42% BC Long Treasury/ 22.06% HFRI FOF: Conservative Index/ 5.52% Citigroup 91 day T-Bill through 12/14, 72.27% BC Long Treasury/ 22.18% HFRI FOF: Conservative Index/ 5.55% Citigroup 91 day T-Bill through 3/15, currently 72.17% BC Long Treasury/ 22.26% HFRI FOF: Conservative Index/ 5.57% Citigroup 91 day T-Bill.

<sup>14</sup> BC Global Inflation Linked Bonds through 9/08, 50% BC Global Inflation Linked Bonds/ 50% BC US TIPS through 9/09, currently BC US TIPS.

<sup>15</sup> Index established 4/2006, NCREIF Property Index (1 quarter lag) + 200 bps through 9/07, 80% Real Estate Composite Index/ 20% US Core CPI + 5% through 9/08, 83% Real Estate Composite Index/ 17% US Core CPI + 5% through 9/09, currently NCREIF Open Ended Net 1 QTR lagged.

<sup>16</sup> 75% Cambridge Associates Natural Resources (reweighted)/ 25% quarterly Consumer Price Index lagged 1 quarter.

<sup>17</sup> 100% Goldman Sachs Commodity Index.

<sup>18</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, 40% BC Global Inflation Linked Bond Index/ 40% NCREIF Open Ended Net 1 QTR lagged/ 10% Goldman Sachs Commodity Index/ 10% MSCI US REIT through 9/11, 25% BC US TIPS/ 65% NCREIF Open Ended Net 1 QTR lagged/ 10% MSCI US REIT through 9/12, 25% BC US TIPS/ 75% NCREIF Open Ended Net 1 QTR lagged through 9/13, 23.8% BC US TIPS/ 61.9% NCREIF Open Ended Net 1 QTR lagged/ 14.3% (75% Cambridge Associates Natural Resources (reweighted))/ 25% quarterly Consumer Price Index lagged 1 quarter) through 9/14, 27.06% BC US TIPS/ 62.45% NCREIF Open Ended Net 1 QTR lagged/ 10.49% (75% Cambridge Associates Natural Resources (reweighted))/ 25% quarterly Consumer Price Index lagged 1 quarter) through 12/14, 26.47% BC US TIPS/ 63.21% NCREIF Open Ended Net 1 QTR lagged/ 10.32% (75% Cambridge Associates Natural Resources (reweighted))/ 25% quarterly Consumer Price Index lagged 1 quarter) through 3/15, currently 26.17% BC US TIPS/ 64.11% NCREIF Open Ended Net 1 QTR lagged/ 9.72% (75% Cambridge Associates Natural Resources (reweighted))/ 25% quarterly Consumer Price Index lagged 1 quarter).

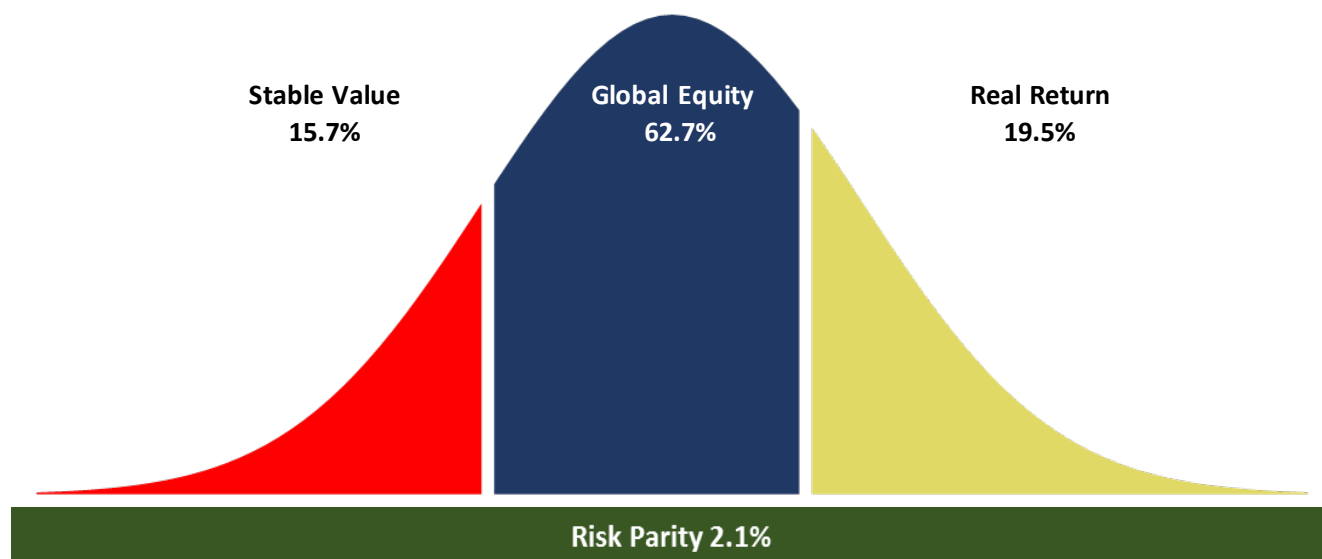
<sup>19</sup> No performance data is available because this asset classes is new and was not established for the entire 1 year period.



## Asset Allocation

PENSION TRUST FUND

August 31, 2015



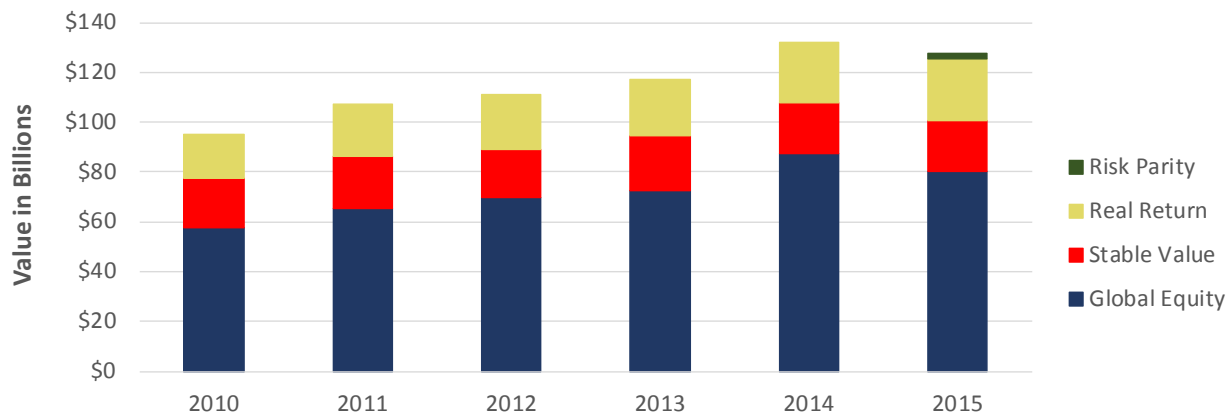
	POLICY RANGES			
	Low	High	Transition Normal	Actual
U.S.	13%	23%	19.8%	20.6%
Non-U.S. Developed	8%	18%	14.8%	15.8%
Emerging Markets	4%	14%	10.3%	8.9%
Directional Hedge Funds	0%	10%	4.6%	4.9%
<i>Public Equity</i>	<i>39%</i>	<i>49%</i>	<i>49.5%</i>	<i>50.2%</i>
Private Equity	8%	18%	11.8%	12.5%
<b>Total Global Equity</b>	<b>50.0%</b>	<b>64.0%</b>	<b>61.3%</b>	<b>62.7%</b>
U.S. Treasuries	0.0%	20%	12.8%	8.7%
Absolute Return	0.0%	20%	0.0%	2.3%
Stable Value Hedge Funds	0.0%	10.0%	4.0%	4.2%
Cash	0.0%	5.0%	1.0%	0.5%
<b>Total Stable Value</b>	<b>11.0%</b>	<b>21.0%</b>	<b>17.8%</b>	<b>15.7%</b>
TRS Global Inflation Linked Bonds	0.0%	8.0%	4.8%	4.6%
TRS Real Assets	11.0%	21.0%	12.3%	12.9%
TRS Energy and Natural Resources	0.0%	8.0%	1.6%	1.8%
TRS Commodities	0.0%	5.0%	0.0%	0.2%
<b>Total Real Return</b>	<b>17.0%</b>	<b>27.0%</b>	<b>18.7%</b>	<b>19.5%</b>
<b>Total Risk Parity</b>	<b>0.0%</b>	<b>10.0%</b>	<b>2.2%</b>	<b>2.1%</b>
<b>Total</b>				<b>100.0%</b>



## Investment Summary

PENSION TRUST FUND

August 31, 2015



### MARKET VALUES (in billions)<sup>1</sup>

	2010	2011	2012	2013	2014	2015
U.S.	\$ 17.437	\$ 26.528	\$ 23.085	\$ 22.842	\$ 29.981	\$ 26.355
Non-U.S. Developed	5.810	12.488	17.301	16.641	19.718	20.175
Emerging Markets	8.180	15.296	10.754	12.829	15.594	11.437
Directional Hedge Funds	N/A	N/A	5.584	5.918	6.496	6.222
World Equity	17.936	N/A	N/A	N/A	N/A	N/A
Public Equity	49.363	54.312	56.724	58.230	71.789	64.189
Private Equity	8.501	11.099	13.101	14.365	15.594	16.032
<b>Total Global Equity</b>	\$ 57.864	\$ 65.411	\$ 69.825	\$ 72.595	\$ 87.383	\$ 80.221
U.S. Treasuries	\$ 10.047	\$ 11.907	\$ 13.476	\$ 16.312	\$ 11.650	\$ 11.141
Absolute Return	4.786	3.214	0.999	0.465	2.068	2.961
Stable Value Hedge Funds	3.947	4.324	3.936	4.207	5.055	5.395
Cash	0.700	1.376	0.957	1.129	1.698	0.673
<b>Total Stable Value</b>	\$ 19.480	\$ 20.821	\$ 19.368	\$ 22.113	\$ 20.471	\$ 20.170
Global Inflation Linked Bonds	\$ 8.167	\$ 5.635	\$ 5.499	\$ 5.924	\$ 6.318	\$ 5.839
Real Assets	7.664	11.880	15.219	15.920	15.335	16.495
Energy and Natural Resources	N/A	N/A	N/A	N/A	2.540	2.259
Commodities	2.068	3.323	1.155	0.498	0.169	0.244
<b>Total Real Return</b>	\$ 17.899	\$ 20.838	\$ 21.873	\$ 22.342	\$ 24.362	\$ 24.837
<b>Total Risk Parity</b>	N/A	N/A	N/A	N/A	N/A	\$ 2.715
<b>Total</b>	\$ 95.243	\$ 107.070	\$ 111.066	\$ 117.050	\$ 132.216	\$ 127.943

<sup>1</sup> Investment values are based on industry standard investment performance methodology. Investment values in Exhibit I are in compliance with GASB Reporting Standards. A reconciliation is provided.

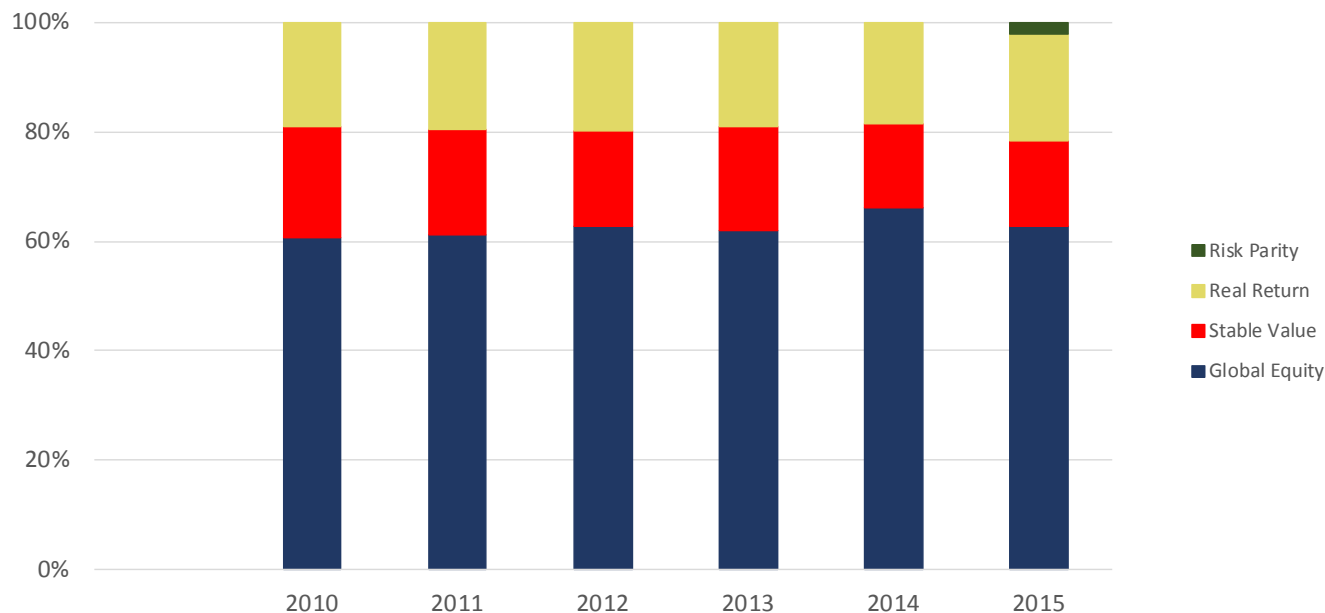
Total Market Value 8/31/15	\$ 127.943
Less Investment Related Cash	(0.399)
Less Investment Related Receivables	(1.580)
Plus Investment Related Payables	0.888
Plus Securities Sold Short	0.188
Plus Short-Term Asset Pool Adjustment from Amortized Cost to Fair Value	0.002
<b>Total Investments Exhibit 1</b>	<b>\$ 127.042</b>



## Investment Summary

PENSION TRUST FUND

August 31, 2015



### PERCENTAGE OF MARKET VALUES

	2010	2011	2012	2013	2014	2015
U.S.	18.3%	24.8%	19.7%	19.5%	22.7%	20.6%
Non-U.S. Developed	6.1%	11.7%	15.6%	14.2%	14.9%	15.8%
Emerging Markets	8.6%	14.3%	9.7%	11.0%	11.8%	8.9%
Directional Hedge Funds	N/A	N/A	5.0%	5.0%	4.9%	4.9%
World Equity	18.8%	N/A	N/A	N/A	N/A	N/A
Public Equity	51.8%	50.7%	51.1%	49.7%	54.3%	50.2%
Private Equity	8.9%	10.4%	11.8%	12.3%	11.8%	12.5%
<b>Total Global Equity</b>	<b>60.7%</b>	<b>61.1%</b>	<b>62.9%</b>	<b>62.0%</b>	<b>66.1%</b>	<b>62.7%</b>
U.S. Treasuries	10.6%	11.1%	12.1%	13.9%	8.8%	8.7%
Absolute Return	5.0%	3.0%	0.9%	0.4%	1.6%	2.3%
Stable Value Hedge Funds	4.1%	4.0%	3.5%	3.6%	3.8%	4.2%
Cash	0.7%	1.3%	0.9%	1.0%	1.3%	0.5%
<b>Total Stable Value</b>	<b>20.4%</b>	<b>19.4%</b>	<b>17.4%</b>	<b>18.9%</b>	<b>15.5%</b>	<b>15.7%</b>
Global Inflation Linked Bonds	8.6%	5.3%	5.0%	5.1%	4.8%	4.6%
Real Assets	8.1%	11.1%	13.7%	13.6%	11.6%	12.9%
Energy and Natural Resources	N/A	N/A	N/A	N/A	1.9%	1.8%
Commodities	2.2%	3.1%	1.0%	0.4%	0.1%	0.2%
<b>Total Real Return</b>	<b>18.9%</b>	<b>19.5%</b>	<b>19.7%</b>	<b>19.1%</b>	<b>18.4%</b>	<b>19.5%</b>
<b>Total Risk Parity</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>2.1%</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>





## Largest Holdings

PENSION TRUST FUND

August 31, 2015

### Top Ten Domestic Equity Market Holdings

<u>Issuer Name</u>	<u>Market Value</u>	<u>Total Shares</u>
Apple Incorporated	\$ 680,990,340	6,039,290
Microsoft Corporation	383,158,479	8,804,193
Google Incorporated Class A	338,626,527	522,717
Johnson & Johnson	294,805,016	3,136,891
Pfizer Incorporated	259,193,726	8,044,498
Oracle Corporation	236,690,799	6,381,526
Citigroup Incorporated	228,232,585	4,267,625
Google Incorporated Class C	226,114,427	365,733
Amazon.Com Incorporated	221,230,998	431,342
J.P. Morgan Chase & Company	220,568,421	3,441,005
	<u>\$ 3,089,611,318</u>	<u>41,434,820</u>

### Top Ten International Equity Market Holdings

<u>Issuer Name</u>	<u>Market Value</u>	<u>Total Shares</u>
Samsung Electronics Company LTD	\$ 301,022,526	326,937
Novartis AG	260,701,790	2,662,214
Tencent Holdings LTD	260,314,647	15,306,916
Nestle SA	228,142,895	3,094,328
China Construction Bank	192,952,019	273,880,548
Roche Holdings AG	185,193,932	678,378
Toyota Motor Corporation	176,022,961	2,965,982
BT Group PLC	175,542,145	26,097,319
Vodafone Group PLC	174,376,464	50,012,662
China Mobile LTD	174,358,281	14,142,181
	<u>\$ 2,128,627,660</u>	<u>389,167,465</u>



## Largest Holdings

PENSION TRUST FUND

August 31, 2015

### Top Ten Fixed Income Market Holdings

<u>Description</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. Treasury 3.625% due 15 Aug 2043	\$ 905,477,625	\$ 796,900,000
U.S. Treasury 3.750% due 15 Nov 2043	892,232,349	767,690,000
U.S. Treasury 3.375% due 15 May 2044	811,576,110	748,500,000
U.S. Treasury 3.625% due 15 Feb 2044	765,630,036	674,350,000
U.S. Treasury 3.000% due 15 Nov 2044	759,777,068	753,000,000
U.S. Treasury 2.875% due 15 May 2043	706,578,386	717,040,000
U.S. Treasury 3.125% due 15 Aug 2044	638,016,468	616,900,000
U.S. Treasury 4.625% due 15 Feb 2040	527,614,870	402,170,000
U.S. Treasury 3.000% due 15 May 2045	523,827,500	518,000,000
U.S. Treasury 2.750% due 15 Nov 2042	520,532,773	541,100,000
	<u>\$ 7,051,263,185</u>	<u>\$ 6,535,650,000</u>

*Note: A complete listing of publically available 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, 2015

<b>Fund Name*</b>	<b>Fees</b>
Achievement Fund XL, LLC	\$ 3,447,174
Admiral Capital Real Estate Fund, L.P.	304,725
Advent International GPE VI-A, L.P.	1,879,357
Advent International GPE VII-C, L.P.	2,051,987
Aeolus Property Keystone Fund, L.P.	324,804
Aeolus Property Spire Fund, L.P.	961,759
AEW Core Property Trust (U.S.), L.P.	1,651,871
AEW Senior Housing Investors II, L.P.	277,185
AEW Senior Housing Investors, L.P.	785,114
AHL Evolution, LLC	1,426,886
Akard Street Partners, L.P.	854,570
Algert Global Equity Mkt Neutral	7,534,862
Almanac Realty Securities Sidecar VI, L.P.	56,174
Almanac Realty Securities V Co-Invest, L.P.	148,238
Almanac Realty Securities V, L.P.	1,091,387
Almanac Realty Securities VI, L.P.	911,311
Almanac Realty Securities VII, L.P.	136,986
Alterna Core Capital Assets Fund II, L.P.	1,742,438
Alterna Core Capital Assets Fund, L.P.	1,562,839
Alterna/Lavaca Co-Investment Fund, L.P.	35,374
Amici Fund International LTD	1,295,869
Apax Europe VII-A, L.P.	370,494
Apax VIII, L.P.	2,747,127
Apollo Credit Opportunity Fund II, L.P.	462,359
Apollo Investment Fund VII, L.P.	752,253
Apollo SPN Investments, L.P.	14,082,179
AQR GRP 10 Offshore Fund LTD	2,002,892
AQR RT Fund, L.P.	683,037
AQR Style Premia Offshore Fund LTD	3,482,438
ARA Asia Dragon II, L.P.	2,500,000
ARA Asia Dragon, L.P.	332,817
Artemis Real Estate Partners Fund II, L.P.	750,000
AXA Independence Fund, L.P.**	(67,309)
Bain Capital Absolute Return Cayman LTD	2,089,709
Bain Capital Fund VIII, L.P.	346,031
Bain Capital VIII Coinvest Fund, L.P.	430,220

*(Continued)*



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
Bay Resource Partners Offshore Fund LTD	\$ 7,056,945
Black Diamond Relative Value LTD	3,802,850
Blackrock Diamond Property Fund, L.P.	660,280
Blackstone Capital Partners V, L.P.	51,088
Blackstone Capital Partners VI, L.P.	1,772,504
Blackstone Energy Partners II, L.P.	238,889
Blackstone GSO Capital Solutions Fund II, L.P.	36,321
Blackstone GSO Capital Solutions Fund, L.P.	2,163,533
Blackstone RE Partners Europe III, L.P.	1,984,688
Blackstone RE Partners Europe IV, L.P.	4,013,889
Blackstone Real Estate VI, L.P.	1,990,182
Blackstone Real Estate VI.F (Gresham), L.P.	302,484
Blackstone Real Estate VII, L.P.	3,521,948
Blue Mountain Guadalupe Peak Fund	4,625,862
Blue Sage Capital II, L.P.	651,610
Blue Sea Capital Fund I, LLC	29,251
BlueTrend Fund LTD	5,598,468
Brevan Howard Fund	2,754,127
Bridgepoint Europe V, L.P.	1,395,332
Bridgewater All Weather LTD	1,982,615
Bridgewater Optimal Portfolio, LLC	2,060,801
Bridgewater Pure Alpha Major Markets LTD	4,234,052
Bridgewater Pure Alpha, LLC	6,921,114
Brockton Capital Fund II, L.P.	3,138,802
Brockton Capital Fund III, L.P.	1,150,347
Brookfield Americas Infrastructure Fund, L.P.	2,288,068
Brookfield Infrastructure Fund II-B, L.P.	2,573,140
Brookfield Strategic RE Partners B, L.P.	2,151,000
Camden Multifamily Co-Investment Fund, L.P.	1,143,459
Camden Multifamily Value Add Fund, L.P.	1,277,362
Canyon-Johnson Urban Fund III, L.P.	637,618
Capri Urban Investors, L.P.	1,005,750
Cargill Global Agriculture Absolute Return Fund LTD	1,328,659
Carlyle Europe Partners III, L.P.	265,974
Carlyle Europe Real Estate Partners III, L.P.	963,136
Carlyle Partners III, L.P.	12,127

