

TEACHER RETIREMENT SYSTEM of TEXAS • AUGUST 23, 2024

LEGISLATIVE APPROPRIATIONS REQUEST

FISCAL YEAR 2026-2027



Legislative Appropriations Request

For Fiscal Years 2026 and 2027

**Submitted to the
Office of the Governor, Budget and Policy Division
and the Legislative Budget Board**

by

Teacher Retirement System of Texas

Board Members

Robert H. Walls Jr. (Chairman)
Nanette Sissney (Vice Chair)
Michael Ball
David Corpus
John Elliott
Brittney Allred
James Dick Nance
John R. Rutherford
Elvis Williams

Term Expires

August 31, 2025
August 31, 2023
August 31, 2025
August 31, 2025
August 31, 2027
August 31, 2027
August 31, 2023
August 31, 2029
August 31, 2027

Hometown

San Antonio
Whitesboro
Argyle
Humble
Austin
Dallas
Hallettsville
Houston
Fair Oaks Ranch

August 23, 2024

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Administrator's Statement

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89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

323 Teacher Retirement System

August 23, 2024

Mr. Jerry McGinty, Director
Legislative Budget Board

Mr. Brady Franks, Director
Governor's Office Budget Division

Dear Mr. McGinty and Mr. Franks:

The Teacher Retirement System of Texas (TRS) is pleased to submit the legislative appropriations request (LAR) for the FY 2026-27 biennium. Last budget cycle, the Legislature provided substantial funding to the members TRS serves, including an appropriation of \$5 billion for benefit enhancements to provide a stipend and a voter-approved cost-of-living adjustment (COLA) for eligible retirees. TRS issued nearly 286,000 stipends and over 400,000 eligible retirees received a COLA – all of which did not impact the actuarial soundness of the pension fund due to full funding from the state. The Legislature also provided \$588.5 million for TRS-ActiveCare to help public education employees have more affordable health coverage. This appropriation is part of a four-year phase-in plan to limit premium increases to an average of no more than 10% through FY 2027 for over 425,000 participants. The second appropriation related to this plan is included in this request. This request also addresses funding needs for programs that receive contributions from the state: the TRS Pension Trust Fund and TRS-Care, the Texas Public School Retired Employees Group Benefits Program.

This LAR also includes a request for approval of TRS' administrative operations budget. Texas Government Code §825.312 provides that the retirement system shall pay all administrative expenses of the retirement system from the expense account of the retirement system. Previous legislatures have chosen to fund TRS administrative operations from the TRS Pension Trust Fund, and the accompanying request continues that practice.

The total requested general revenue and general revenue-related funding for the FY 2026-27 biennium is \$7.5 billion. TRS will pay out in excess of \$16 billion annually in retiree benefits to more than 500,000 annuitants and health care payments on behalf of nearly 700,000 participants. These payments are a significant source of economic stimulus across the state. An economic analysis conducted by The Perryman Group concluded that TRS annuity payments alone generated an additional \$2.4 billion in annual tax revenues for both the state and local governments and supported more than 160,000 permanent jobs in Texas.

Teacher Retirement System Pension Trust Fund

TRS is currently the sixth largest public pension fund in the U.S. and is actively managed by a team of investment professionals whose long- term, risk-adjusted returns have exceeded the benchmark over the past 10 years and have generated an estimated \$31 billion more than a purely passive strategy. The investment management function has undergone more than 120 audits and independent reviews over the past 10 years with no major findings.

As of June 2024, the fund completed a return in excess of 9.3% and a market value of \$203.7 billion, exceeding the 7% investment return assumption. The fund is projected to continue to be actuarially sound through the end of FY 2024 . State law provides that the Legislature may consider a benefit enhancement only when the fund is actuarially sound, defined by state law as when the pension trust fund's funding period is less than 31 years.

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Additionally, Senate Bill 12, passed by the 86th Texas Legislature in 2019, which included phased-in increases to state, employer, and member contribution rates over a six-year period and a supplemental payment, also demonstrated the Legislature's commitment to the retirement security of TRS' members. FY 2025 marks the completion of implementation, adding the final public education employer contribution increase. To protect the funding progress achieved last session, it is critical that all parties continue to contribute to TRS retirement according to the contribution increase rate structure established under state law. This request assumes current law, which requires a state retirement contribution rate of 8.25% for both years of the upcoming biennium. This increase also assumes 4% annual covered payroll growth per year for public education and 4% annual covered payroll growth per year for higher education based on long-term demographic trends.

TRS-Care and TRS-ActiveCare

Under state law, TRS-Care receives state funding equal to 1.25% of active public school employee payroll per year. The request includes this appropriation which is an additional \$107.4 million in general revenue funding over current 2026-27 projected amounts to fund the 1.25% contribution, assuming annual covered payroll growth with a conservative estimate of 2.0%.