*(Continued)*



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
Carlyle Partners IV, L.P.	\$ 261,106
Carlyle Partners V, L.P.	1,090,927
Carlyle Partners VI, L.P.	1,895,638
Carlyle Realty Partners V, L.P.	452,794
Carlyle Realty Partners VII, L.P.	1,959,979
CB Richard Ellis Strat Partners US OPP 5, L.P.	695,326
CBRE Strategic Partners US Value 6, L.P.	1,335,207
CBRE Strategic Partners US Value 7, L.P.	1,205,904
CBRE Wood Partners Development Fund 3, L.P.	284,537
CCMP Capital Investors III	1,828,705
Cerberus Institutional (Series Four), L.P.	394,914
Charterhouse Capital Partners IX, L.P.	1,860,099
Charterhouse Capital VIII, L.P.	360,964
CIM Fund III, L.P.	3,132,156
Citadel Presidio Fund, LLC	3,192,720
Colony Distressed Credit Fund, L.P.	2,538,400
Colony Investors VIII, L.P.	2,419,900
Comac Global Macro Fund LTD	594,496
CPI Capital Partners Europe, L.P.	169,099
Crestview Partners II, L.P.	678,220
Crestview Partners III, L.P. **	(248,507)
CVC Capital Partners Asia Pacific III, L.P.	1,647,904
CVC European Equity Partners III, L.P.	72,447
CVC European Equity Partners IV, L.P.	50,149
CVC European Equity Partners Tandem Fund, L.P.	432,062
CVC European Equity Partners V, L.P.	862,877
D. E. Shaw BMCAE Special Fund, L.P.	3,264,936
D. E. Shaw VACAE Fund, L.P.	2,359,391
DaVinciRe Holdings LTD	4,432,907
Divco West Fund III, L.P.	117,604
Double Black Diamond LTD	5,429,296
EI AV Fund (Acosta Verde), L.P.	121,943
EI Fund V, L.P.	1,849,145
EIG Energy Fund XVI, L.P.	1,497,452
Element Capital US Feeder	1,852,484

*(Continued)*



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
EnCap Energy Capital Fund VII, L.P.	\$ 522,869
EnCap Energy Capital Fund X, L.P.	681,250
EnCap Energy Fund IX, L.P.	1,236,327
EnCap Energy Infrastructure Fund, L.P.	526,268
Encap Flatrock Midstream Fund II, L.P.	572,286
Encap Flatrock Midstream Fund III, L.P.	3,115,385
Energy Capital Partners Fund III, L.P.	1,455,199
Energy Fund XV, L.P.	1,974,052
ESCF German (Zentrum), L.P.	573,896
ESG Cross Border Equity Fund LTD	1,815,623
FIR Tree Capital Opportunity Fund	9,243,410
First Reserve Energy Infrastructure Fund II, L.P.	1,015,395
First Reserve Energy Infrastructure Part, L.P.	1,673,873
First Reserve Fund X, L.P.	8,840
First Reserve Fund XI, L.P.	1,414,602
First Reserve Fund XII, L.P.	2,633,477
Five Mile Capital Partners II, L.P.	1,684,838
Fore Multi Strategy Offshore Fund LTD	3,831,991
Forum Asian Realty Income II, L.P.	140,664
Forum Asian Realty Income III, L.P.	1,747,716
Forum Europe Realty Income III, L.P.	786,286
Frontier Fund III, L.P.	172,977
Frontier Fund IV, L.P.	194,721
Fudo Capital Fund II, L.P.	1,036,855
Fudo Capital Fund III, L.P.	2,286,028
Full Harvest Agricultural Opp Fund II, L.P.	225,000
GenNx360 Capital Partners II, L.P.	245,815
GoldenTree Offshore Fund LTD	186,371
Gores Capital Partners II, L.P.	170,581
Graham Global Investment	9,420,274
Great Hill Equity Partners V, L.P.	1,082,219
Green Equity Investors VI, L.P.	538,076
Grosvenor 2005-1 Series	708,753
Grosvenor 2007-1 Series	981,315
Grosvenor 2008-1 Re-Investment Series	231,831

*(Continued)*





## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
Grosvenor 2008-2 MMBO Investments Series	\$ 1,302,071
Grosvenor 2010-1 PE Investment Series	537,028
Grosvenor 2010-2 RE Partnership Invest Series	996,111
Grosvenor 2014-1 PE Investment Series	214,560
Grosvenor 2014-2 RE Investment Series	429,121
GSO Energy Partners-D, L.P.	105,616
GSO Special Situations Fund, L.P.	4,895,078
Hadley Harbor Partners, L.P.	332,283
Halcyon European Structured LTD	1,397
Halcyon Mount Bonnell Fund, L.P.	2,616,241
Harbinger LTD	5,362
HB Estrela I, L.P.	1,010,717
Heitman America Real Estate Trust, L.P.	1,664,052
Hellman & Friedman Capital Partners V, L.P. **	(389)
Hellman & Friedman Capital Partners VI, L.P.	165,550
HgCapital 5, L.P.	124,582
HgCapital 6, L.P.	2,174,613
Highbridge Mezzanine Partners II, L.P.	1,031,199
Highbridge Mezzanine Partners, L.P.	455,138
Highland Capital Partners VI-B, L.P.	157,535
Homestead Capital USA Farmland Fund I, L.P.	76,695
Horizon Portfolio LTD	13,419,704
Hunt Commercial Realty Partners II, L.P.	561,964
Hunt Commercial Realty Partners III, L.P.	714,756
IC Berkeley Partners III, L.P.	234,422
IC Hospitality Fund II, L.P.	38,069
ICV Partners III, L.P.	138,910
Insight Venture Partners IX, L.P.	1,317,928
Insight Venture Partners VIII, L.P.	2,838,978
Invesco San Jacinto Core Fund, L.P.	1,337,679
Investcorp Interlachen	6,108
Investcorp Waterloo Macro Fund LTD	6,250,814
Iron Point Real Estate Partners II, L.P.	1,220,981
Iron Point Real Estate Partners III, L.P.	656,250
Iron Point Real Estate Partners, L.P.	827,832
	<i>(Continued)</i>



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
J.H. Whitney VI, L.P.	\$ 93,374
JP Morgan Strategic Property Fund, L.P.	6,002,601
Kelso Investment Associates VIII, L.P.	1,883,407
King Street Capital LTD	4,453,739
KKR 2006 Fund, L.P.	930,878
KKR Natural Resources I, L.P.	7,196,124
KKR SPN Investments, L.P.	11,954,667
Kohlberg TE Investors VII-B, L.P.	2,972,759
L&B Diversified Strategy Partners, L.P.	254,675
Lansdowne Pecan Street Europe, L.P.	128,776
LaSalle Capital Group II-A, L.P.	495,483
LaSalle US Property Fund, L.P.	2,223,594
Lee Equity Partners, L.P.	191,072
Lightspeed Venture Partners, L.P.	249,317
Lindsay Goldberg III, L.P.	1,406,437
Lion Capital Fund I, L.P.	28,585
Lion Capital Fund II, L.P.	1,234,838
Lion Capital Fund III, L.P.	4,898,397
Lionstone Cash Flow Partners Fund One, L.P.	2,563,257
LiveOak Ventures I, L.P.	374,986
Lone Star Fund IX, L.P.	1,200,000
Lone Star Real Estate Fund II, L.P.	292,176
Lone Star Real Estate Fund III, L.P.	2,174,523
Luxor Capital Partners Offshore LTD	3,819,563
MacFarlane Urban Real Estate Fund II, L.P.	844,271
Magnetar Constellation Fund LTD	8,682,024
Marathon Credit Dislocation Fund, L.P.	2,193,206
Marathon Structured Products Strategies Fund	111,733
Meadow Real Estate Fund III, L.P.	500,000
Mill Road Capital II, L.P.	300,000
Millennium Partners, L.P.	4,846,724
MKP Credit Offshore LTD	7,227,669
Morgan Creek Partners Asia, L.P.	1,015,474
MW Market Neutral TOPS (US) Fund	5,479,051
Nautic Partners V, L.P.**	(176,218)
	<i>(Continued)</i>



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
New Enterprise Associates 13, L.P.	\$ 1,100,214
New Enterprise Associates 14, L.P.	1,312,261
New Enterprise Associates 15, L.P.	385,909
New Heritage Capital Fund-B, L.P.	471,525
NMS Fund II, L.P.	208,182
Normandy Real Estate Debt Fund, L.P.	190,210
North Haven Infrastructure Partners II, L.P.	1,076,449
North Haven Infrastructure Partners, L.P.	194,088
Northwest Fund LTD	3,921,985
Oak Investment Partners XI, L.P.	584,522
Oak Investment Partners XII, L.P.	1,924,876
Oaktree European Principal Fund III, L.P.	2,750,214
Oaktree Opportunities Fund IX, L.P.	2,400,000
Oaktree Opportunities Fund VIII, L.P.	775,088
Oaktree Opportunities Fund VIIIb, L.P.	1,391,020
Oaktree Real Estate Opportunities Fund VI, L.P.	2,097,063
OCM Opportunities Fund VI, L.P.	79,143
OCM Opportunities Fund VII, L.P.	213,458
OCM Opportunities Fund VIIb, L.P.	245,155
One Rock Capital Partners, L.P.	245,805
Onex Partners I, L.P.	101,746
Onex Partners III, L.P.	1,472,713
P2 Capital Master Fund VI	4,039,354
Palladium Equity Partners IV, L.P.	93,094
Parkway Properties Office Fund II, L.P.	2,074,148
Parvus Armadillo Fund	18,892,075
Patria-Brazilian Private Equity Fund IV, L.P.	1,953,216
PCCP Mezzanine Recovery Partners II, L.P.	408,069
PDT Partners Offshore Fund	21,663,043
Pennybacker III, L.P.**	(236,217)
Permira Europe III, L.P.**	(21,217)
Permira IV, L.P.	960,420
Permira V, L.P.	3,382,522
Perry Partners International, Inc.	3,229,906
Pershing Square International LTD	31,515,583

*(Continued)*



## *Schedule of Fees and Commissions*

### PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
PFM Diversified Offshore Fund, A.I. LTD	\$ 9,921,401
PLA Residential Fund III, L.P.	2,109,843
PLA Residential Fund IV, L.P.	432,688
PLA Retail Fund I, L.P.	730,242
Polaris Venture Partners IV, L.P.**	(1,116)
PREI Mezzanine Fund I, L.P.	214,677
Prime Property Fund, L.P.	2,239,711
Principal Green Property Fund I, L.P.	1,075,424
Principal RE Strategic Debt Fund I, L.P.	1,039,015
Principal Real Estate Strat Eq Fund I, L.P.	1,359,350
PRISA	2,001,960
PRISA II	1,904,218
Prologis U.S. Logistics REIT, L.P.	885,667
Providence Equity Partners V, L.P.	176,140
Providence Equity Partners VI, L.P.	1,255,988
Raine Partners II, L.P.	450,000
Ranger Co-Investment Fund II, L.P.	324,092
Ranger Co-Investment Fund III, L.P.	165,610
Ranger Co-Investment Fund, L.P.	184,661
Red River Direct Investment Fund II, L.P.	2,893,068
Red River Direct Investment Fund, L.P.	1,681,823
Red River Venture Capital Fund, L.P.	727,732
Reservoir Strategic Partners Fund, L.P.	4,442,229
Retail Co-Invest Holdings 3 (Starwood), L.P.	556,842
Ridgewood Energy Oil & Gas Fund II, L.P.	2,000,000
Riverstone Global Energy & Power VI, L.P.	761,909
Rock Creek Limestone Emerging Markets, L.P.	8,041,104
RREEF America REIT III, L.P.	497,350
Savanna Real Estate Fund III, L.P.	218,533
Savanna Real Estate IIA, L.P.	140,476
SCG TMI Co-Invest, L.P.	197,694
Scout Fund II, L.P.	479,476
Security Capital Income Opportunity	200,345
Shepherd Investments International LTD	62,554
SHI Development Co-Investment I, L.P.	725,715
	<i>(Continued)</i>



## *Schedule of Fees and Commissions*

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Fund Name*</b>	<b>Fees</b>
Silver Lake Partners IV, L.P.	\$ 1,940,515
Silverback Arbitrage Fund LTD	2,397,748
Soroban Cayman Fund LTD	11,438,312
Soroban Opportunities Fund, LLC	3,980,314
Southwest Multifamily Partners, L.P.	187,410
SP5 Wood Partners Co-Invest Venture 2, L.P.	257,018
SP5 Wood Partners Development, L.P.	116,414
Spire Capital Partners III, L.P.	158,504
Squadron Emerging Asia Fund, L.P.	903,461
Square Mile Credit Partners, L.P.	452,151
Square Mile Partners III, L.P.	659,482
Square Mile Partners IV, L.P.	56,336
Square Mile Partners IV-A-Co-Invest, L.P.	55,406
Square Mile S2, L.P.	144,493
Square Mile Tactical Partners, L.P.	59,461
Starwood Distressed Opportunity Fund IX, L.P.	2,239,416
Starwood Opportunity Fund X Global, L.P.	2,123,014
Starwood Real Estate Securities, L.P.	2,206,389
Starwood UK Hotels Co-Invest, L.P.	338,235
SteelRiver Infrastructure Fd N. America, L.P.	3,284,352
Stockbridge Real Estate Fund II, L.P.	665,626
Stockbridge Real Estate Fund III, L.P.	1,798,838
Stonepeak Infrastructure Fund LP, L.P.	1,172,650
Stratford Land Fund III, L.P.	2,250,000
Stratford Land Fund IV, L.P.	3,551,945
TA X, L.P.	385,573
TA XI, L.P.	2,796,007
Thayer Hotel Investors V, L.P.	1,049,850
Theleme Fund LTD	5,525,108
Thomas H. Lee Equity Partners V, L.P.**	(147,990)
Tilden Park Investment Fund	1,587,088
TLF Logistics II, L.P.	1,489,312
TLF Logistics, L.P.	1,309,041
TPG Growth II, L.P.	2,615,721
TPG Growth III, L.P.	1,587,983

*(Continued)*



## Schedule of Fees and Commissions

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

Fund Name*	Fees
TPG Opportunities Partners III, L.P.	\$ 2,043,780
TPG Partners V, L.P.	762,707
TPG Partners VI, L.P.	335,226
TPG STAR, L. P.	709,117
TPH Whipstock Co-Investment Fund, L.P.	1,500,000
TriGate Property Partners II, L.P.	187,500
Tristan EPISO 3, L.P.	1,168,163
Triton Fund II, L.P.	239,142
Triton Fund III, L.P.	857,933
Triton Fund IV, L.P.	2,238,333
Trive Capital Fund I, L.P.	204,035
Tudor BVI Global Fund LTD	11,464,615
Two Sigma Active Extension U.S. Small Cap Equity Fund, L.P.	19,409,533
U.S. Government Building Fund, L.P.	3,189,469
USAA US Republic Core Fund, L.P.	3,645,010
Vistria Fund, L.P.	302,657
Walton Street Real Estate Fund Sidecar V, L.P.	23,252
Walton Street Real Estate Fund V, L.P.	474,966
Walton Street Real Estate Fund VI, L.P.	1,516,570
Warburg Pincus Private Equity X, L.P.	1,238,089
Wayzata Opportunities Fund II, L.P.	1,076,651
Wayzata Opportunities Fund III, L.P.	2,250,000
Westbrook Real Estate Fund IX, L.P.	1,350,000
Westbrook Real Estate Fund VIII, L.P.	1,136,888
Western Asset Macro Opportunities Portfolio LTD	1,090,789
Winton Futures Fund LTD	32,476,576
Wolverine Flagship Fund LTD	4,407,597
Zachry Hastings Infrastructure Partners, L.P.	541,385
Zaxis Institutional Partners LTD	2,630,443
<b>Total</b>	<b>\$ 695,661,445</b>

*(continued)*

\* Fees are earned by the funds based on each fund's governing documents.

TRS calculates returns for these funds net of all fees.

\*\* Negative balances are equal to the refund in the current year of expenses paid or accrued in a prior year.





## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>External Manager***</b>	<b>Fees</b>
Adelphi Capital, LLP	\$ 755,586
Affinity Investment Advisors	196,556
AlphaGen Japan Absolute Return Fund LTD	14,955,147
Baring International Investment LTD	2,212,944
Blackrock Financial Management, Inc.	2,764,715
Brandes Investment Partners, LLC	850,188
Brookmont Capital Management	200,999
Cantillon Capital Management, LLC	7,131,056
Chilton Capital Management	190,183
DePrince Race and Zollo, Inc.	2,735,573
Dimensional Fund Advisors, L.P.	7,951,561
Glenhill Capital Advisors	332,065
GMO, LLC	2,089,930
Goldman Sachs Asset Management, L.P.	1,380,221
Independent Franchise Partners, LLP	7,551,414
Indus Capital Partners, LLC	3,602,501
Investcorp Waterloo Macro Fund LTD	248,904
Jennison Associates, LLC	748,756
JP Morgan Asset Management	9,571,537
JP Morgan	4,610,440
Knight Vinke Asset Management, LLC	3,688,298
Lazard Asset Management, LLC	5,931,378
Mar Vista Investment Partners	219,162
Marathon Active International	3,749,605
Matterhorn	141,864
Morgan Stanley Asset Management	9,835,953
Morgan Stanley Investment Management, Inc.	7,322,187
Neuberger Berman Greater China	2,763,589
Neuberger Berman	3,628,718
Nicholas Investment Partners	122,529
Oaktree Capital Management	943,917
Omega Advisors, Inc.	7,187,553

*(continued)*



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>External Manager***</b>	<b>Fees</b>
Parametric Structured	\$ 10,112,003
Penn Capital Management Co., Inc.	487,737
Phocas Financial Corp.	111,987
Platinum Asset Management Co. LTD	6,671,939
Rock Creek Austin, L.P.	1,288,365
Sasco Capital, Inc.	2,576,635
Security Capital Research & Management, Inc.	10,628,552
Starboard Value & Opportunity	10,596,888
Starwood Real Estate Securities	2,190,725
Stephens Investment Management Group	716,186
Vaughan Nelson Investment Management, L.P.	1,981,527
Vulcan Value Partners	965,914
Wellington Asia	928,469
Wellington Management Company, L.P.	16,318,380
Westwood Management Corp.	57,010
ZCAPM	692,647
<b>Total</b>	<b>\$ 181,939,993</b>

*(continued)*

\*\*\*Fees are accrued or paid to external 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, 2015

Brokerage Firm	Shares Traded	Commissions Paid
Abel/Noser Corp.	107,329	\$ 4,293
ABG Securities	1,699,838	463
ABN AMRO Securities, Inc.	200,447	536
Academy Securities, Inc.	140,329	2,807
Access Securities, Inc.	10	1
Agora Corde Titul E Val Mob	1,434,030	10,918
AKD Securities	74,300	499
Albert Fried & Co., LLC	10,384	413
Allen & Co., LLC	73,385	2,569
Ambit Capital Pvt. LTD	404,326	6,681
Antique Stock Broking LTD	2,203	624
Aqua Securities, L.P.	1,125	23
Atlantic Equities, LLP	139,220	2,707
Autonomous, LLP	1,450	137
Aviate Global, LLP	308,700	4,289
Avior Research Pty LTD	105,700	693
Avondale Partners, LLC	71,635	2,627
Axis Capital LTD	40,770	2,151
B. Riley & Co., LLC	7,968	288
Banchile Corredores De Bolsa S.A.	3,200	56
Banco Itau S.A.	12,946,087	134,392
Banco Pactual S.A.	2,407,303	24,643
Banco Santander S.A.	3,111,076	10,234
Bank J. Vontobel Und, Co. AG	59,655	8,413
Bank of America	527,518,152	5,127,968
Banque Paribas Frankfurt	55,027	1,209
Barclays Capital, Inc.	188,311,987	2,129,168
Batlivala & Karani Securities India Pvt. LTD	111,952	1,239
BB&T Securities, LLC	190,163	7,744
Bloomberg Tradebook, LLC	66,463,289	992,041
BMO Capital Markets	4,152,165	138,956
BNP Paribus Securities Corp.	81,470,057	651,959
BNY ConvergeEx Execution Solutions, LLC	6,938,417	88,302
BNY Mellon	11,950	418
BOCI Securities LTD	2,938,127	5,545

*(continued)*



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Brokerage Firm</b>	<b>Shares Traded</b>	<b>Commissions Paid</b>
Bradesco S.A CTVM	66,139	\$ 536
Brean Capital, LLC	420,807	11,391
Broadcort Capital Corp.	35,897,741	340,901
BTG Capital Corp.	262,800	9,318
BTIG, LLC	9,974,401	400,426
Buckingham Research Group, Inc.	40,512	1,613
Burke Andquick Partners, LLC	24,100	844
CA Cheuvreux North America	251,871	8,815
Cabrera Capital Markets	4,506,671	219,656
Calyon Securities	13,846,455	69,673
Canaccord Genuity, Inc.	952,148	32,219
Canadian Depository For Securities	71,982	1,605
Canadian Imperial Bank Of Commerce	1,558,678	27,754
Cantor Fitzgerald & Co.	31,658,640	330,275
Capel Cure Myers Gilts	24,139	1,207
Capital Markets Brokers LTD	8,439,911	2,034
Carnegie Investment Bank	834,722	42,080
Carnegie Securities Finland	4,240	138
Casablanca Finance City	123,888	8,273
Cathay United Bank	1,010,000	745
CCB International Securities LTD	9,781,000	16,171
Celfin Capital S.A. Corredores De Bolsa	49,550,631	35,481
Central Securities Depository S.A.	256,790	285
Cheevers & Co., Inc.	515	10
China Fortune Securities LTD	677,345	2,727
China International Capital Corp.	5,514,589	34,855
CICC US Securities, Inc.	1,190,000	1,463
CIMB Securities International Pte. LTD	45,402,770	44,481
Citation Group	369,329	14,082
Citigroup Global Markets, Inc.	517,766,043	3,146,515
City Bank LTD	4,314,621	18,941
CL King & Associates, Inc.	700	28
CLSA Securities	115,753,894	419,233
Commerzbank AG	11,330	479

*(continued)*



## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Brokerage Firm</b>	<b>Shares Traded</b>	<b>Commissions Paid</b>
Compass Point Research & Trading, LLC	113,772	\$ 4,163
Concordia S.A. CVMCC	561,978	735
ConvergEx Execution Solutions, LLC	12,033,239	322,448
Cormark Securities, Inc.	15,800	579
Cowen & Co., LLC	35,142,463	1,066,445
Craig - Hallum	722,546	28,052
Credit Agricole	3,394,998	53,503
Credit Lyonnais Securities	113,731,633	417,711
Credit Research & Trading, LLC	328,802	12,475
Credit Suisse Group	332,662,869	2,695,739
Crest Depository LTD	772,000	4,901
CSI US Institutional Desk	1,064,729	35,886
CSL Stockbrokers LTD	12,609,071	8,687
Cuttone & Co., Inc.	317,643	11,118
Daewoo Securities Co. LTD	794,344	63,478
Daiwa Securities Group, Inc.	15,492,015	106,600
Danske Bank A.S.	294,250	11,786
Davidson D.A. & Company, Inc.	20,900	732
Davy Stockbrokers	12,161,151	29,099
DBS Vickers Securities (Singapore) Pte. LTD	183,000	100
Dematted Monness, LLC	43,300	1,586
Desjardins Securities, Inc.	167,600	4,494
Deutsche Bank Securities, Inc.	374,378,140	3,220,891
Dhanki Securities Pvt. LTD	13,915	1,175
DnB NOR	142,084	6,744
Dolat Capital Markets Pvt. LTD	173,638	2,707
Dougherty Co., Inc.	175,370	7,109
Dowling & Partners	283,807	10,408
Edelweiss Securities Pvt. LTD	324,480	4,068
Emkay Global Financial Services LTD	40,032	445
Equita SIM S.p.A.	211,611	4,456
Erste Group Bank AG	28,550	738
Euroclearbank S.A. N.V.	32,521	1,071
Exane S.A.	1,390,557	52,620
FBN Securities, Inc.	3,878	155

*(continued)*



## Schedule of Fees and Commissions

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

Brokerage Firm	Shares Traded	Commissions Paid
Federal Reserve Bank of Boston	14,900	\$ 73
Fidelity Capital Markets	2,400	108
Fidelity Clearing Canada	53,117	1,461
Fig Partners, LLC	43,365	1,032
Financial Brokerage Group (FBG)	1,910,600	15,490
First Analysis Securities Corp.	11,252	563
First Energy Capital	3,000	92
Friedman, Billings & Ramsey	598,539	18,970
Fubon Securities Co. LTD	219,000	456
G Trade Services LTD	2,423,329	122,205
Gabelli & Co.	12,904	516
GK GOH Ometraco, PT	1,372,500	983
Global Hunter Securities, LLC	6,380	76
GMP Securities, L.P.	471,990	8,384
Goldman Sachs & Co.	434,496,442	4,671,402
Goodbody Stockbrokers	1,148,460	6,426
Gordon, Haskett & Co.	80,300	2,811
Green Street Advisors	82,344	2,882
Guggenheim Capital Markets, LLC	389,985	13,791
Guzman & Co.	567,970	26,695
Hanwha Securities Seoul	228,368	8,410
Height Securities, LLC	43,035	1,506
Hibernia Southcoast Capital, Inc.	10,512	420
HSBC Holdings, PLC	336,633,799	726,919
Hyundai Securities Co. LTD	58,370	6,819
IC Securities (GH) LTD	250,250	507
ICAP, PLC	16,017,848	827,100
ICBC Financial Services, LLC	1,601	32
ICICI Securities LTD	70,442	885
IM Trust S.A. Corredores De Bolsa	7,800	144
Imperial Capital, LLC	4,950	198
India Infoline LTD	2,494,467	26,886
Industrial and Commercial Bank	15,912	636
ING Bank N.V.	103,770	8,899

*(continued)*





## ***Schedule of Fees and Commissions***

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Brokerage Firm</b>	<b>Shares Traded</b>	<b>Commissions Paid</b>
Instinet, LLC	296,917,600	\$ 1,752,245
Interacciones Casa de Bolsa, S.A. de C.V.	67,200	728
Intermonte Sec SIM SPA	44,152	1,544
Investec Bank, PLC	1,424,305	52,068
Investment Technology Group LTD	23,041,224	454,251
IS Yatirim Menkul Degerler AS	458,450	2,022
ISI Group, Inc.	4,558,724	111,844
Itau BBA USA Securities, Inc.	147,600	2,136
Itau Chile Corredor De Bolsa LTD	3,079,515	2,512
Itau Europa Securities, Inc.	54,200	1,897
ITG Group, Inc.	128,585,910	294,339
ITGL	1,249	13
J.P. Morgan Securities, Inc.	451,622,272	4,748,599
Janney Montgomery Scott, LLC	390,614	13,555
Jefferies & Company, Inc.	331,543,733	2,070,607
JM Financial Institutional Securites LTD	9,731	1,092
JNK Securities, Inc.	214,181	8,527
Joh. Berenberg, Gossler & Co., KG	473,716	3,544
Johnson Rice & Company, LLC	47,619	1,905
Jones & Associates, Inc.	1,193,237	56,901
Jones Trading Institutional Services, LLC	17,657,802	582,762
KAS-Associates N.V.	939,279	21,810
KB Investment & Securities Co. LTD	6,002,183	20,850
KCG Americas, LLC	24,974,369	568,526
Keefe Bruyette & Woods, Inc.	81,971	2,972
Kempen & Co. N.V.	66,456	1,034
Kepler Equities	1,012,630	31,888
Kestrel Capital East Africa LTD	4,696,500	20,077
Keybanc Capital Markets, Inc.	906,655	35,802
KIM ENG Holdings LTD	3,872,100	9,336
Korea Investment & Securities Co. LTD	419,645	46,894
Kotak Securities LTD	2,172,204	32,625
Lanka Securities Pvt. LTD	7,252,672	37,262
LarrainVial S.A.	13,545,437	2,203
Leerink Swann & Co.	109,646	4,184

*(continued)*



## Schedule of Fees and Commissions

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

Brokerage Firm	Shares Traded	Commissions Paid
Lek Securities Corp.	32,500	\$ 1,300
Liberum Capital LTD	28,553	2,174
Liquidnet Holdings, Inc.	21,828,724	204,068
Longbow Securities, LLC	165,242	6,542
Loop Capital Markets, LLC	5,893,079	268,609
M.M. Warburg & Co.	152,443	8,811
MA Sidel & Co.	36,150	362
Macquarie Bank LTD	249,635,648	1,333,524
MainFirstBank AG	166,963	13,398
Maxim Group	24,709	979
Miller Tabak + Co., LLC	101,619	2,689
Mirae Asset Securities Co. LTD	3,584	5,538
Mitsubishi UFJ Securities Co. LTD	4,656,900	72,557
Mizuho Securities	6,962,747	104,861
MKM Partners, LLC	1,303,259	47,697
MND Partners, Inc.	10,267	205
Morgan Stanley & Co., Inc.	790,324,419	4,848,481
Motilal Oswal Securities LTD	2,765,251	25,367
Murarilal Saraf	3,366	82
National Bank of Canada	132,515	3,667
National Financial Services, LLC	2,437,836	86,905
Natixis Securities, Inc.	143,391	5,699
NavPoint, LLC	92,400	3,234
Needham & Co.	730,247	27,290
Neonet AB	13,355	156
Nesbitt Burns	2,649,737	28,729
Noble International Investments, Inc.	18,237	729
Nomura Securities International, Inc.	21,594,545	60,175
Nordea Bank AB	46,129	1,821
North South Capital, LLC	37,615	1,397
Northland Securities, Inc.	40,125	1,443
Numis Securities LTD	3,893,780	25,345
Oddo Finance	284,776	14,406
Okasan International (Asia) LTD	592,000	3,831
Olivetree Securities LTD	152,908	2,368
Oppenheimer & Co., Inc.	2,435,543	83,914

*(continued)*



## *Schedule of Fees and Commissions*

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Brokerage Firm</b>	<b>Shares Traded</b>	<b>Commissions Paid</b>
Pacific Crest Securities	422,121	\$ 15,288
Panmure Gordon & Co.	7,332	31
Parel	46,724	4,315
Penserra Securities, LLC	12,606,140	621,931
Penson Financial Services, Inc.	433,334	2,686
Pershing Securities LTD	86,559,480	1,675,041
Petercam S.A.	58,598	7,901
Pickering Energy Parnters, Inc.	106,688	4,152
Pictet Canada, L.P.	140,000	3,500
Piper Jaffray	927,216	33,004
Publikum Borzno Posredovanje D.D.	29,512	2,577
Pulse Trading, LLC	953,420	42,427
Quaker Securities, Inc.	1,245,469	40,018
Rabobank Group	229,991	2,926
Rafferty Capital Marktes, LLC	7,506	263
Raymond James & Associates, Inc.	2,109,251	76,497
RBC Financial Group	27,641,251	833,773
Redburn Partners, LLP	3,170,471	16,703
Religare Capital Markets LTD	27,452	1,493
Renaissance Capital Holdings LTD	1,064,268	23,179
RHB Investment Bank Berhand Co.	1,445,000	2,005
Robert W. Baird & Co., Inc.	2,050,158	76,736
Rosenblatt Securities, LLC	972,418	20,620
Rosy Blue Securities Pvt. LTD	94,137	2,413
ROTH Capital Partners, LLC	461,750	15,255
Roulston Research Corp.	128,000	2,240
S B Lewis & Company	3,590	108
Saigon Securities, Inc.	4,164,860	18,125
Samsung Securities Co. LTD	792,837	110,583
Sandler O'Neil & Partners, L.P.	246,398	9,856
Sanford C. Bernstein Co. LTD	76,147,490	496,221
Santander Investment Securities, Inc.	53,151	2,231
Scotia Capital, Inc.	128,414,541	741,793
Sea Port Group Securities, LLC	74,707	1,657

*(continued)*



## Schedule of Fees and Commissions

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

Brokerage Firm	Shares Traded	Commissions Paid
Shenyin & Wanguo Securities Co.	1,402	\$ 1
Shinhan Investment Corp.	23,716	1,361
Sidoti & Company, LLC	444,017	18,127
SJ Levinson & Sons, LLC	21,396,605	1,000,165
Skandinaviska Enskilda Bank	41,487	1,921
Simmons & Company International	29,392	1,176
Societe Generale Group	116,486,807	279,195
SS Kantilal Ishwarlal Securities	4,473,299	36,190
Standard Chartered Bank	8,539,437	48,267
State Street Bank & Trust Co.	9,355,394	227,225
Stephens, Inc.	1,322,320	43,123
Sterne Agee & Leach, Inc.	1,591,831	61,017
Stifel Nicolaus & Co., Inc.	9,413,908	267,460
Strategas Securities, LLC	810	28
Stuart Frankel & Co., Inc.	21,200	848
Sturdivant & Co., Inc.	70,026	2,801
Sumitomo Mitsui Financial Group, Inc.	17,369,273	250,779
Suntrust Capital Marktes, Inc.	717,502	27,612
Svenska Handelsbanken	131,907	3,093
Swap Broker	2,600	785
Tachibana Securities	141,376	3,051
TD Securities	523,304	27,078
TD Waterhouse Cda	4,907,358	155,311
Telsey Advisory Group, LLC	215,320	6,656
Tera Menkul Degerler A.S.	1,209,580	1,168
The Alta Group, LLC	6,091	4,134
Tong Yang Securities, Inc.	90	5
Topeka Capital Markets	2,181,179	22,756
Topline Securities (Private) LTD	2,209,700	10,442
Tudor, Pickering, Holt & Co.	472,210	24,555
Tunisie Valeurs	276,036	6,616
UBS AG	723,798,181	2,367,685
U.S. Capital Advisors, LLC	11,860	415
UniCredit Bank Austria AG	57,771	25,356
United First Partners, LLP	4,700	141
Uti Securities Exchange LTD	256,005	2,262

*(continued)*



## *Schedule of Fees and Commissions*

PENSION TRUST FUND

For the Fiscal Year Ended August 31, 2015

<b>Brokerage Firm</b>	<b>Shares Traded</b>	<b>Commissions Paid</b>
VTB Bank	1,196,706	\$ 1,583
Warburg Dillon Read, LLC	95,786	14
Watkins & Company, Inc.	14,400	576
Wedbush Securities, Inc.	2,948,958	33,535
Weeden & Co. LTD	11,791,787	479,252
Wells Fargo Securities, LLC	6,327,645	228,513
William Blair & Company, LLC	1,126,479	47,153
Wood & Company	2,079,592	16,496
Woori Investment Securities	171,904	18,006
Wunderlich Securities, Inc.	407,660	13,901
XP Investimentos CCTVM S.A.	3,030	13
Yamner & Co., Inc.	149,151	1,492
Yaunta Core Pacific Securities	140,000	1,249
Zacks & Company	8,800	313
<b>Total</b>	<b>7,235,723,941</b>	<b>\$ 58,281,287</b>

<b>Futures Contracts Brokerage Firm</b>	<b>Shares Traded</b>	<b>Commissions Paid</b>
Credit Suisse Group AG	85,423	\$ 49,116
Goldman Sachs & Co.	2,570,874	7,856,276
JP Morgan Securities, Inc.	553,259	1,150,998
<b>Total</b>	<b>3,209,556</b>	<b>\$ 9,056,390</b>



# ACTUARIAL SECTION







## ***Actuarial Information Pension Trust Fund***



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November 11, 2015

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, 2015**

We certify that the information included herein and contained in the 2015 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) as of August 31, 2015. There have been no adjustments for events which occurred after this date.

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 Enrolled Actuaries, members of the American Academy of Actuaries and are qualified to give a Statement of Opinion. All are experienced in performing valuations for large public retirement systems.

***Actuarial Valuations***

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

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

***Financing Objective of the Plan***

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



## ***Actuarial Information Pension Trust Fund***

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November 11, 2015  
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### ***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, 2015, the System's under-funded status has increased to \$33.0 billion from \$31.6 billion as of August 31, 2014. The System's UAAL was expected to increase from the prior year, partially due to future increases in contribution rates not being effective for this fiscal year. For example, if the fiscal year 2017 contribution rates would have been effective during fiscal year 2015, the UAAL increase in this valuation would have been \$0.4 billion less. In addition, the UAAL increased due to a change in the actuarial assumptions and due to a loss on the actuarial value of assets. These losses were partially offset by a gain due to demographic experience.

This valuation shows a normal cost for benefits equal to 9.91% of pay plus an addition to the normal cost of 0.12% of pay to cover the annual cost of administrative expenses. The State set its contribution rate to 6.80% for fiscal year 2015 and is assumed to remain at that level. In addition, covered employers whose employees are not participating in Social Security began contributing 1.50% of salary (capped at the minimum salary schedule) in fiscal year 2015. Combined these contributions were approximately 7.70% of total payroll. The member contribution rate increased beginning in fiscal year 2015 to 6.7% of pay and will continue to increase to 7.20% of pay in fiscal year 2016 and 7.70% of pay in fiscal year 2017. Thereafter, once the contribution rates have all ramped up the System is expected to receive a total contribution rate of approximately 15.40% of pay.

Hence, beginning in FY2017, there is expected to be 5.37% ( $15.40\% - 9.91\% - 0.12\%$ ) of pay available to amortize the UAAL. If payroll grows as expected, the contributions provided by this portion of the contribution rate are sufficient to amortize the current unfunded actuarial accrued liabilities of the System over a period of 33.3 years based on the smoothed asset value as the valuation date. Therefore, the financing objectives of the System are not currently being met.

The actuarial valuation report as of August 31, 2015 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 80.2%. The funded status is one of many metrics used to show trends and develop future expectations about the health of the System. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

Because of the unfavorable investment performance in FY2015, the System is now deferring net investment losses of \$4.9 billion and the funded status using the market value of assets is 77.2%. If there are no significant investment gains or other actuarial gains over the next several years, the funded status of the System would be expected to decrease towards this number. This \$4.9 billion in





## ***Actuarial Information Pension Trust Fund***

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net deferred losses compares to the last valuation when the System was deferring \$4.4 billion in net deferred gains and had a 83.0% funded ratio based on the market value of assets.

The System's UAAL increased by \$0.4 billion more than expected during the year. The market value of assets earned a -0.3% return on a dollar-weighted basis for the plan year ending August 31, 2015, which resulted in a loss on the actuarial value of assets of \$1.2 billion. Therefore, the liabilities actually increased \$0.8 billion less than expected. The liabilities increased due to the change in actuarial assumptions by \$0.7 billion. However, this was offset by a \$1.5 billion gain due to the liability experience of the System when compared to the actuarial assumptions.

Based on the actuarial (smoothed) value of assets, the number of years needed to amortize the UAAL will decrease annually if all assumptions are met. Please note, this annual decrease in the funding period will only occur if the currently scheduled contribution levels remain in place over the funding period. Any decrease in the contribution rates will result in higher funding periods. It should be noted that with the \$4.9 billion in deferred investment losses still to be recognized in the actuarial value of assets, future losses in the actuarial value of assets are anticipated which could result in an increase in the funding period in future valuations until the losses are fully recognized.

In addition, due to the current funding policy which utilizes level percentage of payroll amortization, the amortization payments will not be sufficient to cover all of the interest charges on the UAAL until the funding period reaches approximately 20 years. Table 11a provides a 10 year projection of various valuation results, including the UAAL, and that projection shows the UAAL is expected to increase to \$37.0 billion in 2025. Extending the projection further would show the UAAL starts to decrease in 2028 and is fully amortized 19 years after that.

Please note these expectations are based on the current benefit provisions and assumptions. Any additional benefit enhancements (ad hoc COLAs) granted without additional funding would increase the ultimate UAAL and extend the period before the funding status begins to improve. Thus, we continue to advise against any future benefit enhancements without additional sources of funding.

### ***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 and contribution provisions of the System since the prior valuation. However, there were significant changes during the 2013 legislative session. As a reminder, a summary of these changes are shown below:

- Normal retirement eligibility was changed to age 65 with 5 years of service or Rule of 80 with a minimum age of 62 for all members not vested as of August 31, 2015 (it was Rule of 80 with a minimum age of 60)
- The 5% early retirement penalty for members who have met the rule of 80 begins from age 62 for employees who are not vested as of August 31, 2015 (it was age 60)



## ***Actuarial Information Pension Trust Fund***

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- An ad hoc COLA, equal to the lesser of 3% or \$100 per month, was granted effective September 1, 2013 for members in payment status on August 31, 2004
- Increases in the member contribution rate as follows: 6.70% in fiscal year 2015, 7.20% in fiscal year 2016 and 7.70% in fiscal year 2017

There was also a significant change to the provisions of TRS Care during the 2013 legislative session. While this change did not impact the benefits paid out of the pension system, it did impact the assumptions we use for when members will retire. This is more fully discussed in the assumptions section.

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

Effective for the fiscal year ending August 31, 1996, the Board of Trustees adopted compliance with the reporting requirements specified by the Governmental Accounting Standards Board (GASB). Beginning with fiscal year 2014, the System began complying with the new disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 67. The disclosure information for GASB No. 67 will be provided in a separate report and is not contained herein.

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

### ***Actuarial Methods and Assumptions***

The actuarial methods and assumptions have been selected by the Board of Trustees of the Teacher Retirement System of Texas based upon our analysis and recommendations. These assumptions and methods are 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 primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015. Please see pages 69-70 of Table 22 for a description of the changes in the actuarial assumptions from the prior year.

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. Section D provides illustrative results based on future investment experience deviating from the assumptions. Based on the scope of this engagement, we have not performed analysis on the potential range of future measurements based on other factors. The actuarial calculations are intended to provide information for rational decision making.

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





## ***Actuarial Information Pension Trust Fund***

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### ***Data***

In preparing the August 31, 2015 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

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

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Senior Consultant

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## Actuarial Information Pension Trust Fund

### Actuarial Present Value of Future Benefits

From Actuarial Valuation as of August 31, 2015 (With Comparative Data for August 31, 2014)

	<u>2015</u>	<u>2014</u>
<b>Present Value of Benefits Presently Being Paid</b>		
Service Retirement Benefits	\$80,335,545,136	\$76,357,134,130
Disability Retirement Benefits	1,113,095,219	1,014,408,651
Death Benefits	851,515,997	839,061,459
Present Survivor Benefits	243,282,654	241,128,389
<b>TOTAL PRESENT VALUE OF BENEFITS PRESENTLY BEING PAID</b>	<b>\$82,543,439,006</b>	<b>\$78,451,732,629</b>
<b>Present Value of Benefits Payable in the Future to Present Active Members</b>		
Service Retirement Benefits	\$98,467,131,191	\$100,367,139,589
Disability Retirement Benefits	1,203,603,679	1,492,083,391
Termination Benefits	7,863,244,733	8,638,663,636
Death and Survivor Benefits	1,758,578,113	1,983,416,721
<b>TOTAL ACTIVE MEMBER LIABILITIES</b>	<b>\$109,292,557,716</b>	<b>\$112,481,303,337</b>
<b>Present Value of Benefits Payable in the Future to Present Inactive Members</b>		
Inactive Vested Participants	\$4,084,868,043	\$3,284,986,647
Refunds of Contributions to Inactive Non-vested Members	\$400,439,304	\$371,647,155
Future Survivor Benefits Payable On Behalf of Present Annuitants	1,341,025,218	1,302,923,361
<b>TOTAL INACTIVE LIABILITIES</b>	<b>\$5,826,332,565</b>	<b>\$4,959,557,163</b>
<b>TOTAL ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS</b>	<b>\$197,662,329,287</b>	<b>\$195,892,593,129</b>

### Summary of Cost Items

	<u>2015</u>	<u>2014</u>
Actuarial Present Value of Future Benefits	\$197,662,329,287	\$195,892,593,129
Present Value of Future Normal Costs	(31,209,404,783)	(35,856,992,303)
Actuarial Accrued Liability	\$166,452,924,504	\$160,035,600,826
Actuarial Value of Assets	(133,485,187,642)	(128,397,777,855)
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>\$32,967,736,862</b>	<b>\$31,637,822,971</b>





## ***Actuarial Information Pension Trust Fund***

**Financing objectives and funding policy:** The funding policy of the Teacher Retirement System (TRS) is established by the state legislature. Contribution rates may not be reduced or eliminated, or benefits may not be improved, if, as a result of the particular action, the time, as determined by an actuarial valuation, required to amortize the unfunded actuarial liabilities of the retirement system, would be increased to a period that exceeds 30 years by one or more years. For detailed information, see Note 1.

**Actuarial Methods and Assumptions:** The actuarial valuation for TRS was prepared by Gabriel, Roeder, Smith & Company (GRS). The actuary relied on membership data and asset information provided by TRS staff. While not verifying the data at their source, the actuary performed such tests for consistency and reasonableness as was deemed necessary to be satisfied with the appropriateness of using the data supplied.

The actuarial cost method used for financial reporting purposes was the Individual Entry Age Normal method as prescribed by GASB 67 and the method used for funding purposes was the Ultimate Entry Age Normal (EAN) method. The Ultimate EAN cost method is used because it creates the most level funding requirement across the generations of members and stakeholders. The difference between the two methods resides in the calculation of the normal cost for the members in the system. Under Individual EAN, the normal cost for each member is based on the benefit tier for that member while the Ultimate EAN method uses the normal cost for the tier new members are currently being hired into; which reflects the longer term normal cost.

The actuarial methods and assumptions have been selected by the Board of Trustees of the Teacher Retirement System of Texas based upon GRS analysis and recommendations. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and was adopted on September 24, 2015. The results of the actuarial valuation are dependent on the assumptions used. Actual results can and will differ as actual experience deviates from these assumptions. Seemingly minor changes in assumptions can materially change the liabilities, calculated contribution rates, and funding periods. With the exception of the post-retirement mortality rates and the decrease in the assumption for general wage inflation, the changes to overall assumptions and methods had a minor impact on results and are presented in a simpler to understand format. Post-Retirement Mortality rates for current and future retirees are prepared in accordance with the Actuarial Standards of Practice No. 35 which advises actuaries to *“adjust mortality rates to reflect mortality improvement prior to the measurement date and to include an assumption as to the expected mortality improvement after the measurement date.”*

**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. The actual calculation is based on the difference between actual market value and the expected actuarial value of assets each year, and recognizes the cumulative excess return (or shortfall) over at a minimum rate of 20% per year. Each year a base is set up to reflect this difference. If the current year's base is of opposite sign to the deferred bases then it is offset dollar for dollar against the deferred bases. Any remaining bases are then recognized over the remaining period for the base (5 less the number of years between the bases year and the valuation year).

### **Actuarial Assumptions:**

**Investment Return Rate:** 8.00% per annum, net of investments, compounded annually, composed of an assumed 2.50% inflation rate and a 5.50% real rate of return.

Rates and scales developed in the actuarial investigation as of August 31, 2014, with values at specimen ages shown in the tables below:



## **Actuarial Information Pension Trust Fund**

*Post-Retirement Mortality: Service Retirement Annuitants, Beneficiaries and Survivors*

<b>Post-Retirement Mortality</b>		
<u>Age</u>	<u>Male Members</u>	<u>Female Members</u>
40	0.001938	0.001585
50	0.004247	0.002791
60	0.005584	0.003882
70	0.015547	0.009613
80	0.053691	0.035591
90	0.162983	0.133727
100	0.407509	0.284047
110	0.500000	0.467915

*Rates of Retirement (for members hired after August 31, 2007):* For members hired after August 31, 2007 and who are not vested as of August 31, 2014, or, for members hired after August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 62 are increased 10% for each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58 then the probability of retirement at age 62 is 140% of the rate shown below).

<b>Rates of Retirement</b>					
<u>Normal Retirement</u>			<u>Early Retirement</u>		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.1300	0.3000	45-46	0.0100	0.0100
51	0.1300	0.1200	47	0.0100	0.0200
52	0.1300	0.1300	48	0.0200	0.0300
53	0.1300	0.1400	49	0.0300	0.0400
54	0.1400	0.1500	50-58	0.0100	0.0100
55	0.1500	0.1600	59	0.0100	0.0200
56	0.1600	0.1700	60-61	0.0200	0.0200
57	0.1700	0.1800	62	0.0500	0.0400
58	0.1800	0.1900	63	0.0500	0.0500
59	0.1800	0.2000	64	0.0600	0.0600
60	0.2200	0.2100	65	0.0500	0.0500
61	0.2000	0.2200			
62	0.2400	0.2300			
63	0.2000	0.2300			
64	0.2000	0.2300			
65-74	0.2200	0.2300			
75	1.0000	1.0000			



## Actuarial Information Pension Trust Fund

Rates of Termination (net of applying rehire assumption):

<b>Probability of Decrement Due to Withdrawal</b>		
Years of Service	Male Members	Female Members
1	0.149027	0.143098
2	0.119756	0.117329
3	0.096637	0.097896
4	0.072275	0.076765
5	0.062453	0.068443
6	0.055556	0.060368
7	0.047176	0.049631
8	0.041464	0.043108
9	0.036978	0.038477
10	0.033777	0.035264

Rates of Disability Retirement:

<b>Probability of Decrement Due to Disability</b>				
Age	<u>For Service &gt;= 10</u>		<u>For Service &lt; 10</u>	
	Male	Female	Male	Female
20	0.000184	0.000276	0.000037	0.000055
30	0.000184	0.000276	0.000037	0.000055
40	0.000430	0.000469	0.000086	0.000094
50	0.001993	0.001817	0.000399	0.000363
60	0.003505	0.002754	0.000701	0.000551

Active Mortality:

<b>Active Mortality</b>		
Age	Male Members	Female Members
20	0.000365	0.000146
30	0.000407	0.000196
40	0.000565	0.000356
50	0.001517	0.000992
60	0.004219	0.002198
70	0.012469	0.005678
80	0.034930	0.016542
90	0.123749	0.092945



## ***Actuarial Information Pension Trust Fund***

**Rates of Salary Increase:** The following table reflects an inflation rate of 2.50%, plus productivity component of 1.00%, plus step-rate/promotional component as shown.

<b><u>Rates of Salary Increase</u></b>			
<u>Years of Service</u>	<u>Merit, Promotion,</u>		<u>Total</u>
	<u>Longevity</u>	<u>General</u>	
1	6.00%	3.50%	9.50%
2	2.50	3.50	6.00
3	1.90	3.50	5.40
4	1.70	3.50	5.20
5	1.50	3.50	5.00
6	1.40	3.50	4.90
7	1.20	3.50	4.70
8-12	1.00	3.50	4.50
13	0.80	3.50	4.30
14	0.70	3.50	4.20
15	0.60	3.50	4.10
16-17	0.50	3.50	4.00
18	0.40	3.50	3.90
19-20	0.30	3.50	3.80
21-22	0.20	3.50	3.70
23-24	0.10	3.50	3.60
25 or more	0.00	3.50	3.50

**Actuarial Cost Method:** The funding period required to amortize the unfunded actuarial accrued liability is determined using the entry age actuarial cost method. This method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods.

**Funding of Unfunded Actuarial Accrued Liability:** Funded by the excess of future State/employer contributions required by law over the amount of such contributions required to fund the normal cost of benefits. Under the actuarial funding method and the benefit provisions for new hires, the ultimate normal cost for benefits provided by the System is 9.92% of payroll (7.70% by members plus 2.22% by the State). An additional 0.12% of payroll is used to pay for administrative expenses of the System, leaving 5.36% of payroll less than the ultimate total contribution rate required by law. It is intended that the excess amount of 5.36% of payroll will be used to amortize any unfunded actuarial accrued liabilities of the System, assuming that total payroll increases by 2.50% per year.

As of the valuation as of August 31, 2015, these excess contributions of 5.36% of pay are sufficient to amortize the UAAL, but not under the prescribed 30 year funding period.



## Actuarial Information Pension Trust Fund

### Schedule of Active Member Valuation Data:

<b>Schedule of Active Member Valuation Data</b>				
<u>Valuation Year</u>	<u>Active Members</u>	<u>Annualized Payroll in Thousands</u>	<u>Average Annual Salary</u>	<u>Annual Percentage Increase in Average Salary</u>
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
2011	828,919	36,797,011	44,392	1.1
2012	815,155	36,309,449	44,543	0.3
2013	831,302	37,104,333	44,634	0.2
2014	857,342	39,195,104	45,717	2.4
2015	828,851	37,121,748	44,787	(2.0)

### Schedule of Retirees, Beneficiaries, and Disabled Participants Added to and Removed from Rolls:

<b>Retirees, Beneficiaries, and Disabled Participants Added to and Removed from Rolls</b>								
<u>Valuation as of August 31</u>	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>Rolls - End of Year</u>		<u>Percentage</u>	<u>Average</u>
	<u>Number</u>	<u>Annual Allowances</u>	<u>Number</u>	<u>Annual Allowances</u>	<u>Number</u>	<u>Annual Allowances</u>	<u>Annual Increase</u>	<u>Annual Allowances</u>
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
2011	24,688	620,038,676	8,499	147,985,004	312,680	6,803,215,141	7.5	21,758
2012	27,915	697,134,389	8,848	155,597,838	331,747	7,344,751,692	8.0	22,140
2013	25,825	743,998,946	9,344	165,231,795	348,228	7,923,518,843	7.9	22,754
2014	24,429	573,876,713	9,475	174,915,127	363,182	8,322,480,429	5.0	22,915
2015	25,134	604,436,264	10,578	191,966,951	377,738	8,734,949,742	5.0	23,124



## Actuarial Information Pension Trust Fund

### Analysis of Financial Trends:

<b>Analysis of Financial Experience</b>								
<b>Changes in Unfunded Actuarial Accrued Liabilities (UAAL)*</b>								
<b>Resulting from Differences Between Assumed Experience and Actual Experience</b>								
<b>Increase/(Decrease) for Year (Billions)</b>								
<u>As of</u> <u>August 31</u>	<u>Investment</u> <u>(Gains)/</u> <u>Losses</u>	<u>Legislative</u> <u>Changes/</u> <u>Benefit</u> <u>Increases</u>	<u>Contribution</u> <u>Experience</u>	<u>Assumption</u> <u>Changes</u>	<u>Liability</u> <u>Experience</u>	<u>Net</u> <u>Increase/</u> <u>(Decrease)</u>	<u>Beginning</u> <u>UAAL</u>	<u>Ending</u> <u>UAAL</u>
2015	\$1.237		\$0.912	\$0.682	(\$1.501)	\$1.330	\$31.638	\$32.968
2014	(1.095)		1.157	2.282	0.358	2.702	28.936	31.638
2013	2.045		1.911	0.708	(1.829)	2.835	26.101	28.936
2012	2.208		1.258		(1.427)	2.039	24.062	26.101
2011	1.958		0.826	(0.271)	(1.350)	1.163	22.899	24.062
2010	1.161		0.797		(0.705)	1.253	21.646	22.899
2009	10.321		0.149		(0.347)	10.123	11.523	21.646
2008	(1.232)		0.228	0.676	(0.694)	(1.022)	12.545	11.523
2007	(4.140)	0.360	0.496		2.135	(1.149)	13.694	12.545
2006	(0.264)		0.508		0.254	0.498	13.196	13.694

\*Calculated on a 5-year smoothed market basis





## Actuarial Information Pension Trust Fund

**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 (Retirees and Beneficiaries); (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 (Active Members (State Financed Portion)).

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

<b>Solvency Test</b>							
(AMOUNTS SHOWN IN MILLIONS)							
Valuation as of August 31	Aggregate Actuarial Accrued Liabilities For			Valuation Assets	Portion of Aggregate Actuarial Accrued Liabilities Covered by Valuation Assets		
	Active Member Contributions (1) *	Retirees and Beneficiaries (2) *	Active Members (State Financed Portion) (3)		Active Member Contributions (1) *	Retirees and Beneficiaries (2) *	Active Members (State Financed Portion) (3)
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
2011	28,911	63,470	46,934	115,253	100	100	48.7
2012	30,006	68,449	45,972	118,326	100	100	43.2
2013	31,365	73,841	45,460	121,730	100	100	36.4
2014	33,028	78,431	48,576	128,398	100	100	34.9
2015	33,856	82,535	50,062	133,485	100	100	34.1

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



## Actuarial Information Pension Trust Fund

**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.

<b>Schedule of Funding Progress</b>						
(DOLLAR AMOUNTS SHOWN IN MILLIONS)						
[1]	[2]	[3]	[4]*	[5]	[6]	[7]
Valuation as of August 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets as a % of AAL (2)/(3)	Projected Payroll	UAAL as a % of Covered Payroll (4)/(6)
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	121,757	11,523	90.5	33,238	34.7
2009	106,384	128,029	21,646	83.1	35,097	61.7
2010	111,293	134,191	22,899	82.9	36,629	62.5
2011	115,253	139,315	24,062	82.7	36,797	65.4
2012	118,326	144,427	26,101	81.9	36,310	71.9
2013	121,730	150,666	28,936	80.8	37,104	78.0
2014	128,398	160,036	31,638	80.2	38,522	82.1
2015	133,485	166,453	32,968	80.2	39,620	83.2

\*Slight variances with the Actuarial Report could result due to rounding.

The 10 year schedule of actuarially determined and actual contributions can be found in the Required Supplementary Information section.



## Actuarial Information TRS-Care



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November 11, 2015

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, 2015 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, 2015. 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. Actuarial valuations of the post-retirement benefits are performed annually.

The valuation was based upon information, furnished by TRS, concerning retiree health benefits, members' census, and financial data. Data was checked for internal consistency but was not otherwise audited. Certain demographic and economic assumptions are identical to the set of demographic and economic assumptions adopted by the Board based on the 2015 Experience Study of TRS. Assumptions applicable only to TRS-Care have changed since the prior report, and they are disclosed in the assumptions section of this report.

The following CAFR schedules were prepared by GRS and can be found in Section G of this report:

1. Actuarial Present Value of Benefits
2. Schedule of Funding Progress
3. Schedule of Contributions from Employer(s) and Other Contributing Entities
4. Key actuarial assumptions and methods
5. Solvency Test
6. Analysis of Financial Experience
7. Schedule of Retirants and Beneficiaries Added and Removed from Rolls

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



## ***Actuarial Information TRS-Care***

Board of Trustees  
Teacher Retirement System of Texas  
November 11, 2015  
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The current objective is to fund the Trust in order to maintain benefits through individual biennial periods. There is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions based on the current funding policy.

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

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods. Joe Newton and Mehdi Riazi are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

William J. Hickman  
Senior Consultant

Joseph P. Newton, FSA, MAAA  
Senior Consultant

Mehdi Riazi, ASA, EA, MAAA  
Consultant

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## Actuarial Information TRS-Care

### Actuarial Present Value of Future Benefits

From Actuarial Valuation as of August 31, 2015 (With Comparative Data for August 31, 2014)

Based on a 5.25% discount rate

	<u>2015</u>	<u>2014</u>
<b>Present Value of Benefits Being Paid</b>		
Future Medical Claims	\$ 11,456,408,122	\$ 10,639,267,795
Future Rx Claims	14,992,390,269	11,335,260,965
Retiree Premiums Collected	(5,699,607,494)	(5,667,042,108)
<b>NET PRESENT VALUE OF BENEFITS FOR CURRENT RETIREES</b>	<b>\$ 20,749,190,897</b>	<b>\$ 16,307,486,652</b>
<b>Present Value of Benefits Payable in the Future to Present Active Members</b>		
Future Medical Claims	\$ 27,343,585,400	\$ 22,589,627,235
Future Rx Claims	30,521,332,625	22,183,678,917
Retiree Premiums Collected	(11,174,537,629)	(10,422,453,865)
<b>NET PRESENT VALUE OF BENEFITS FOR FUTURE RETIREES</b>	<b>\$ 46,690,380,396</b>	<b>\$ 34,350,852,287</b>
<b>TOTAL ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS</b>	<b>\$ 67,439,571,293</b>	<b>\$ 50,658,338,939</b>

### Summary of Cost Items

	<u>2015</u>	<u>2014</u>
Actuarial Present Value of Future Benefits	\$ 67,439,571,293	\$ 50,658,338,939
Present Value of Future Normal Costs	(23,236,242,417)	(16,939,789,860)
Actuarial Accrued Liability	\$ 44,203,328,876	\$ 33,718,549,079
Actuarial Value of Assets	(972,919,240)	(457,940,487)
<b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>	<b>\$ 43,230,409,636</b>	<b>\$ 33,260,608,592</b>

**Actuarial Value of Assets:** The Actuarial Present Value of benefits allocated to a valuation year is called the Normal Cost. The Actuarial Present Value of benefits allocated to all periods prior to a valuation year is called the Actuarial Accrued Liability. Differences between assumed experience and actual experience (“actuarial gains and/or losses”) become part of actuarial accrued liabilities.

**Actuarial Methods and Assumptions:** The actuarial valuation of TRS-Care 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.



## Actuarial Information TRS-Care

### Analysis of Financial Trends:

<b>Analysis of Financial Experience</b>							
(AMOUNTS SHOWN IN MILLIONS)							
Valuation as of August 31	Asset Gain/(Loss)	Liability Gain/(Loss)	New Assumptions Gain/(Loss)	Benefit Changes Gain/(Loss)	Contributions Gain/(Loss)	Net Gains/(Loss)	
2012	\$ (38)	\$ 2,148	\$ (1,302)	\$ 3,458	\$ (1,485)	\$ 2,781	
2013	(31)	24	(1,699)	1,266	(1,458)	(1,898)	
2014	(24)	(619)	(1,235)	0	(1,522)	(3,400)	
2015	(36)	(3,369)	(6,232)	0	(1,004)	(10,641)	

### Solvency Test:

<b>Solvency Test</b>							
(AMOUNTS SHOWN IN MILLIONS)							
(1) Valuation as of August 31	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Actuarial Accrued Liabilities Covered by Valuation Assets		
	(2) Active Member Contributions*	(3) Beneficiaries and Vested Terminations	(4) Members (Employer Financed Portion)	(5) Valuation Assets	(6) Active Member Contributions (5)/(2)	(7) Beneficiaries and Vested Terminations [(5)- (2)]/(3)	(8) Members (Employer Financed Portion) [(5)-(2)- (3)]/(4)
2008	NA	\$9,318	\$12,994	\$729	NA	7.8%	0.0%
2009	NA	9,642	14,716	800	NA	8.3	0.0
2010	NA	10,918	14,889	815	NA	7.5	0.0
2011	NA	13,710	16,075	891	NA	6.5	0.0
2012	NA	12,676	14,866	741	NA	5.8	0.0
2013	NA	14,367	15,468	551	NA	3.8	0.0
2014	NA	16,307	17,411	458	NA	2.8	0.0
2015	NA	20,749	23,454	973	NA	4.7	0.0

\*Active member contributions are non-refundable.

**Actuarial Cost Method:** The Projected Unit Credit actuarial cost method of valuation was used in determining liabilities and normal cost. A method under which the benefits of each individual included in an Actuarial Valuation are allocated by a consistent formula to valuation years. All benefits are projected according to healthcare trends and aging factors as disclosed above.

**Funding of Unfunded Actuarial Accrued Liability:** Unfunded actuarial accrued liabilities are amortized to produce payments (principal & interest) which are a level percent of payroll.





## Actuarial Information TRS-Care

All of the demographic assumptions (rates of retirement, termination and disability) and most of the economic assumptions (general inflation, salary increases, and general payroll growth) used in this OPEB Valuation are identical to those which were adopted by the Board in 2015 after the preparation of an actuarial experience study and used in the respective TRS valuation.

The following assumptions which are specific to OPEB were updated from the prior year's report:

1. The trend rates were reset to better reflect the plan's anticipated experience. The new trend assumptions assume:
  - a. a faster growth in prescription drug costs than the prior assumptions
  - b. retiree premiums will not increase in FYE17
  - c. a lower ultimate trend assumption based on the revised inflation assumption
2. The ultimate trend assumption was increased by 0.20% to reflect the anticipated costs associated with the "Cadillac Tax".

### Schedule of Retirees and Beneficiaries Added to and Removed from Rolls:

<b>Schedule of Retirees and Beneficiaries Added to and Removed from Rolls</b>								
(1) Valuation as of August 31	Added to Rolls		Removed from Rolls		Rolls - End of Year		(8) % Increase in Annual Allowances	(9) Average Annual Allowances
	(2) Number	(3) Annual Allowances	(4) Number	(5) Annual Allowances	(6) Number	(7) Annual Allowances *		
2009	12,158	\$54,271,769	8,192	\$19,365,868	202,934	\$ 694,017,558	14.5%	\$ 3,420
2010	14,996	71,136,696	7,924	21,837,784	210,006	757,979,912	9.2	3,609
2011	20,467	109,331,023	8,019	24,802,618	222,454	898,001,599	18.5	4,037
2012	19,407	92,279,848	8,220	28,700,248	233,641	768,682,199	(14.4)	3,290
2013	19,798	98,603,255	10,176	25,946,471	243,263	824,715,257	7.3	3,390
2014	18,916	97,956,524	10,656	27,648,497	251,523	933,885,969	13.2	3,713
2015	19,171	106,177,651	11,116	31,400,277	259,578	1,050,329,854	12.5	4,046

\* Expected employer provided claims and expenses (net of retiree premiums). Annual allowances in Column (7) include increases due to health care inflation for continuing retirees. Therefore, the annual allowance is not equal to the beginning of year allowance plus the "Added to Rolls" allowance minus the "Removed from Rolls" allowance.

# STATISTICAL SECTION





## ***Statistical Section Overview***

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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 the Pension Trust Fund, TRS-Care, TRS-ActiveCare, and the 403(b) Administrative Program.

### **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 Position
- Revenues, Expenses and Changes in Net Position
- Benefit and Refund Deductions from Net Position by Type
- Benefit Deductions from Net Position 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 – Pension Trust Fund
- Average Monthly Benefit – Pension Trust Fund
- Average Benefit Payments – Health Benefits
- Retired Members by Type of Benefit – Pension Trust Fund
- Health Benefit Payments by Range
- Principal Participating Employers

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

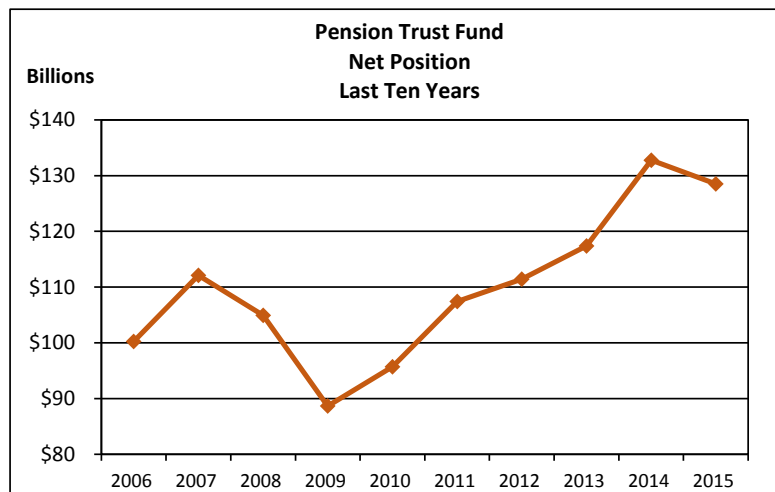


**FINANCIAL TRENDS INFORMATION**  
**Changes in Fiduciary Net Position**

PENSION TRUST FUND

For the Fiscal Years Ended August 31

	2015	2014	2013	2012
<b>Additions</b>				
Member Contributions	\$ 2,576,024,311	\$ 2,357,686,000	\$ 2,252,094,934	\$ 2,188,020,423
State's General Fund				
Non-Employer Contributing Entity	1,591,482,988	1,530,623,829	1,337,214,693	1,299,077,635
Employer Contributions	93,079,033	120,206,921	105,559,580	91,532,506
Participating Employers	1,284,893,620	864,345,470	820,134,412	669,305,127
Purchase of Service Credit	50,089,106	143,534,091	148,400,880	125,971,764
415 Excess Benefit Arrangement	2,216,586	2,273,832	2,520,830	2,483,369
Service Contributions Transferred in from ERS	18,989,008	17,440,313	16,365,042	14,940,228
Investment Income Net of Expenses				
Interest, Dividends & Securities Lending	6,694,883,534	2,990,774,278	1,779,069,580	1,875,281,841
Net Increase (Decrease) in Fair Value of				
Investments	(7,107,642,634)	16,443,655,756	8,055,066,425	5,972,016,449
Other	3,733,133	4,143,449	2,629,383	1,867,389
<b>TOTAL ADDITIONS</b>	<b>\$ 5,207,748,685</b>	<b>\$ 24,474,683,939</b>	<b>\$ 14,519,055,759</b>	<b>\$ 12,240,496,731</b>
<b>Deductions</b>				
Benefits	\$ 8,935,111,459	\$ 8,548,642,525	\$ 8,075,208,484	\$ 7,723,622,166
Excess Benefits	2,216,586	2,273,832	2,520,830	2,483,369
Refunds of Contributions	391,341,181	410,600,319	391,292,412	381,231,352
Service Contributions Transferred to ERS	84,059,353	80,163,847	75,513,146	70,985,963
Administrative Expenses, Excluding				
Investing Activity Expenses	35,556,979	41,904,190	36,264,062	33,073,740
<b>TOTAL DEDUCTIONS</b>	<b>\$ 9,448,285,558</b>	<b>\$ 9,083,584,713</b>	<b>\$ 8,580,798,934</b>	<b>\$ 8,211,396,590</b>
<b>Net Increase (Decrease)</b>	<b>\$ (4,240,536,873)</b>	<b>\$ 15,391,099,226</b>	<b>\$ 5,938,256,825</b>	<b>\$ 4,029,100,141</b>
<b>Net Position - Beginning of Year</b>	<b>\$132,779,243,085</b>	<b>\$117,388,143,859</b>	<b>\$111,449,887,034</b>	<b>\$107,420,786,893</b>
<b>Net Position - End of Year</b>	<b>\$128,538,706,212</b>	<b>\$132,779,243,085</b>	<b>\$117,388,143,859</b>	<b>\$111,449,887,034</b>





## FINANCIAL TRENDS INFORMATION

2011	2010	2009	2008	2007	2006
\$ 2,243,954,725	\$ 2,205,017,425	\$ 2,107,057,870	\$ 1,998,138,487	\$ 1,862,595,865	\$ 1,700,415,419
1,484,285,519	1,461,034,870	1,378,304,342	1,352,243,134	1,283,641,587	1,166,690,192
111,486,255	116,553,826	103,539,599	98,785,295	187,489,771	165,411,289
744,733,236	719,051,333	687,910,583	604,937,605	282,077,713	267,399,619
105,177,104	84,519,762	74,542,413	87,207,374	86,497,411	153,556,417
1,750,588	1,504,510	1,553,381	1,646,494	1,453,605	1,041,961
12,628,712	11,167,772	9,558,927	8,897,722	7,913,660	6,908,439
2,020,253,763	1,868,708,873	2,058,925,313	3,387,500,183	3,066,117,408	2,624,813,225
12,616,681,465	7,542,738,000	(16,030,794,035)	(7,992,472,030)	11,232,429,170	6,326,056,726
1,576,613	788,787	3,899	3,596	5,405	769
\$ 19,342,527,980	\$ 14,011,085,158	\$ (9,609,397,708)	\$ (453,112,140)	\$ 18,010,221,595	\$ 12,412,294,056
\$ 7,173,504,788	\$ 6,617,397,374	\$ 6,294,434,115	\$ 6,406,644,540	\$ 5,762,885,044	\$ 5,540,134,272
1,750,588	1,504,510	1,553,381	1,646,494	1,453,605	1,041,961
334,268,822	265,186,589	266,695,076	278,002,614	280,005,584	267,810,017
64,772,079	61,570,750	57,135,135	52,773,854	48,538,424	45,716,307
35,849,819	29,992,608	28,310,448	26,122,662	27,502,276	26,444,405
\$ 7,610,146,096	\$ 6,975,651,831	\$ 6,648,128,155	\$ 6,765,190,164	\$ 6,120,384,933	\$ 5,881,146,962
\$ 11,732,381,884	\$ 7,035,433,327	\$ (16,257,525,863)	\$ (7,218,302,304)	\$ 11,889,836,662	\$ 6,531,147,094
\$ 95,688,405,009	\$ 88,652,971,682	\$ 104,910,497,545	\$ 112,128,799,849	\$ 100,238,963,187	\$ 93,707,816,093
\$ 107,420,786,893	\$ 95,688,405,009	\$ 88,652,971,682	\$ 104,910,497,545	\$ 112,128,799,849	\$ 100,238,963,187





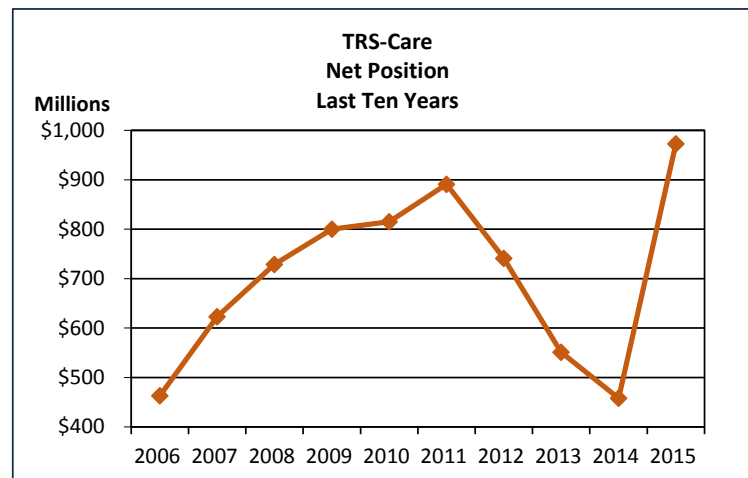
## FINANCIAL TRENDS INFORMATION

### *Changes in Fiduciary Net Position*

TRS-CARE  
For the Fiscal Years Ended August 31

	2015	2014	2013	2012
<b>Additions</b>				
Health Care Premiums	\$ 369,066,459	\$ 363,631,292	\$ 355,685,504	\$ 363,348,030
State Contributions	281,098,358	267,497,910	139,095,786	271,925,242
Member Contributions	198,196,273	189,003,903	180,824,523	176,751,407
Participating Employers	202,976,470	193,124,772	160,952,396	154,607,926
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees		139,422	117,770	103,676
Federal Revenue	126,806,652	78,589,415	74,511,473	68,633,946
Rebate and Discount Income*	231,569,472	200,859,859	82,074,803	
Investment Income	1,495,680	2,061,745	3,041,001	5,189,934
Supplemental Appropriation	768,100,754	36,058,148	102,363,704	
<b>TOTAL ADDITIONS</b>	<b>\$2,179,310,118</b>	<b>\$1,330,966,466</b>	<b>\$1,098,666,960</b>	<b>\$1,040,560,161</b>
<b>Deductions</b>				
Health Care Claims and Insurance Premium Payments	\$1,613,181,278	\$1,375,039,945	\$1,241,656,374	\$1,142,131,410
Health Care Claims Processing and Other	47,380,407	45,387,769	43,577,852	44,571,383
Administrative Expenses	3,769,680	3,646,546	3,398,109	3,714,018
<b>TOTAL DEDUCTIONS</b>	<b>\$1,664,331,365</b>	<b>\$1,424,074,260</b>	<b>\$1,288,632,335</b>	<b>\$1,190,416,811</b>
<b>Net Increase (Decrease)</b>	<b>\$ 514,978,753</b>	<b>\$ (93,107,794)</b>	<b>\$ (189,965,375)</b>	<b>\$ (149,856,650)</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 457,940,487</b>	<b>\$ 551,048,281</b>	<b>\$ 741,013,656</b>	<b>\$ 890,870,306</b>
<b>Net Position - End of Year</b>	<b>\$ 972,919,240</b>	<b>\$ 457,940,487</b>	<b>\$ 551,048,281</b>	<b>\$ 741,013,656</b>

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





## FINANCIAL TRENDS INFORMATION

2011	2010	2009	2008	2007	2006
\$ 345,164,271	\$ 332,481,933	\$ 329,723,191	\$ 328,505,433	\$ 323,957,945	\$ 326,844,982
282,782,431	279,250,547	267,471,299	254,722,174	238,190,720	215,666,940
183,808,580	181,512,856	173,856,344	165,569,413	154,823,968	140,183,511
158,724,010	155,918,241	149,562,613	141,672,630	136,008,512	118,607,527
108,440	101,511	95,929	91,945	55,932	53,283
136,887,805	70,795,686	61,530,735	59,486,239	52,329,617	34,611,607
8,168,640	11,679,229	17,482,143	29,252,347	32,671,539	21,435,792
<b>\$1,115,644,177</b>	<b>\$1,031,740,003</b>	<b>\$ 999,722,254</b>	<b>\$ 979,300,181</b>	<b>\$ 938,038,233</b>	<b>\$ 857,403,642</b>
\$ 992,478,380	\$ 971,356,805	\$ 885,132,865	\$ 833,509,538	\$ 742,293,147	\$ 687,086,291
44,115,872	42,535,601	40,364,063	36,747,710	33,407,937	31,975,150
3,143,922	3,031,686	2,916,259	3,000,536	2,526,189	2,513,102
<b>\$1,039,738,174</b>	<b>\$1,016,924,092</b>	<b>\$ 928,413,187</b>	<b>\$ 873,257,784</b>	<b>\$ 778,227,273</b>	<b>\$ 721,574,543</b>
<b>\$ 75,906,003</b>	<b>\$ 14,815,911</b>	<b>\$ 71,309,067</b>	<b>\$ 106,042,397</b>	<b>\$ 159,810,960</b>	<b>\$ 135,829,099</b>
<b>\$ 814,964,303</b>	<b>\$ 800,148,392</b>	<b>\$ 728,839,325</b>	<b>\$ 622,796,928</b>	<b>\$ 462,985,968</b>	<b>\$ 327,156,869</b>
<b>\$ 890,870,306</b>	<b>\$ 814,964,303</b>	<b>\$ 800,148,392</b>	<b>\$ 728,839,325</b>	<b>\$ 622,796,928</b>	<b>\$ 462,985,968</b>

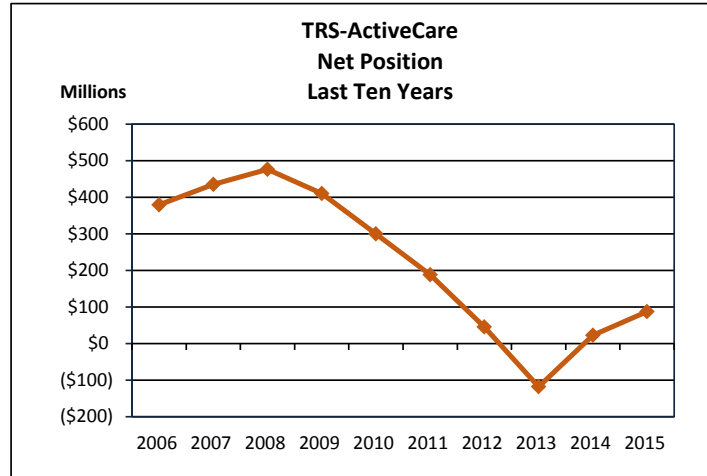


**FINANCIAL TRENDS INFORMATION**  
**Revenues, Expenses, and Changes in Net Position**

TRS - ACTIVECARE  
 For the Fiscal Years Ended August 31

	2015	2014	2013	2012
<b>Revenues</b>				
Health Care Premiums	\$ 1,943,949,265	\$ 1,928,895,465	\$ 1,808,521,683	\$ 1,749,905,117
Administrative Fees and Other	236,749	139,608	137,630	136,324
Investment Income	1,537,408	940,022	746,936	1,697,553
Federal Revenue ARRA-COBRA Reimbursements				29,706
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees		79,792	75,664	72,094
<b>TOTAL REVENUES</b>	<b>\$ 1,945,723,422</b>	<b>\$ 1,930,054,887</b>	<b>\$ 1,809,481,913</b>	<b>\$ 1,751,840,794</b>
<b>Expenses</b>				
Health Care Claims	\$ 1,565,255,957	\$ 1,521,834,989	\$ 1,785,069,768	\$ 1,718,903,645
Health Care Claims Processing and Other	135,073,416	109,925,954	84,903,101	83,346,223
Premium Payments to HMOs	178,192,468	154,913,859	100,905,702	89,706,406
Administrative Expenses	2,225,417	2,569,850	2,351,802	2,176,610
<b>TOTAL EXPENSES</b>	<b>\$ 1,880,747,258</b>	<b>\$ 1,789,244,652</b>	<b>\$ 1,973,230,373</b>	<b>\$ 1,894,132,884</b>
<b>Net Increase (Decrease)</b>	<b>\$ 64,976,164</b>	<b>\$ 140,810,235</b>	<b>\$ (163,748,460)</b>	<b>\$ (142,292,090)</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 22,839,112</b>	<b>\$ (117,971,123)</b>	<b>\$ 45,777,337</b>	<b>\$ 188,069,427</b>
<b>Net Position - End of Year*</b>	<b>\$ 87,815,276</b>	<b>\$ 22,839,112 *</b>	<b>\$ (117,971,123)</b>	<b>\$ 45,777,337</b>

\* For FY 2014 and fiscal years prior to FY 2013, Net Position balances were all restricted. In FY 2013 the unrestricted balance is \$(117,971,123) and restricted is zero.





### FINANCIAL TRENDS INFORMATION

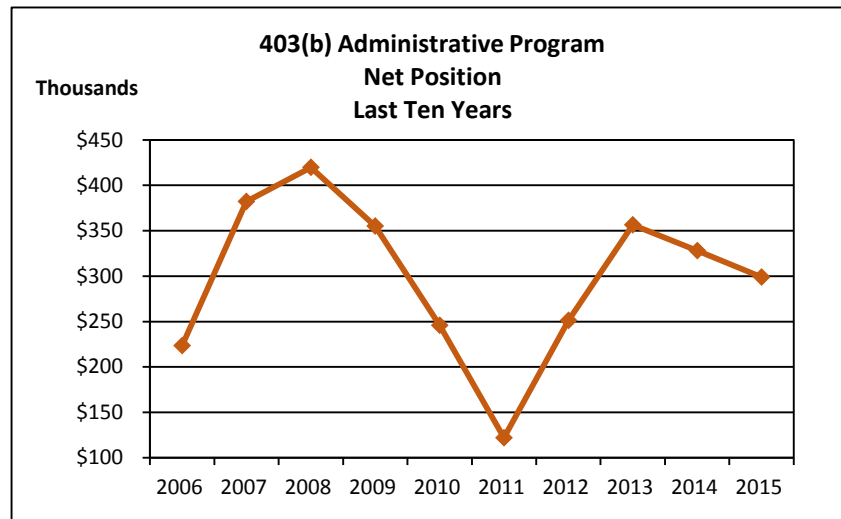
2011	2010	2009	2008	2007	2006
\$ 1,549,530,891	\$ 1,329,171,411	\$ 1,172,011,048	\$ 1,096,537,022	\$ 939,694,028	\$ 861,464,205
135,917	125,321	187,813	186,844	184,937	183,470
3,387,062	6,421,269	11,597,992	21,164,640	26,016,380	18,650,516
667,746	1,225,158	170,219			
67,373	64,328	64,975	61,894	46,446	40,979
<u>\$ 1,553,788,989</u>	<u>\$ 1,337,007,487</u>	<u>\$ 1,184,032,047</u>	<u>\$ 1,117,950,400</u>	<u>\$ 965,941,791</u>	<u>\$ 880,339,170</u>
\$ 1,510,090,981	\$ 1,313,114,197	\$ 1,122,646,958	\$ 952,156,339	\$ 801,148,962	\$ 708,972,484
76,960,951	67,906,654	60,934,432	54,583,499	48,177,777	53,013,214
76,270,706	64,532,253	64,820,440	68,204,743	58,742,363	49,466,150
2,207,051	1,883,148	1,861,949	1,830,258	1,775,831	1,680,952
<u>\$ 1,665,529,689</u>	<u>\$ 1,447,436,252</u>	<u>\$ 1,250,263,779</u>	<u>\$ 1,076,774,839</u>	<u>\$ 909,844,933</u>	<u>\$ 813,132,800</u>
<u>\$ (111,740,700)</u>	<u>\$ (110,428,765)</u>	<u>\$ (66,231,732)</u>	<u>\$ 41,175,561</u>	<u>\$ 56,096,858</u>	<u>\$ 67,206,370</u>
\$ 299,810,127	\$ 410,238,892	\$ 476,470,624	\$ 435,295,063	\$ 379,198,205	\$ 311,991,835
<u>\$ 188,069,427</u>	<u>\$ 299,810,127</u>	<u>\$ 410,238,892</u>	<u>\$ 476,470,624</u>	<u>\$ 435,295,063</u>	<u>\$ 379,198,205</u>



**FINANCIAL TRENDS INFORMATION**  
**Revenues, Expenses, and Changes in Net Position**

403(b) ADMINISTRATIVE PROGRAM  
 For the Fiscal Years Ended August 31

	2015	2014	2013	2012
<b>Revenues</b>				
Certification Fees	\$ 27,000	\$ 15,000	\$ 60,000	\$ 114,000
Product Registration Fees	21,000	15,000	81,000	63,000
Investment Income	1,360	1,324	1,333	707
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees		3,131	2,890	2,772
<b>TOTAL REVENUES</b>	<b>\$ 49,360</b>	<b>\$ 34,455</b>	<b>\$ 145,223</b>	<b>\$ 180,479</b>
<b>Expenses</b>				
Administrative Expenses	\$ 78,446	\$ 62,636	\$ 40,194	\$ 51,203
<b>TOTAL EXPENSES</b>	<b>\$ 78,446</b>	<b>\$ 62,636</b>	<b>\$ 40,194</b>	<b>\$ 51,203</b>
<b>Net Increase (Decrease)</b>	<b>\$ (29,086)</b>	<b>\$ (28,181)</b>	<b>\$ 105,029</b>	<b>\$ 129,276</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 328,156</b>	<b>\$ 356,337</b>	<b>\$ 251,308</b>	<b>\$ 122,032</b>
<b>Net Position - End of Year</b>	<b>\$ 299,070</b>	<b>\$ 328,156</b>	<b>\$ 356,337</b>	<b>\$ 251,308</b>





### FINANCIAL TRENDS INFORMATION

2011	2010	2009	2008	2007	2006
\$ 12,000	\$ 30,000	\$ 6,000	\$ 30,000	\$ 171,000	\$ 30,000
3,000	21,000	9,000	180,000		
1,801	4,318	8,558	19,337	12,070	9,532
7,898	8,034				
\$ 24,699	\$ 63,352	\$ 23,558	\$ 229,337	\$ 183,070	\$ 39,532
\$ 148,444	\$ 172,835	\$ 88,000	\$ 192,000	\$ 24,000	\$ 24,000
\$ 148,444	\$ 172,835	\$ 88,000	\$ 192,000	\$ 24,000	\$ 24,000
\$ (123,745)	\$ (109,483)	\$ (64,442)	\$ 37,337	\$ 159,070	\$ 15,532
\$ 245,777	\$ 355,260	\$ 419,702	\$ 382,365	\$ 223,295	\$ 207,763
\$ 122,032	\$ 245,777	\$ 355,260	\$ 419,702	\$ 382,365	\$ 223,295





## FINANCIAL TRENDS INFORMATION

**Benefit and Refund Deductions from Net Position by Type**PENSION TRUST FUND  
Last Ten Fiscal Years

	2015	2014	2013	2012
<b>Type of Benefit</b>				
Service Retirements**	\$ 8,215,765,876	\$ 7,795,690,586	\$ 7,251,369,740	\$ 6,808,592,209
Deferred Retirement Option	9,643,121	14,974,505	17,223,523	22,361,937
Partial Lump Sum Option	288,923,266	322,033,388	410,323,790	501,152,157
Disability Retirements	169,318,064	164,299,506	156,308,471	150,238,202
Death and Survivor Benefits:				
Annual Salary	39,574,595	44,846,010	41,219,707	46,859,444
Survivor Annuities	100,150,048	97,822,817	94,563,001	92,126,049
Life Annuities	90,563,081	89,547,742	87,044,328	85,816,402
60 Monthly Payments	14,443,193	13,415,885	12,659,471	11,816,313
Remainder of Contributions	6,730,215	6,012,086	4,496,453	4,659,453
<b>TOTAL BENEFITS</b>	<b>\$ 8,935,111,459</b>	<b>\$ 8,548,642,525</b>	<b>\$ 8,075,208,484</b>	<b>\$ 7,723,622,166</b>
<b>Type of Refund</b>				
Death	\$ 5,474,475	\$ 5,455,829	\$ 4,705,228	\$ 5,294,006
Separation	385,866,706	405,144,490	386,587,184	375,937,346
<b>TOTAL REFUNDS</b>	<b>\$ 391,341,181</b>	<b>\$ 410,600,319</b>	<b>\$ 391,292,412</b>	<b>\$ 381,231,352</b>

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

\*\* For fiscal years 2010 and prior, Service Retirements changed due to the reclassification of Transfers of Service Contributions with Employees Retirement System of Texas.

**Benefit Deductions from Net Position by Type**TRS-CARE  
Last Ten Fiscal Years

	2015	2014	2013	2012
<b>Type of Claim</b>				
Medical Claims and Insurance				
Premiums	\$ 805,668,819	\$ 691,283,731	\$ 687,469,016	\$ 687,987,585
Prescription drugs***	649,457,501	539,842,962	496,229,923	454,143,825
<b>TOTAL</b>	<b>\$ 1,455,126,320</b>	<b>\$ 1,231,126,693</b>	<b>\$ 1,183,698,939</b>	<b>\$ 1,142,131,410</b>

\*\*\* Note: For TRS-CARE, 2013 and 2014 Prescription claims numbers have been revised to reflect claims net of rebates. These two years were reported gross of rebates in 2013 and 2014.

**Benefit Deductions from Net Position by Type**TRS-ACTIVECARE  
Last Ten Fiscal Years

	2015	2014	2013	2012
<b>Type of Claim</b>				
Medical Claims and Insurance				
Premiums	\$ 1,479,302,696	\$ 1,397,249,236	\$ 1,613,167,792	\$ 1,450,574,875
Prescription drugs	264,145,729	279,499,612	272,807,678	268,328,770
<b>TOTAL</b>	<b>\$ 1,743,448,425</b>	<b>\$ 1,676,748,848</b>	<b>\$ 1,885,975,470</b>	<b>\$ 1,718,903,645</b>



## FINANCIAL TRENDS INFORMATION

2011	2010	2009	2008	2007	2006
\$ 6,241,946,655	\$ 5,841,963,927	\$ 5,565,925,090	\$ 5,649,308,335 *	\$ 5,064,191,508	\$ 4,857,348,525
27,822,115	22,607,290	23,272,668	26,757,772	31,939,855	36,033,028
524,925,790	385,555,126	348,261,100	363,668,944	325,688,244	313,359,714
144,865,109	141,396,837	138,569,650	146,907,654	134,866,736	132,155,505
47,295,194	45,698,147	43,235,232	42,216,290	38,928,295	37,880,818
86,898,720	82,574,358	79,951,723	78,862,569	76,116,829	74,115,776
84,893,007	83,238,898	81,764,240	85,576,098	78,322,931	77,537,970
11,564,275	10,824,948	10,180,012	10,169,530	9,386,943	8,581,053
3,293,923	3,537,843	3,274,400	3,177,348	3,443,703	3,121,883
<u>\$ 7,173,504,788</u>	<u>\$ 6,617,397,374</u>	<u>\$ 6,294,434,115</u>	<u>\$ 6,406,644,540</u>	<u>\$ 5,762,885,044</u>	<u>\$ 5,540,134,272</u>
\$ 3,984,340	\$ 3,710,941	\$ 3,084,718	\$ 2,520,283	\$ 2,073,365	\$ 2,322,538
330,284,482	261,475,648	263,610,358	275,482,331	277,932,219	265,487,479
<u>\$ 334,268,822</u>	<u>\$ 265,186,589</u>	<u>\$ 266,695,076</u>	<u>\$ 278,002,614</u>	<u>\$ 280,005,584</u>	<u>\$ 267,810,017</u>

2011	2010	2009	2008	2007	2006
\$ 608,461,321	\$ 575,539,788	\$ 531,239,020	\$ 498,767,038	\$ 437,519,746	\$ 427,553,404
384,017,059	395,817,017	353,893,845	334,742,500	304,773,401	259,532,887
<u>\$ 992,478,380</u>	<u>\$ 971,356,805</u>	<u>\$ 885,132,865</u>	<u>\$ 833,509,538</u>	<u>\$ 742,293,147</u>	<u>\$ 687,086,291</u>

2011	2010	2009	2008	2007	2006
\$ 1,242,673,156	\$ 1,092,107,916	\$ 934,733,927	\$ 788,240,087	\$ 659,478,760	\$ 587,513,767
267,417,825	221,006,281	187,913,031	163,916,252	141,670,202	121,458,717
<u>\$ 1,510,090,981</u>	<u>\$ 1,313,114,197</u>	<u>\$ 1,122,646,958</u>	<u>\$ 952,156,339</u>	<u>\$ 801,148,962</u>	<u>\$ 708,972,484</u>



**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+
<b>9-1-05 to 8-31-06</b>						
Average Monthly Benefit *	\$ 280	\$ 582	\$ 1,097	\$ 1,635	\$ 2,342	\$ 3,315
Average Final Average Salary	\$ 25,456	\$ 30,647	\$ 36,767	\$ 42,297	\$ 49,650	\$ 58,987
Number of Retirees	1,494	1,129	1,578	2,483	3,332	2,700
<b>9-1-06 to 8-31-07</b>						
Average Monthly Benefit *	\$ 310	\$ 601	\$ 1,122	\$ 1,699	\$ 2,427	\$ 3,459
Average Final Average Salary	\$ 27,435	\$ 31,601	\$ 37,444	\$ 44,116	\$ 51,682	\$ 61,113
Number of Retirees	1,574	1,183	1,554	2,625	3,289	2,834
<b>9-1-07 to 8-31-08</b>						
Average Monthly Benefit *	\$ 314	\$ 621	\$ 1,152	\$ 1,759	\$ 2,537	\$ 3,512
Average Final Average Salary	\$ 27,892	\$ 32,391	\$ 38,421	\$ 45,582	\$ 53,616	\$ 61,848
Number of Retirees	1,532	1,281	1,902	2,941	3,754	3,332
<b>9-1-08 to 8-31-09</b>						
Average Monthly Benefit *	\$ 351	\$ 658	\$ 1,219	\$ 1,773	\$ 2,613	\$ 3,633
Average Final Average Salary	\$ 29,747	\$ 33,093	\$ 40,367	\$ 45,660	\$ 54,751	\$ 63,079
Number of Retirees	1,462	1,377	1,918	2,877	3,361	3,229
<b>9-1-09 to 8-31-10</b>						
Average Monthly Benefit *	\$ 363	\$ 670	\$ 1,226	\$ 1,839	\$ 2,638	\$ 3,733
Average Final Average Salary	\$ 30,278	\$ 34,347	\$ 40,452	\$ 47,301	\$ 55,172	\$ 64,234
Number of Retirees	1,675	1,604	2,236	3,517	3,825	4,187
<b>9-1-10 to 8-31-11</b>						
Average Monthly Benefit *	\$ 389	\$ 710	\$ 1,266	\$ 1,869	\$ 2,666	\$ 3,769
Average Final Average Salary	\$ 32,133	\$ 35,566	\$ 42,127	\$ 48,185	\$ 55,189	\$ 64,945
Number of Retirees	2,092	2,046	2,875	4,544	4,984	6,394
<b>9-1-11 to 8-31-12</b>						
Average Monthly Benefit *	\$ 390	\$ 726	\$ 1,305	\$ 1,922	\$ 2,781	\$ 3,857
Average Final Average Salary	\$ 32,190	\$ 36,522	\$ 43,176	\$ 49,383	\$ 56,754	\$ 66,333
Number of Retirees	2,139	2,226	2,855	4,257	4,373	5,209
<b>9-1-12 to 8-31-13</b>						
Average Monthly Benefit *	\$ 389	\$ 742	\$ 1,288	\$ 1,935	\$ 2,796	\$ 3,859
Average Final Average Salary	\$ 31,597	\$ 37,082	\$ 43,047	\$ 49,217	\$ 56,455	\$ 65,472
Number of Retirees	2,235	2,383	3,068	4,388	4,676	4,952
<b>9-1-13 to 8-31-14</b>						
Average Monthly Benefit *	\$ 412	\$ 799	\$ 1,325	\$ 1,962	\$ 2,844	\$ 3,868
Average Final Average Salary	\$ 32,884	\$ 39,265	\$ 43,889	\$ 49,224	\$ 56,835	\$ 65,447
Number of Retirees	2,293	2,285	3,084	4,254	4,429	4,197
<b>9-1-14 to 8-31-15</b>						
Average Monthly Benefit *	\$ 418	\$ 821	\$ 1,340	\$ 1,991	\$ 2,827	\$ 3,930
Average Final Average Salary	\$ 33,259	\$ 39,904	\$ 44,343	\$ 49,127	\$ 56,370	\$ 65,835
Number of Retirees	1,987	1,966	2,717	3,654	3,899	3,885

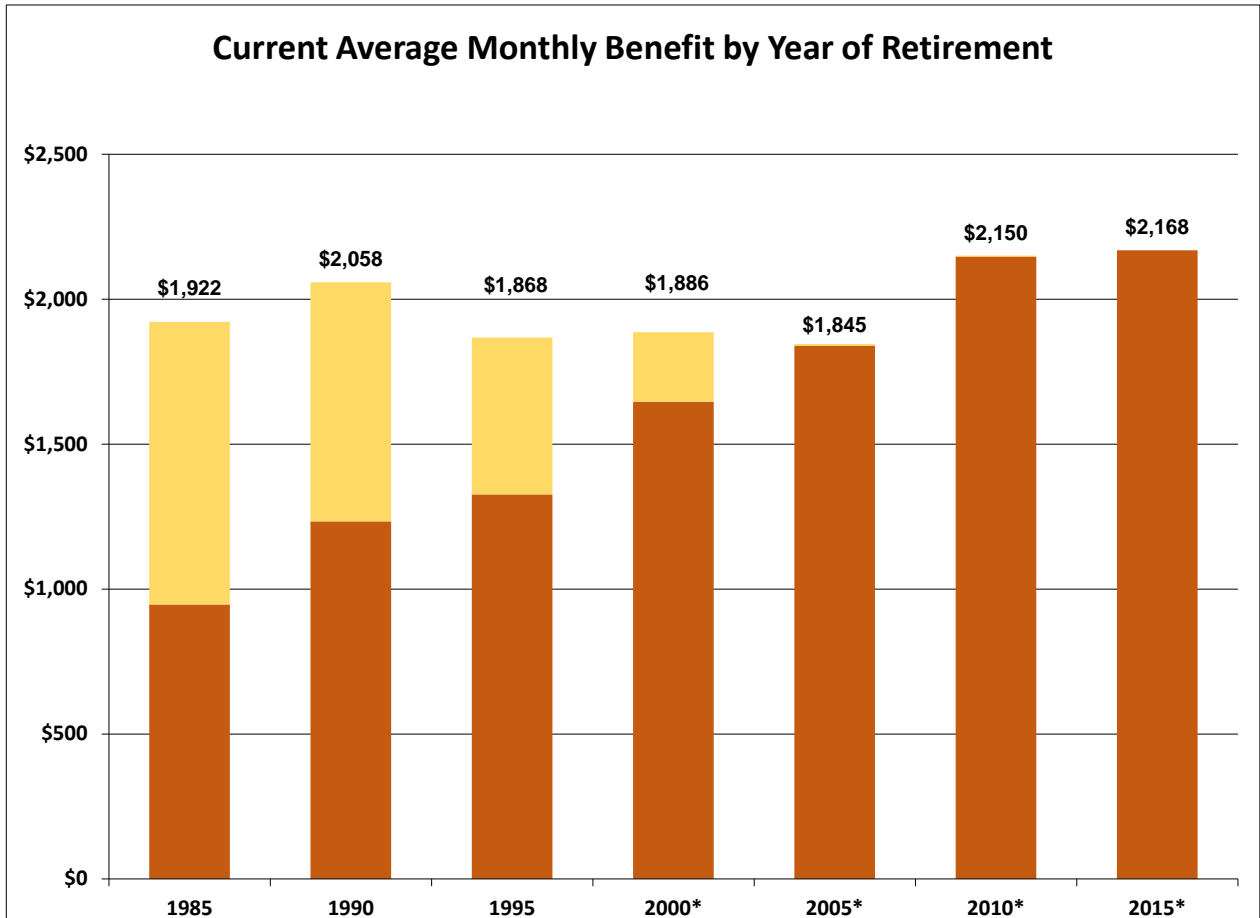
\* Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$313.4, \$325.7, \$363.7, \$348.3, \$385.6, \$524.9, \$501.2, \$410.3, \$322.0 and \$288.9 million in fiscal years 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014 and 2015 respectively.



### Average Monthly Benefits

#### Pension Trust Fund

The following graph of service retiree accounts as of August 31, 2015 reflects benefit increases and decreases since retirement:



Original Benefits	\$947	\$1,234	\$1,327	\$1,646	\$1,839	\$2,147	\$2,169
Increase(Decrease) Since Retirement	975	824	541	240	6	3	(1)
<b>Current Benefits</b>	<b>\$1,922</b>	<b>\$2,058</b>	<b>\$1,868</b>	<b>\$1,886</b>	<b>\$1,845</b>	<b>\$2,150</b>	<b>\$2,168</b>
Number of Retirees**	1,710	3,819	5,718	10,602	10,704	16,512	18,319

\* Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,781, \$2,010, \$2,323 and \$2,278 for fiscal years 2000, 2005, 2010 and 2015 respectively.

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



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## OPERATING INFORMATION

**Average Benefit Payments**

TRS-CARE  
Last Ten Fiscal Years

<b>2015</b>		
Average Benefit Per Participant	\$	5,780
Benefit Payments	\$	1,455,126,320
Average Participants		251,758
<b>2014</b>		
Average Benefit Per Participant	\$	5,059 *
Benefit Payments	\$	1,231,126,693 *
Average Participants		243,336
<b>2013</b>		
Average Benefit Per Participant	\$	5,053 *
Benefit Payments	\$	1,183,698,939 *
Average Participants		234,277
<b>2012</b>		
Average Benefit Per Participant	\$	5,115
Benefit Payments	\$	1,142,131,410
Average Participants		223,287
<b>2011</b>		
Average Benefit Per Participant	\$	4,718
Benefit Payments	\$	992,478,380
Average Participants		210,353
<b>2010</b>		
Average Benefit Per Participant	\$	4,790
Benefit Payments	\$	971,356,805
Average Participants		202,778
<b>2009</b>		
Average Benefit Per Participant	\$	4,464
Benefit Payments	\$	885,132,865
Average Participants		198,282
<b>2008</b>		
Average Benefit Per Participant	\$	4,302
Benefit Payments	\$	833,509,538
Average Participants		193,733
<b>2007</b>		
Average Benefit Per Participant	\$	3,891
Benefit Payments	\$	742,293,147
Average Participants		190,748
<b>2006</b>		
Average Benefit Per Participant	\$	3,659
Benefit Payments	\$	687,086,291
Average Participants		187,804

**Average Benefit Payments**

TRS-ACTIVECARE  
Last Ten Fiscal Years

<b>2015</b>		
Average Benefit Per Participant	\$	3,607
Benefit Payments	\$	1,743,448,426
Average Participants		483,299
<b>2014</b>		
Average Benefit Per Participant	\$	3,603
Benefit Payments	\$	1,676,748,847
Average Participants		465,330
<b>2013</b>		
Average Benefit Per Participant	\$	3,966
Benefit Payments	\$	1,885,975,470
Average Participants		475,508
<b>2012</b>		
Average Benefit Per Participant	\$	3,868
Benefit Payments	\$	1,718,903,645
Average Participants		444,382
<b>2011</b>		
Average Benefit Per Participant	\$	3,662
Benefit Payments	\$	1,510,090,981
Average Participants		412,385
<b>2010</b>		
Average Benefit Per Participant	\$	3,509
Benefit Payments	\$	1,313,114,197
Average Participants		374,201
<b>2009</b>		
Average Benefit Per Participant	\$	3,324
Benefit Payments	\$	1,122,646,958
Average Participants		337,781
<b>2008</b>		
Average Benefit Per Participant	\$	3,060
Benefit Payments	\$	952,156,339
Average Participants		311,200
<b>2007</b>		
Average Benefit Per Participant	\$	2,835
Benefit Payments	\$	801,148,962
Average Participants		282,639
<b>2006</b>		
Average Benefit Per Participant	\$	2,745
Benefit Payments	\$	708,972,484
Average Participants		258,301

\*Note: For TRS-CARE, 2013 and 2014 Average Benefit Per Participant and Benefit Payments numbers have been revised to reflect prescription drug claims net of rebates. These two years were reported as gross numbers in previous years.





## OPERATING INFORMATION

**Retired Members by Type of Benefit**

PENSION TRUST FUND

Fiscal Year 2015

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement*						
		1	2	3	4	5	6	7
\$ 1-200	14,378	5,603	6,913	289	1,477	47	35	14
\$ 201-400	38,725	10,481	12,185	654	2,302	1,000	966	11,137
\$ 401-600	24,676	11,817	8,810	1,327	2,182	327	213	
\$ 601-800	22,303	13,096	5,455	1,312	1,800	394	246	
\$ 801-1,000	21,441	14,218	3,815	1,149	1,671	402	186	
\$ 1,001-1,200	19,050	13,632	2,667	859	1,430	318	144	
\$ 1,201-1,400	16,200	11,601	2,107	728	1,401	245	118	
\$ 1,401-1,600	16,782	12,019	2,419	649	1,341	277	77	
\$ 1,601-1,800	17,110	12,655	2,431	559	1,155	232	78	
\$ 1,801-2,000	17,904	14,102	2,069	495	968	222	48	
\$ 2,001-3,000	90,098	77,544	6,342	1,284	3,989	859	80	
\$ 3,001-4,000	51,778	47,942	1,342	181	1,908	393	12	
\$ 4,001-5,000	17,965	16,836	301	25	684	114	5	
\$ over 5,000	9,328	8,765	111	4	376	71	1	
<b>Totals</b>	<b>377,738</b>	<b>270,311</b>	<b>56,967</b>	<b>9,515</b>	<b>22,684</b>	<b>4,901</b>	<b>2,209</b>	<b>11,151</b>

**\*Type of Retirement:**

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

**Health Benefit Payments by Range**

TRS-CARE

Fiscal Year 2015

Benefit Range	Average Participants
\$ 0	17,601
\$ 1 - 5,000	171,060
\$ 5,001 - 10,000	34,218
\$ 10,001 - 20,000	16,192
\$ 20,001 - 30,000	4,220
\$ 30,001 - 40,000	2,281
\$ 40,001 - 50,000	1,461
\$ 50,001 - 100,000	2,900
\$ over 100,000	1,825
<b>Total</b>	<b>251,758</b>



## OPERATING INFORMATION

Option Selected**					
1	2	3	4	5	6
6,320	5,013	1,345	547	1,111	42
11,816	8,351	2,619	1,200	2,039	12,700
11,399	7,413	2,973	1,150	1,741	0
9,948	6,709	3,196	1,082	1,368	0
9,694	6,238	3,238	1,057	1,214	0
8,041	5,898	3,157	889	1,065	0
6,344	5,424	2,898	690	844	0
6,398	5,785	2,953	734	912	0
6,518	5,918	3,060	684	930	0
6,666	6,272	3,333	647	986	0
32,213	33,211	16,769	3,079	4,826	0
18,993	18,451	10,162	1,658	2,514	0
6,782	6,081	3,858	511	733	0
3,208	3,478	2,087	215	340	0
144,340	124,242	61,648	14,143	20,623	12,742

**\*\*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

**Health Benefit Payments by Range**

TRS-ACTIVECARE

Fiscal Year 2015

Benefit Range	Average Participants
\$ 0	58,334
\$ 1 - 5,000	369,196
\$ 5,001 - 10,000	25,974
\$ 10,001 - 20,000	15,534
\$ 20,001 - 30,000	4,899
\$ 30,001 - 40,000	2,590
\$ 40,001 - 50,000	1,675
\$ 50,001 - 100,000	3,140
\$ over 100,000	1,957
<b>Total</b>	<b>483,299</b>



## OPERATING INFORMATION

**Principal Participating Employers**

PENSION TRUST FUND

Current Fiscal Year and Nine Years Ago

Participating Reporting Entity	2015			2006		
	Covered Employees	Rank	Percentage of Total Covered Employment	Covered Employees	Rank	Percentage of Total Covered Employment
Houston ISD	23,811	1	2.81 %	24,006	1	3.29 %
Dallas ISD	19,856	2	2.34	19,035	2	2.61
UT MD Anderson Cancer Center	18,347	3	2.16	13,811	3	1.89
Cypress Fairbanks ISD	14,272	4	1.68	11,033	5	1.51
Northside ISD	13,594	5	1.60	10,332	6	1.42
Austin ISD	12,270	6	1.45	11,125	4	1.52
Fort Worth ISD	11,354	7	1.34	9,954	8	1.36
UT SW Medical Center-Dallas	10,496	8	1.24			
UT At Austin	9,946	9	1.17	9,303	9	1.27
El Paso ISD	9,689	10	1.14	8,776	10	1.20
UT Medical Branch at Galveston				10,110	7	1.39
All Other	704,450		83.07	602,692		82.54
<b>Total</b>	<b>848,085</b>		<b>100.00 %</b>	<b>730,177</b>		<b>100.00 %</b>

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



## OPERATING INFORMATION

**Principal Participating Employers**

TRS-CARE

Current Fiscal Year and Nine Years Ago

Participating Reporting Entity	2015			2006		
	Covered	Percentage of		Covered	Percentage of	
	OPEB	Total Covered	OPEB	OPEB	Total Covered	OPEB
	Employees	Rank	Employment	Employees	Rank	Employment
Houston ISD	23,811	1	3.41 %	24,006	1	3.93 %
Dallas ISD	19,856	2	2.84	19,035	2	3.12
Cypress Fairbanks ISD	14,272	3	2.04	11,033	4	1.81
Northside ISD	13,594	4	1.95	10,332	5	1.69
Austin ISD	12,270	5	1.76	11,125	3	1.82
Fort Worth ISD	11,354	6	1.62	9,954	6	1.63
Aldine ISD	9,264	7	1.33	8,014	8	1.31
North East ISD	9,248	8	1.32	7,939	10	1.30
Katy ISD	9,166	9	1.31			
Fort Bend ISD	8,589	10	1.23			
El Paso ISD				8,776	7	1.44
San Antonio ISD				7,968	9	1.31
All Other	567,323		81.19 %	492,224		80.64
<b>Total</b>	<b>698,747</b>		<b>100.00 %</b>	<b>610,406</b>		<b>100.00 %</b>

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



## *List of Participating Employers*

### PUBLIC SCHOOLS

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



## **List of Participating Employers**

(Continued)

Bushland ISD	Chisum ISD	Crane ISD
Bynum Cons ISD	Christoval ISD	Cranfills Gap ISD
Caddo Mills ISD	Cisco ISD	Crawford ISD
Calallen ISD	City View ISD	Crockett County Cons CSD
Caldwell ISD	Clarendon Cons ISD	Crockett ISD
Calhoun County ISD	Clarksville ISD	Crosby ISD
Callisburg ISD	Claude ISD	Crosbyton Cons ISD
Calvert ISD	Clear Creek ISD	Cross Plains ISD
Cameron ISD	Cleburne ISD	Cross Roads ISD
Campbell ISD	Cleveland ISD	Crowell Cons ISD
Canadian ISD	Clifton ISD	Crowley ISD
Canton ISD	Clint ISD	Crystal City ISD
Canutillo ISD	Clyde ISD	Cuero ISD
Canyon ISD	Coahoma ISD	Culberson Cty - Allamoore ISD
Carlisle ISD	Coldspring Oakhurst ISD	Cumby ISD
Carrizo Springs Cons ISD	Coleman ISD	Cushing ISD
Carroll ISD	College Station ISD	Cypress-Fairbanks ISD
Carrollton-Farmers Branch ISD	Collinsville ISD	D'Hanis ISD
Carthage ISD	Colmesneil ISD	Daingerfield-Lone Star ISD
Castleberry ISD	Colorado ISD	Dalhart ISD
Cayuga ISD	Columbia Brazoria ISD	Dallas ISD
Cedar Hill ISD	Columbus ISD	Damon ISD
Celeste ISD	Comal ISD	Danbury ISD
Celina ISD	Comanche ISD	Darrouzett ISD
Center ISD	Comfort ISD	Dawson ISD - Dawson
Center Point ISD	Commerce ISD	Dawson ISD - Welch
Centerville ISD - Centerville	Community ISD	Dayton ISD
Centerville ISD - Groveton	Como-Pickton Cons ISD	DeKalb ISD
Central Heights ISD	Comstock ISD	DeLeon ISD
Central ISD	Connally Cons ISD	DeSota ISD
Channelview ISD	Conroe ISD	Decatur ISD
Channing ISD	Coolidge ISD	Deer Park ISD
Chapel Hill ISD - Mt. Pleasant	Cooper ISD	Del Valle ISD
Chapel Hill ISD - Tyler	Coppell ISD	Dell City ISD
Charlotte ISD	Copperas Cove ISD	Denison ISD
Cherokee ISD	Corpus Christi ISD	Denton ISD
Chester ISD	Corrigan-Camden ISD	Denver City ISD
Chico ISD	Corsicana ISD	Detroit ISD
Childress ISD	Cotton Center ISD	Devers ISD
Chillicothe ISD	Cotulla ISD	Devine ISD
Chilton ISD	Coupland ISD	Dew ISD
China Spring ISD	Covington ISD	Deweyville ISD
Chireno ISD	Crandall ISD	Diboll ISD





## **List of Participating Employers**

(Continued)

Dickinson ISD	Everman ISD	Garrison ISD
Dilley ISD	Excelsior ISD	Gary ISD
Dime Box ISD	Ezzell ISD	Gatesville ISD
Dimmitt ISD	Fabens ISD	Gause ISD
Divide ISD	Fairfield ISD	George West ISD
Dodd City ISD	Falls City ISD	Georgetown ISD
Donna ISD	Fannindel ISD	Gholson ISD
Doss Cons ISD	Farmersville ISD	Giddings ISD
Douglass ISD	Farwell ISD	Gilmer ISD
Dripping Springs ISD	Fayetteville ISD	Gladewater County Line ISD
Driscoll ISD	Ferris ISD	Glasscock County ISD
Dublin ISD	Flatonia ISD	Glen Rose ISD
Dumas ISD	Florence ISD	Godley ISD
Duncanville ISD	Floresville ISD	Goldburg ISD
Eagle Mount Saginaw ISD	Flour Bluff ISD	Goldthwaite Cons ISD
Eagle Pass ISD	Floydada ISD	Goliad ISD
Eanes ISD	Follett ISD	Gonzales ISD
Early ISD	Forestburg ISD	Goodrich ISD
East Bernard ISD	Forney ISD	Goose Creek Cons ISD
East Central ISD	Forsan ISD	Gordon ISD
East Chambers ISD	Fort Bend ISD	Gorman ISD
Eastland ISD	Fort Davis ISD	Grady ISD
Ector ISD	Fort Elliott Cons ISD	Graford ISD
Ector County ISD	Fort Hancock ISD	Graham ISD
Edcouch-Elsa ISD	Fort Sam Houston ISD	Granbury ISD
Eden Cons ISD	Fort Stockton ISD	Grand Prairie ISD
Edgewood ISD - Edgewood	Fort Worth ISD	Grand Saline ISD
Edgewood ISD - San Antonio	Franklin ISD	Grandfalls Royalty ISD
Edinburg Cons ISD	Frankston ISD	Grandview Hopkins ISD
Edna ISD	Fredericksburg ISD	Grandview ISD
El Campo ISD	Freer ISD	Granger ISD
El Paso ISD	Frenship ISD	Grape Creek ISD
Electra ISD	Friendswood ISD	Grapeland ISD
Elgin ISD	Friona ISD	Grapevine-Colleyville ISD
Elkhart ISD	Frisco ISD	Greenville ISD
Elysian Fields ISD	Frost ISD	Greenwood ISD
Ennis ISD	Fruitvale ISD	Gregory-Portland ISD
Era ISD	Gainesville ISD	Groesbeck ISD
Etoile ISD	Galena Park ISD	Groom ISD
Eula ISD	Galveston ISD	Groveton ISD
Eustace ISD	Ganado ISD	Gruver ISD
Evadale ISD	Garland ISD	Gunter ISD
Evant ISD	Garner ISD	Gustine ISD



## **List of Participating Employers**

(Continued)

Guthrie CSD	Hondo ISD	Jourdanton ISD
Hale Center ISD	Honey Grove ISD	Judson ISD
Hallettsville ISD	Hooks ISD	Junction ISD
Hallsburg ISD	Houston ISD	Karnack ISD
Hallsville ISD	Howe ISD	Karnes City ISD
Hamilton ISD	Hubbard ISD - Hubbard	Katy ISD
Hamlin ISD	Hubbard ISD - DeKalb	Kaufman ISD
Hamshire-Fannett ISD	Huckabay ISD	Keene ISD
Happy ISD	Hudson ISD	Keller ISD
Hardin ISD	Huffman ISD	Kelton ISD
Hardin-Jefferson ISD	Hughes Springs ISD	Kemp ISD
Harlandale ISD	Hull-Daisetta ISD	Kenedy County-Wide CSD
Harleton ISD	Humble ISD	Kenedy ISD
Harlingen Cons ISD	Hunt ISD	Kennard ISD
Harmony ISD	Huntington ISD	Kennedale ISD
Harper ISD	Huntsville ISD	Kerens ISD
Harrold ISD	Hurst-Euleess-Bedford ISD	Kermit ISD
Hart ISD	Hutto ISD	Kerrville ISD
Hartley ISD	Idalou ISD	Kilgore ISD
Harts Bluff ISD	Industrial ISD	Killeen ISD
Haskell Cons ISD	Ingleside ISD	Kingsville ISD
Hawkins ISD	Ingram ISD	Kirbyville Cons ISD
Hawley ISD	Iola ISD	Klein ISD
Hays Cons ISD	Iowa Park Cons ISD	Klondike ISD
Hearne ISD	Ira ISD	Knippa ISD
Hedley ISD	Iraan-Sheffield ISD	Knox City-O'Brien Cons ISD
Hemphill ISD	Iredell ISD	Kopperl ISD
Hempstead ISD	Irion County ISD	Kountze ISD
Henderson ISD	Irving ISD	Kress ISD
Henrietta ISD	Italy ISD	Krum ISD
Hereferd ISD	Itasca ISD	La Feria ISD
Hermleigh ISD	Jacksboro ISD	La Gloria ISD
Hico ISD	Jacksonville ISD	La Grange ISD
Hidalgo ISD	Jarrell ISD	La Joya ISD
Higgins ISD	Jasper ISD	La Marque ISD
High Island ISD	Jayton-Girard ISD	La Porte ISD
Highland ISD	Jefferson ISD	La Poynor ISD
Highland Park ISD - Amarillo	Jim Hogg County ISD	La Pryor ISD
Highland Park ISD - Dallas	Jim Ned Cons ISD	La Vega ISD
Hillsboro ISD	Joaquin ISD	La Vernia ISD
Hitchcock ISD	Johnson City ISD	La Villa ISD
Holland ISD	Jonesboro ISD	Lackland ISD
Holliday ISD	Joshua ISD	Lago Vista ISD



## ***List of Participating Employers***

*(Continued)*

Lake Dallas ISD	Loop ISD	Mckinney ISD
Lake Travis ISD	Loraine ISD	Mclean ISD
Lake Worth ISD	Lorena ISD	Mcleod ISD
Lamar Cons ISD	Lorenzo Cons ISD	Mcmullen County ISD
Lamesa ISD	Los Fresnos Cons ISD	Meadow ISD
Lampasas ISD	Louise ISD	Medina ISD
Lancaster ISD	Lovejoy ISD	Medina Valley ISD
Laneville ISD	Lovelady ISD	Melissa ISD
Laredo ISD	Lubbock-Cooper ISD	Memphis ISD
Lasara ISD	Lubbock ISD	Menard ISD
Latexo ISD	Lueders-Avoca ISD	Mercedes ISD
Lazbuddie ISD	Lufkin ISD	Meridian ISD
Leakey ISD	Luling ISD	Merkel ISD
Leander ISD	Lumberton ISD	Mesquite ISD
Leary ISD	Lyford Cons ISD	Mexia ISD
Lefors ISD	Lytle ISD	Meyersville ISD
Leggett ISD	Mabank ISD	Miami ISD
Leon ISD	Madisonville Cons ISD	Midland ISD
Leonard ISD	Magnolia ISD	Midlothian ISD
Levelland ISD	Malakoff ISD	Midway ISD - Henrietta
Leverett's Chapel ISD	Malone ISD	Midway ISD - Waco
Lewisville ISD	Malta ISD	Milano ISD
Lexington ISD	Manor ISD	Mildred ISD
Liberty-Eylau ISD	Mansfield ISD	Miles ISD
Liberty Hill ISD	Marathon ISD	Milford ISD
Liberty ISD	Marble Falls ISD	Miller Grove ISD
Lindale ISD	Marfa ISD	Millsap ISD
Linden-Kildare Cons ISD	Marion ISD	Mineola ISD
Lindsay ISD	Marlin ISD	Mineral Wells ISD
Lingleville ISD	Marshall ISD	Mission Cons ISD
Lipan ISD	Mart ISD	Monahans-Wickett-Pyote ISD
Little Cypress-Mauriceville Cons ISD	Martin's Mill ISD	Montague ISD
Little Elm ISD	Martinsville ISD	Monte Alto ISD
Littlefield ISD	Mason ISD	Montgomery ISD
Livingston ISD	Matagorda ISD	Moody ISD
Llano ISD	Mathis ISD	Moran ISD
Lockhart ISD	Maud ISD	Morgan ISD
Lockney ISD	May ISD	Morgan Mill ISD
Lohn ISD	Maypearl ISD	Morton ISD
Lometa ISD	Mcallen ISD	Motley County ISD
London ISD	Mccamey ISD	Moulton ISD
Lone Oak ISD	Mcdade ISD	Mount Calm ISD
Longview ISD	Mcgregor ISD	Mount Enterprise ISD



## ***List of Participating Employers***

*(Continued)*

Mount Pleasant ISD	Olfen ISD	Pleasanton ISD
Mount Vernon ISD	Olney ISD	Plemons-Stinnett-Phillips Cons ISD
Muenster ISD	Olton ISD	Point Isabel ISD
Muleshoe ISD	Onalaska ISD	Ponder ISD
Mullin ISD	Orange Grove ISD	Poolville ISD
Mumford ISD	Orangefield ISD	Port Aransas ISD
Munday Cons ISD	Ore City ISD	Port Arthur ISD
Murchison ISD	Overton ISD	Port Neches-Groves ISD
Nacogdoches ISD	Paducah ISD	Post ISD
Natalia ISD	Paint Creek ISD	Poteet ISD
Navarro ISD	Paint Rock ISD	Poth Cons ISD
Navasota ISD	Palacios ISD	Pottsboro ISD
Nazareth ISD	Palestine ISD	Prairie Lea ISD
Neches ISD	Palmer ISD	Prairie Valley ISD
Nederland ISD	Palo Pinto ISD	Prairiland ISD
Needville ISD	Pampa ISD	Premont ISD
New Boston ISD	Panhandle ISD	Presidio ISD
New Braunfels ISD	Panther Creek Cons ISD	Priddy ISD
New Caney ISD	Paradise ISD	Princeton ISD
New Deal ISD	Paris ISD	Pringle-Morse Cons ISD
New Diana ISD	Pasadena ISD	Progreso ISD
New Home ISD	Patton Springs ISD	Prosper ISD
New Summerfield ISD	Pawnee ISD	Quanah ISD
New Waverly ISD	Pearland ISD	Queen City ISD
Newcastle ISD	Pearsall ISD	Quinlan ISD
Newton ISD	Peaster ISD	Quitman ISD
Nixon-Smiley Cons ISD	Pecos-Barstow-Toyah ISD	Rains ISD
Nocona ISD	Penelope ISD	Ralls ISD
Nordheim ISD	Perrin-Whitt Cons ISD	Ramirez Common SD
Normangee ISD	Perryton ISD	Randolph Field ISD
North East ISD	Petersburg ISD	Ranger ISD
North Hopkins ISD	Petrolia ISD	Rankin ISD
North Lamar ISD	Pettus ISD	Raymondville ISD
North Zulch ISD	Pewitt Cons ISD	Reagan County ISD
Northside ISD - San Antonio	Pflugerville ISD	Red Lick ISD
Northside ISD - Vernon	Pharr-San Juan-Alamo ISD	Red Oak ISD
Northwest ISD	Pilot Point ISD	Redwater ISD
Nueces Canyon Cons ISD	Pine Tree ISD	Refugio ISD
Nursery ISD	Pittsburg ISD	Ricardo ISD
O'Donnell ISD	Plains ISD	Rice Cons ISD
Oakwood ISD	Plainview ISD	Rice ISD
Odem-Edroy ISD	Plano ISD	Richards ISD
Oglesby ISD	Pleasant Grove ISD	Richardson ISD



## **List of Participating Employers**

(Continued)

Richland Springs ISD	San Benito Cons ISD	Skidmore-Tynan ISD
Riesel ISD	San Diego ISD	Slaton ISD
Rio Grand City Cons ISD	San Elizario ISD	Slidell ISD
Rio Hondo ISD	San Felipe Del Rio Cons ISD	Slocum ISD
Rio Vista ISD	San Isidro ISD	Smithville ISD
Rising Star ISD	San Marcos Cons ISD	Smyer ISD
River Road ISD	San Perlita ISD	Snook ISD
Rivercrest ISD	San Saba ISD	Snyder ISD
Riviera ISD	San Vicente ISD	Socorro ISD
Robert Lee ISD	Sands Cons ISD	Somerset ISD
Robinson ISD	Sanford-Fritch ISD	Somerville ISD
Robstown ISD	Sanger ISD	Sonora ISD
Roby Cons ISD	Santa Anna ISD	South San Antonio ISD
Rochelle ISD	Santa Fe ISD	South Texas ISD
Rockdale ISD	Santa Gertrudis ISD	Southland ISD
Rocksprings ISD	Santa Maria ISD	Southside ISD
Rockwall ISD	Santa Rosa ISD	Southwest ISD
Rogers ISD	Santo ISD	Spearman ISD
Roma ISD	Savoy ISD	Splendora ISD
Roosevelt ISD	Schertz-Cibolo-Univ City ISD	Spring Branch ISD
Ropes ISD	Schleicher County ISD	Spring Creek ISD
Roscoe ISD	Schulenberg ISD	Spring Hill ISD
Rosebud-Lott ISD	Scurry-Rosser ISD	Spring ISD
Rotan ISD	Seagraves ISD	Springlake-Earth ISD
Round Rock ISD	Sealy ISD	Springtown ISD
Round Top-Carmine ISD	Seguin ISD	Spur ISD
Roxton ISD	Seminole Public Schools	Spurger ISD
Royal ISD	Seymour ISD	Stafford Municipal School Dist
Royse City ISD	Shallowater ISD	Stamford ISD
Rule ISD	Shamrock ISD	Stanton ISD
Runge ISD	Sharyland ISD	Stephenville ISD
Rusk ISD	Shelbyville ISD	Sterling City ISD
S&S Cons ISD	Sheldon ISD	Stockdale ISD
Sabinal ISD	Shepherd ISD	Stratford ISD
Sabine ISD	Sherman ISD	Strawn ISD
Sabine Pass ISD	Shiner ISD	Sudan ISD
Saint Jo ISD	Sidney ISD	Sulphur Bluff ISD
Salado ISD	Sierra Blanca ISD	Sulphur Springs ISD
Saltillo ISD	Silsbee ISD	Sundown ISD
Sam Rayburn Cons ISD	Silverton ISD	Sunnyvale ISD
San Angelo ISD	Simms ISD	Sunray ISD
San Antonio ISD	Sinton ISD	Sweeny ISD
San Augustine ISD	Sivells Bend ISD	Sweet Home ISD



## List of Participating Employers

(Continued)

Sweetwater ISD	Valentine ISD	Wheeler ISD
Taft ISD	Valley Mills ISD	White Deer ISD
Tahoka ISD	Valley View ISD - Pharr	White Oak ISD
Tarkington ISD	Valley View ISD - Valley View	White Settlement ISD
Tatum ISD	Van Alstyne ISD	Whiteface ISD
Taylor ISD	Van ISD	Whitehouse ISD
Teague ISD	Van Vleck ISD	Whitesboro ISD
Temple ISD	Vega ISD	Whitewright ISD
Tenaha ISD	Venus ISD	Whitharral ISD
Terlingua CSD	Veribest ISD	Whitney ISD
Terrell County ISD	Vernon Cons ISD	Wichita Falls ISD
Terrell ISD	Victoria ISD	Wildorado ISD
Texarkana ISD	Vidor ISD	Willis ISD
Texas City ISD	Vysehrad ISD	Wills Point ISD
Texhoma ISD	Waco ISD	Wilson ISD
Texline ISD	Waelder ISD	Wimberley ISD
Thorndale ISD	Walcott ISD	Windham School District
Thrall ISD	Wall ISD	Windthorst ISD
Three Rivers ISD	Waller ISD	Winfield ISD
Three Way ISD	Walnut Bend ISD	Wink-Loving Cons ISD
Throckmorton ISD	Walnut Springs ISD	Winnsboro ISD
Tidehaven ISD	Warren ISD	Winona ISD
Timpson ISD	Waskom ISD	Winters ISD
Tioga ISD	Water Valley ISD	Woden ISD
Tolar ISD	Waxahachie ISD	Wolfe City ISD
Tom Bean ISD	Weatherford ISD	Woodsboro ISD
Tomball ISD	Webb Cons ISD	Woodson ISD
Tornillo ISD	Weimar ISD	Woodville ISD
Trent ISD	Wellington ISD	Wortham ISD
Trenton ISD	Wellman-Union ISD	Wylie ISD - Abilene
Trinidad ISD	Wells ISD	Wylie ISD - Wylie
Trinity ISD	Weslaco ISD	Yantis ISD
Troup ISD	West Hardin County Cons ISD	Yoakum ISD
Troy ISD	West ISD	Yorktown ISD
Tulia ISD	West Orange-Cove Cons ISD	Ysleta ISD
Tuloso-Midway ISD	West Oso ISD	Zapata County ISD
Turkey-Quitaque ISD	West Rusk County Cons ISD	Zavalla ISD
Tyler ISD	West Sabine ISD	Zephyr ISD
Union Grove ISD	Westbrook ISD	
Union Hill ISD	Westhoff ISD	
United ISD	Westphalia ISD	
Utopia ISD	Westwood ISD	
Uvalde Cons ISD	Wharton ISD	
		<b><u>CHARTER SCHOOLS</u></b>
		A Plus Academy
		A W Brown Fellowship Charter School





## **List of Participating Employers**

(Continued)

Academy of Accelerated Learning	Eden Park Academy	Katherine Anne Porter School
Academy of Careers & Technologies	Education Center Intermediate Acad	Ki Charter Academy
Academy of Dallas	El Paso Academy East	KIPP Aspire Academy
Accelerated Intermediate Academy	El Paso Leadership Academy	KIPP Austin College Prep
Alief Montessori School	Eleanor Kolitz Hebrew Academy	KIPP Inc Charter
Alpha Charter School	Erath Excels Academy	KIPP Truth Academy
Ambassadors Preparatory Academy	Evolution Academy Charter School	La Academia De Estrellas
Amigos Por Vida-Friends For Life Charte	Excellence in Leadership Academy	La Amistad Academy
Aristoi Classical Academy	Faith Family Academy - Oak Cliff	La Fe Preparatory School
Arlington Classics Academy	Faith Family Academy - Waxahachie	Leadership Prep School
Arrow Academy	Fallbrook College Prep Academy	Legacy Preparatory
Austin Achieve Public Schools	Focus Learning Academy	Life School
Austin Discovery School	Fort Worth Academy of Fine Arts	Lighthouse Charter School
Bay Area Charter School	Gateway Academy	Mainland Prep Academy
Beatrice Mayes Institute	Gateway Charter Academy	Manara Academy
Beta Academy	George Gervin Academy	Meadowland Charter School
Bexar County Academy	George I Sanchez Charter	Medical Center Charter
Big Springs Charter School	Girls and Boys Prep Academy	Meridian World School
Bob Hope School	Global Learning Village	Meyerpark Elementary Charter
Brazos River Charter School	Golden Rule Charter School	Midland Academy Charter School
Brazos School For Inquiry	Great Hearts Academy - San Antonio	Mid-Valley Academy
Bright Ideas Charter School	Gulf Coast Trades Center	Montessori For All
Brooks Acad of Science & Eng	Hampton Preparatory	New Frontiers Charter School
Burnham Wood Charter School	Harmony School of Excel - Houston	Newman International Academy
Calvin Nelms Charter	Harmony School of Science - Houston	North Texas Elem School of Arts
Carpe Diem Schools	Harmony Science Academy - Austin	Northwest Prep Academy
Cedars International Academy	Harmony Science Academy El Paso	Nova Charter School
Chaparral Star Academy	Harmony Science Academy Houston	Nova Charter Southeast
Chapel Hill Academy	Harmony Science Academy San Antonio	Nyos Charter School
City Center - Health Careers	Harmony Science Academy Waco	Odyssey Academy
Cityscape Schools Inc.	Henry Ford Academy - San Antonio	Orenda Charter School
Compass Academy	Higgs Carter King Academy	Panola Charter School
Comquest Academy	High Point Academy	Paso Del Norte Academy
Core Academy	Houston Gateway Charter School	Peak Preparatory School
Corpus Christi Montessori School	Houston Heights High School	Pegasus School of Liberal Arts/Science
Crosstimbers Academy	Houston Heights Learning Acad	Phoenix Charter School
Cumberland Academy	Idea Public Schools	Pineywoods Academy
Dallas Community Charter School	Ignite Public Schools	Por Vida Academy
Dr M L Garza-Gonzalez Charter	Inspired Vision Academy	Premier High Schools
Draw Academy	International Leadership of Texas	Premier Learning Academy
Eagle Advantage School	Jean Massieu Academy	Prime Prep Academy
East Fort Worth Montessori School	John H Wood Charter School	Promise Community School
East Texas Charter School	Jubilee Academic Center	Radiance Academy of Learning



## List of Participating Employers

(Continued)

Ranch Academy  
 Rapoport Academy  
 Raul Yzaguirre School  
 Richard Milburn - Killeen  
 Rise Academy  
 San Antonio School Inquiry  
 San Antonio Tech Academy  
 School of Excellence in Education  
 School of Science & Tech Discovery  
 School of Science & Technology  
 Seashore Charter Schools  
 Ser-Ninos Charter School  
 Shekinah Radiance Academy  
 South Plains Academy  
 South Texas Educational Tech Inc  
 Southwest High School  
 Southwest Preparatory School  
 St Anthony School  
 St Mary's Charter School  
 Stepping Stones Charter Elementary  
 Summit International Preparatory  
 Tekoa Academy  
 Temple Education Center  
 Texans Can Academies  
 Texas College Preparatory  
 Texas Education Center  
 Texas Empowerment Academy  
 Texas Preparatory School  
 Texas Serenity Academy  
 The Children First Academy - Dallas  
 The East Austin College Prep Acad  
 The Ehrhart School  
 The Excel Center  
 The Excel Center For Adult  
 The North Hills School  
 The Pro-Vision Academy  
 The Rhodes School  
 TLC Academy  
 Transformative Charter  
 Treetops International  
 Trinity Basin Preparatory  
 Trinity Charter School  
 Trinity Environmental Academy

Two Dimensions Prep Academy  
 UME Preparatory Academy  
 Universal Academy  
 Vanguard Academy  
 Varnett Charter School  
 Victory Preparatory Academy  
 Village Tech Schools  
 Vista Del Futuro Charter School  
 Waco Charter School  
 Walipp Academy  
 Westlake Academy  
 Williams Preparatory  
 Winfree Academy Charter Schools  
 Yes Prep Public Schools  
 Zoe Learning Academy

### COMMUNITY AND JUNIOR COLLEGES

Alamo Community College District  
 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 County Comm College  
 Dallas County Comm College Dist  
 Del Mar College  
 El Paso Community College  
 Frank Phillips College  
 Galveston College  
 Grayson County College  
 Hill College  
 Houston Comm College System  
 Howard County Jr College Dist  
 Kilgore College  
 Laredo Community College  
 Lee College

Lone Star College System  
 McLennan Community College  
 Midland College  
 Navarro College  
 North Central Texas College  
 Northeast Texas Comm College  
 Odessa College  
 Panola College  
 Paris Junior College  
 Ranger Junior College  
 San Jacinto College District  
 South Plains College  
 South Texas College  
 Southwest Texas Junior College  
 Tarrant County College District  
 Temple College  
 Texarkana College  
 Texas Southmost College  
 Trinity Valley Junior College  
 Tyler Junior College  
 Vernon College  
 Victoria College  
 Weatherford College  
 Western Texas College  
 Wharton County Junior College

### UNIVERSITIES

Angelo State University  
 Lamar Institute of Technology  
 Lamar State College-Orange  
 Lamar State College-Port Arthur  
 Lamar University-Beaumont  
 Midwestern State University  
 Prairie View A&M University  
 Sam Houston State University  
 Stephen F Austin State Univ  
 Sul Ross State University  
 Tarleton State University  
 Texas A&M - Agrilife Extension Service  
 Texas A&M - Agrilife Research  
 Texas A&M - Central Texas  
 Texas A&M - Commerce



## List of Participating Employers

(Continued)

Texas A&M - Corpus Christi	UT Med Br at Galveston
Texas A&M - Eng Exp Station	UT SW Medical Center
Texas A&M - Eng Ext Service	
Texas A&M - Galveston	<b><u>REGIONAL SERVICE CENTERS</u></b>
Texas A&M - International University	Region 01 Educ Service Center
Texas A&M - Kingsville	Region 02 Educ Service Center
Texas A&M - San Antonio	Region 03 Educ Service Center
Texas A&M - Texarkana	Region 04 Educ Service Center
Texas A&M - Transportation Inst	Region 05 Educ Service Center
Texas A&M - University Systems Office	Region 06 Educ Service Center
Texas A&M - University	Region 07 Educ Service Center
Texas A&M - Forest Service	Region 08 Educ Service Center
Texas Southern University	Region 09 Educ Service Center
Texas State Tech College	Region 10 Educ Service Center
Texas State University System	Region 11 Educ Service Center
Texas State University-San Marcos	Region 12 Educ Service Center
Texas Tech University	Region 13 Educ Service Center
Texas Woman's University	Region 14 Educ Service Center
U of N Texas System Admin	Region 15 Educ Service Center
Univ of TX - Arlington	Region 16 Educ Service Center
Univ of TX - Austin	Region 17 Educ Service Center
Univ of TX - Brownsville	Region 18 Educ Service Center
Univ of TX - Dallas	Region 19 Educ Service Center
Univ of TX - El Paso	Region 20 Educ Service Center
Univ of TX - Pan American	
Univ of TX - Permian Basin	<b><u>OTHER EDUCATIONAL DISTRICTS</u></b>
Univ of TX - San Antonio	Anderson City Spc Ed Co Op
Univ of TX - Tyler	Bowie County Sch Dist
University of Houston	Dallas County School Dist
University of North TX	Harris City Dept Education
UNT at Dallas	Parker County Co-Op
University of Texas System	
West Texas A&M University	

### **MEDICAL SCHOOLS**

Texas A&M - University System HSC  
 Texas A&M - Vet Medical Diag Lab  
 U N T HSC at Fort Worth  
 UT Health Ctr at Tyler  
 UT HSC at Houston  
 UT HSC at San Antonio  
 UT Med Anderson Cancer Center

### **OTHER ENTITIES**

Teacher Retirement System



# BENEFITS SECTION





## Changes in the Law

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**STATE:** The Legislature met in fiscal year 2015. Several noteworthy state law developments affecting TRS occurred during the fiscal year.

**FEDERAL:** On the federal level, several reportable developments occurred.

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### State

**Legislation related to participation in DROP** - The 84<sup>th</sup> Legislature in HB 1937 opened a window from Sept. 1, 2015 to Dec. 31, 2015 for members participating in the Deferred Retirement Option Plan (DROP) to revoke participation in the plan. The member must not have retired on or before Dec. 31, 2015 and must revoke participation on a form prescribed and received by TRS no later than Dec. 31, 2015. A beneficiary of a member who dies after Sept. 1, 2015 but before retiring may also revoke the member's participation in DROP provided the beneficiary is eligible to receive both the distributions from DROP and the distributions from the pension plan.

**Legislation related to Annuity Payment Date** - HB 2168 moved the annuity payment date from the first working day of the month following the month for which the annuity accrues to the last working day of the month the annuity accrues. The bill takes effect Sept. 1, 2015 and will result in both the August 2015 and September 2015 annuities being paid in September.

**Legislation related to TRS Pension Administration** - HB 2974 authorized TRS to establish the 12-month period for determining a member's annual compensation. It also amended membership eligibility by requiring that eligibility be established through employment with a single employer. For members with fewer than five years of service credit, membership will no longer terminate due to failure to earn service credit for five years if the member remains employed with a TRS-covered employer but is not eligible for membership because the employment is less than one-half time. This change in the law will prevent these members' accounts from escheating during a time when they are ineligible to withdraw their funds due to plan qualification requirements. The legislation also clarified that a member could not purchase more than five years of out-of-state service credit if the service credit is considered non-qualified under the Internal Revenue Code. The board of trustees was also given authority to establish a single health benefit surcharge amount that employers of retirees who retired after Sept. 1, 2005 must pay when the retiree exceeds the limits on one-half time employment in a calendar month.

**Legislation related to Meetings of the TRS Board of Trustees** - HB 2974 clarified that Chapter 551 of the Government Code regarding open meetings of a governmental body does not apply to an assembly of the TRS board or a committee of the board while attending a summit, conference, convention, workshop, or other event held for educational purposes if the assembly or committee does not deliberate, vote, or take action on a specific matter of public business or public policy over which the board or committee has supervision or control. The law does not apply to regular, special, or emergency meetings of the board scheduled or called under the board's bylaws.

### Federal

#### INVESTMENTS

##### Rulemaking under the Dodd – Frank Wall Street Reform and Consumer Protection Act (2010) (Dodd – Frank)

During this fiscal year, TRS continued to monitor proposed rules and interpretive guidance issued by the Commodities Futures Trading Commission (CFTC) under Dodd – Frank. Among other things, the CFTC repropose rules to govern the posting of margin for uncleared swap trades. TRS will assess the final rules—once they are issued—and implement changes to its trading documentation and processes, as necessary, to ensure compliance.



## Changes in the Law

### BENEFITS

#### Health Care

**Federal Patient Protection and Affordable Care Act of 2010 (PPACA)** - During this fiscal year, TRS continued to monitor the regulations issued with regard to the PPACA and implemented various provisions of the PPACA that impact the health benefit plans administered by TRS. TRS also began to take steps which will allow school districts, charter schools, and other entities participating in TRS-ActiveCare to designate TRS, acting in its capacity as trustee of TRS-ActiveCare, to fulfill the reporting requirements under Internal Revenue Code Section 6055. Section 6055 addresses the reporting of health care coverage selected by active employees and COBRA qualified beneficiaries (and their dependents) who are enrolled in one of the PPO plans offered under TRS-ActiveCare, for the months of enrollment during the 2015 calendar year.

**Same-Sex Marriages** - In June 2015, the U.S. Supreme Court ruled in *Obergefell v. Hodges* that under the Due Process and Equal Protection Clauses of the Fourteenth Amendment of the U.S. Constitution, (i) same-sex couples have a fundamental right to marry in all states and (ii) all states must recognize a lawful same-sex marriage performed in another state. Consequently, controlling law now provides that a same-sex person who is married to a “retiree” or an “employee” (as defined, respectively, in Chapters 1575 and 1579, Insurance Code) are entitled to enroll in either TRS-Care or TRS-ActiveCare as an eligible dependent. TRS will continue to monitor developments and will determine whether any additional administrative changes are necessary with regard to TRS-Care and TRS-ActiveCare in order to comply with this ruling.

### PENSION

#### Tax Laws, Regulations, and Guidance

**IRS Determination Letter Program** - In July 2015, the IRS issued Announcement 2015-19 indicating that effective Jan. 1, 2017, the IRS is eliminating the existing staggered five-year determination letter application filing cycles for individually designed qualified plans. Effective Jan. 1, 2017, determination letter applications for individually designed plans will be limited to initial plan qualification and upon plan termination. Qualified plans that are in Cycle E can continue to file their determination letter applications through Jan. 31, 2016 (the end of the current Cycle E period), and qualified plans that are in Cycle A can file during the last Cycle A period that begins Feb. 1, 2016 and ends on Jan. 1, 2017. Off-cycle filings are eliminated effective July 21, 2015 and through Dec. 31, 2016, except for determination letters for new plans and terminating plans. The IRS also indicated that individually designed plans will be permitted to submit determination letter applications in certain other limited circumstances as determined in the future by the IRS and U.S. Treasury Department. TRS will continue to monitor developments.

**Advance Notice of Proposed Rulemaking Regarding the Determination of Governmental Plan Status** - In November 2011, the IRS issued advance notice of proposed rulemaking indicating that the IRS and the U.S. Treasury Department intend to issue regulations to define the term “governmental plan” under Section 414(d) of the Internal Revenue Code. The preliminary guidance defines a “governmental plan” as “a plan established and maintained for its employees by the Government of the United States, by the government of any state or political subdivision thereof, or by any agency or instrumentality of the foregoing.” The IRS received over 2,000 comments from the public charter school community regarding the draft proposed regulations contained in the preliminary guidance. In February 2015, the IRS issued Notice 2015-07 indicating that the IRS anticipates issuing proposed regulations that provide that a state or local retirement system that covers public charter school employees will not fail to be a governmental plan under Section 414(d) if certain requirements are satisfied. The IRS and the U.S. Treasury Department anticipate that the final regulations under Section 414(d) will apply prospectively and will include a delayed effective date. In addition, the IRS and the U.S. Treasury Department anticipate that the final regulations will contain certain transition relief. The IRS and the U.S. Treasury Department will also continue to review other comments received in response to the 2011 advance notice of proposed rulemaking. TRS will continue to monitor developments.





## ***Changes in the Law***

***Eligible Rollover Distributions*** - In September 2014, the IRS issued Notice 2014-54 and proposed regulations providing that eligible rollover distributions of pre-tax and post-tax amounts from a qualified plan that are scheduled to be made to a recipient at the same time will be treated as a single distribution, regardless of whether the payments are made to a single destination or multiple destinations. In addition, the IRS provided rules for the pre-tax and post-tax amounts of the distribution to be allocated on a tax-favored basis. The allocation rules generally apply to distributions made on or after Jan. 1, 2015. However, the IRS indicated the proposed regulations may be applied to distributions made on or after Sept. 18, 2014 but before Jan. 1, 2015, by applying a reasonable interpretation of the rules under the notice to allocate pre-tax and post-tax amounts among disbursements made to multiple destinations. The IRS also indicated that it intended to revise the Section 402(f) safe harbor explanations in its 2009 model rollover notice to reflect the new guidance, which it subsequently did in December 2014 with Notice 2014-74.

***Normal Retirement Age Regulations*** - In April 2012, the IRS issued Notice 2012-29 indicating that the IRS and the U.S. Treasury Department intend to issue guidance regarding the applicability to governmental plans of final regulations issued in May 2007 concerning pension distributions upon attainment of “normal retirement age” (NRA). The guidance is expected to extend the date by which governmental plans must comply with the final regulations. The IRS and the U.S. Treasury Department intend to clarify that a governmental plan that does not allow “in-service” distributions before age 62 is not required to define NRA in accordance with the final regulations. The IRS and the U.S. Treasury Department also intend to provide that the rule that deems age 50 or later to be NRA for qualified public safety employees will apply regardless of whether those employees are covered by a separate plan. TRS will continue to monitor developments with respect to these anticipated changes in federal regulations.

### **Other Developments**

#### ***Same-Sex Marriages***

***Obergefell v. Hodges*** - As noted above, in June 2015, the U.S. Supreme Court handed down the *Obergefell v. Hodges* ruling. Consequently, controlling law now provides that a same-sex person who is married to a TRS member or retiree is eligible under the pension plan for benefits available to a spouse. TRS immediately complied with the law and will continue to monitor developments to determine whether any further plan administration changes are advisable or necessary in order to comply with this ruling.

***De Leon v. Perry*** - In February 2014, the U.S. District Court for the Western District of Texas ruled that the prohibition against same-sex marriage under Article I, Section 32 of the Texas Constitution violated the Equal Protection Clause and the Due Process Clause of the Fourteenth Amendment to the U.S. Constitution. The case was appealed to the U.S. Court of Appeals for the Fifth Circuit. In response to the U.S. Supreme Court’s decision in *Obergefell v. Hodges*, the U.S. Court of Appeals for the Fifth Circuit affirmed the U.S. District Court’s preliminary injunction in *De Leon v. Perry* prohibiting enforcement of the laws prohibiting same-sex marriage or recognition of same-sex marriages performed outside of the State of Texas, and remanded the case to the U.S. District Court for entry of judgment in favor of the plaintiffs. On July 7, 2015, the U.S. District Court upheld its previous decision and permanently enjoined the enforcement of the laws of the State of Texas which prohibit same-sex marriage. TRS implemented the ruling in conjunction with the *Obergefell v. Hodges* opinion and will continue to monitor developments to determine if any further plan administration changes are advisable or necessary in order to comply with this ruling.



## 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 retirement; disability retirement; death benefits; and survivor benefits for eligible employees, including their beneficiaries, of public and higher education in Texas. The *TRS Benefits Handbook*, a general information booklet, is available to TRS members and annuitants. Retirement benefits are financed by member, state, and employer contributions, along with earnings from pension trust fund investments.

TRS administers TRS-ActiveCare, the statewide health benefits program for eligible public education employees of participating entities and their eligible dependents. The program is mainly financed by plan participant premium payments. In addition to TRS-ActiveCare, TRS administers TRS-Care, a separate statewide health benefits program for eligible retired public education employees and their eligible dependents. This program is financed by contributions from the state, active public school employees, reporting entities (employers), premium payments from plan participants, subsidy revenue from the Medicare Part D program.

TRS also administers an optional long-term care insurance program for eligible retirees, eligible public school employees, and eligible family members. The plan is available on an enrollee-pay-all-basis.

### Retirement Plan Benefits

This summary of benefits is based on statutory provisions of the plan effective for FY 2015.

The major retirement plan benefits are:

#### SERVICE RETIREMENT

##### Normal Retirement Eligibility

For members whose membership began prior to Sept. 1, 2007, who had at least five years of service credit as of Aug. 31, 2014, and who maintained membership until retirement:

- Age 65 with at least five years of credited service, or
- The sum of member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

For members whose membership began on or after Sept. 1, 2007 but prior to Sept. 1, 2014, who had at least five years of service credit as of Aug. 31, 2014, and who maintained membership until retirement:

- Age 65 with at least five years of credited service, or
- Age 60 and the sum of member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

For members who did not have at least five years of service credit as of Aug. 31, 2014, who established TRS membership on or after Sept. 1, 2014, or who had at least five years of service credit as of Aug. 31, 2014 but terminated membership in TRS by withdrawal of accumulated contributions and later resumed TRS membership:

- Age 65 with at least five years of credited service, or
- Age 62 and the sum of member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

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

**Benefit Formula** - 2.3 percent (multiplier) 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.



## Summary of Benefits

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

### Early Retirement Eligibility

For members whose membership began prior to Sept. 1, 2007, who had at least five years of service credit as of Aug. 31, 2014, and who maintained membership until retirement:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80.

For members whose membership began on or after Sept. 1, 2007 but prior to Sept. 1, 2014, who had at least five years of service credit as of Aug. 31, 2014, and who maintained membership until retirement:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- The sum of the member's age and years of service credit total at least 80, but the member is less than age 60.\*

For members who met the requirements to be grandfathered before Sept. 1, 2005, there is no reduction to their benefit based on actuarial tables if they are at least age 55, the sum of their age and years of service credit total at least 80, and they are below age 60; however, these members are still considered early-age retirees.

For members who did not have at least five years of service credit as of Aug. 31, 2014, who established TRS membership on or after Sept. 1, 2014, or who had at least five years of service credit as of Aug. 31, 2014 but terminated membership in TRS by withdrawal of accumulated contributions and later resumed TRS membership:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80, and the member is less than age 62, or
- The sum of the member's age and years of service credit total at least 80, but the member is less than age 62.\*\*

For members who met the requirements to be grandfathered before Sept. 1, 2005, there is no reduction to their benefit based on actuarial tables if they are at least age 55, have at least 20 years of service credit, the sum of their age and years of service credit total at least 80, and they are below age 62; however, these members are still considered early-age retirees.

**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.



## Summary of Benefits

**Duration** - For retirees with 10 or more years of credited service, payments continue for as long as the disability continues. For those with fewer than 10 years of credited service, payments continue for the life of the retiree, the duration of the disability, or the number of months of credited service, whichever is shorter.

**Earnings Limit** - Disability retirees who applied and retired after Aug. 31, 2007 are subject to an annual limit on earnings from any employment. The current limit is the greater of the highest annual salary before retirement or \$40,000. Excess earnings will cause benefits to be forfeited until such time as the excess earnings cease or are reduced to an allowable amount.

### ANNUITY PAYMENT OPTIONS

All service and eligible disability retirees may select an optional form of payment that reduces the standard annuity by application of actuarial reduction factors in order to continue payment to a beneficiary after the retiree's death. Actuarial factors for disability retirees are different from those for service retirees because of different assumptions about life expectancy for the two groups. The available options include 100, 75, and 50 percent joint and survivor annuities, and five- and 10-year guaranteed period annuities. Selection of a 100 or 75 percent joint and survivor annuity and a five- or 10-year guaranteed period annuity may not be allowed in certain situations 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, eligible 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 under the pre-Sept. 1, 2005 law (age 65 with at least five years of credited service, or the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service), are not participating in DROP, and are not retiring with disability retirement benefits. Members retiring under the proportionate retirement program are not eligible to elect the PLSO.

Partial lump sum distributions equal to 12, 24, or 36 months of a standard service retirement annuity may be selected. When a member selects this option, the monthly annuity is actuarially reduced to reflect the lump sum distribution. Flexible 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, was available for active members who were eligible for normal age service retirement and had at least 25 years of credited service.

Members who elected to participate in DROP (before enrollment was closed effective Dec. 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 prior to Sept. 2014 was credited at a rate of five percent. The DROP account is currently credited at the rate of two percent per annum. Members are not considered to be retired while participating in DROP.



## Summary of Benefits

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 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 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.

Beginning in September 2015 a member who is currently in the DROP program and has not yet retired will have a window of opportunity to revoke their DROP election. The window for the DROP revocation opens Sept. 1, 2015 and ends Dec. 31, 2015.

### MINIMUM SERVICE CREDIT REQUIRED FOR SERVICE RETIREMENT BENEFITS

Under current law, a member who has completed at least five years of credited service has earned a right to service retirement benefits after reaching eligible retirement age, provided that the member's accumulated contributions are not withdrawn from the system. Service credited in another retirement system that participates in the Proportionate Retirement Program may be combined with TRS service credit to determine eligibility for TRS service retirement benefits. Any unpurchased, qualifying USERRA military service, up to a maximum of five years, may also be counted in determining eligibility for TRS service retirement benefits. 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 rate of 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. 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. This benefit is only available when there is a sole beneficiary.
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. When the spouse turns age 65, or when the youngest child reaches age 18, whichever is later, the spouse would begin receiving \$250 per month for life.

In addition to these five options, a lump sum death benefit of \$160,000 is available if the active member is employed in a TRS-covered position and dies as the result of a physical assault during the performance of the employee's regular job duties.



## Summary of Benefits

Also, the beneficiary of a DROP participant will receive the accumulated DROP account balance, payable as a lump sum or in periodic installments.

**Retirees** - In addition to any joint and survivor or guaranteed period annuity that may be payable under an optional form of payment a retiree elected, the beneficiary of a service or disability retiree is entitled to a \$10,000 lump sum payment. 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 plus an applicable monthly survivor benefit.

If total payments made before death to a retiree and, when applicable, to a beneficiary for an optional service retirement annuity are less than accumulated contributions at retirement, an amount equal to the remainder 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.

### GRANDFATHERED PROVISIONS

A person who, as a member, met any one of the following criteria on or before Aug. 31, 2005, is grandfathered under plan provisions repealed with respect to non-grandfathered members:

- the member was at least 50 years old,
- the member's age and years of service credit equaled at least 70 ("Rule of 70"), or
- the member had at least 25 years of service credit.
- Members who are grandfathered will have their benefits determined in the following manner:
- **Final Average Salary** at retirement will be determined by the highest three years (instead of five years) of salary.
- **Preservation of certain retirement reduction factors** means that members age 55 or older with 20 to 24 years of credited service who take early retirement will receive a lesser reduction to their annuities than those members who are not grandfathered.
- **Partial Lump Sum Option** eligibility will require either age 65 with at least five years of service credit, or a combined age plus years of credited service that equals at least 80 ("Rule of 80") instead of 90.

### Health Benefits

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 eligible full-time and eligible part-time employees of school districts, open enrollment charter schools, regional education service centers, and other educational districts, went into effect on Sept. 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 was subsequently expanded to include larger school districts. In fiscal year 2015, 1,110 entities participated in the program. During this same fiscal year, employees of participating entities were enrolled in three preferred provider organization plans, and employees of certain areas also had the option of choosing coverage under a health maintenance organization.





## ***Summary of Benefits***

### **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. As has been the case for a number of years, eligible retirees and their eligible dependents may pay premiums and participate in one of two standard medical plans and one of two standard prescription plans of more comprehensive benefits and coverage. Participants with Medicare also have two Medicare Advantage medical plan and two Medicare Part D prescription plan options, subject to eligibility criteria. 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.

Frida Kahlo

Edward Munch

Pablo Picasso

Leonardo Da Vinci

My job is to teach kids the true meaning of art

Vincent van Gogh

Michelangelo

Salvador Dali

Grant Wood



My name is Super Art Woman



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