TRS-Care has a healthy and growing fund balance due to legislative changes that took effect in 2018 along with recent federal Medicare changes and TRS' diligent management, among other factors. Specifically, these changes have generated savings for the TRS-Care Medicare Advantage plan, the plan for TRS retirees who are Medicare eligible. In April 2024, TRS received direction from Texas legislative leadership to use these savings to reduce TRS-Care Medicare Advantage premiums while maintaining the long-term stability of the plan. At its July 2024 meeting, the TRS Board of Trustees voted to lower premiums in 2025 for Medicare retirees – reducing premiums by 45% per month for most retirees – while protecting the long-term financial soundness of TRS-Care. For TRS-Care Standard, the health plan for TRS retirees who are not Medicare eligible, premiums will not increase and will remain the same as when initially set in 2018. TRS-Care Standard premiums remain competitive compared to other plans in the market. TRS will continue to actively manage TRS-Care and make incremental adjustments to premiums to respond to market trends and ensure the sustainability of TRS-Care. TRS projects that with incremental adjustments, the TRS-Care fund will have more than \$3 billion at the end of the next decade.

TRS is also responsible for the administration of TRS-ActiveCare, which provides health care coverage for nearly 1,000 public education employers across Texas, representing nearly 430,000 lives. The TRS Board of Trustees sets the gross premiums to ensure adequate funding for benefits. TRS' size, contracting strength, and effective management enable TRS to offer employers coverage at a cost that is 14% below similar benefit plans. Each participating employer uses a mix of local and state funds to make a minimum contribution of \$225 per employee per month toward the total premium, and employees contribute the remaining cost toward the premium. State law in 2001 set the total contribution from the state (\$75) and employer (minimum \$150) at \$225 per person and required funding to flow through the districts' basic allotments to TRS.

At this time, TRS estimates that \$450 million will be needed for the 2026-27 biennium to maintain premium increases below 10% in each year of the biennium. The projection remains on target to return premiums to the full amount needed for revenue to meet annual claims costs and is reflected in the request, but the need may increase if the plan sees significant enrollment growth. Since the implementation of SB 1444 (86R), which allows districts to opt-in and opt-out of TRS-ActiveCare, 132 employers have departed from the plan and 14 employers (some quite large) have joined. Many of the employers who left TRS-ActiveCare have requested to return, and their first eligible opportunity to notify TRS will be on December 31, 2026. Should TRS see a large influx of employers at that time, the \$450 million in additional funding may not be sufficient to maintain premium increases below 10% on average as planned.

While TRS-ActiveCare offers a competitive gross premium for employers participating in the program, plan affordability for employees and their families is an ongoing concern as employees bear a significant share of premium costs when compared to other employers. TRS will continue to seek ways to offer high-value coverage at the most competitive premiums possible while not compromising benefits.

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Administrative Operations

To adequately serve members and prudently manage pension fund assets, TRS requests approval for funding for Administrative Operations of \$291.6 million for FY 2026 and \$256.8 million for FY 2027. TRS' administrative budget is funded through the TRS Pension Trust Fund rather than state general revenue. This request prioritizes key initiatives for emerging technologies, related to data management systems, artificial intelligence, and cybersecurity capabilities that protect all categories of TRS data. As TRS continues to advance our service capabilities, our technical needs are also advancing to provide the high quality customer service our members deserve.

In FY22, the Board approved a 5-year Investment Data Modernization effort to improve TRS' investment data platform and systems and enhance trust asset monitoring and fiduciary oversight. Leveraging a trusted data foundation, the new systems and capabilities have demonstrated the ability to generate alpha across asset classes. An impact of a conservative 2 basis points (.02% bps) of increased annual return on a \$200 billion portfolio would realize approximately \$185 million additional growth in assets over a 4-year period. TRS is requesting approval of \$32.1 million for the 2026-27 biennium to implement the program.

Furthermore, the administrative operations request includes the annualized cost of the customer service improvement initiatives, which aim to enhance the quality and efficiency of services provided to a growing number of members and annuitants. TRS has made significant strides in addressing the challenges faced in customer service and has successfully implemented new initiatives to improve service levels. Through the addition of staff, policy changes, process improvements, and system enhancements, TRS has seen positive results in key performance indicators such as service levels, benefit payments, benefit processing, and employee turnover rates.

- Service Levels: TRS has continued to exceed the service level for answering 80% of telephone counseling calls within three minutes, achieving 86% in FY 2023 and 94% in FY 2024 through July.
- Benefit Payments: In FY 2023, TRS processed over \$12 billion in monthly benefits and implemented a one-time stipend in September 2023, which resulted in over 284,000 payments totaling \$1.5 billion. In FY 2024, TRS reached a new milestone – providing \$1.1 billion in annuity payments to more than 500,000 annuitants per month.
- Benefit Processing: TRS continues to maintain exceptional service levels for Death Claim Payments, Benefit Estimates, and Retirements processed, with service levels of 99%, 100%, and 89% respectively through July 2024. Additionally, TRS has successfully completed legislative recommendations to contact members with inactive accounts by notifying over 160,000 such members via certified letters, and processing over 27,000 refunds on inactive accounts totaling \$70 million.
- In FY 2023, TRS employee turnover was 8.8%, well below the state average of 18.7% for the same period. TRS' turnover rate continues to trend 50% below the state average in 2024. With a lower turnover rate and a focus on attracting and retaining a skilled workforce, TRS is well positioned to continue delivering high-quality services to its members.

Future administrative needs are driven substantially by our growing membership, the complexity of member service requirements, and the annual inflation rate, which continues to trend well above historical levels. TRS' total pension administration cost of \$62 per active member and annuitant remains well below the 2023 peer average of \$117. Additionally, this request represents approximately 0.13% of the value of the TRS Pension Trust Fund, demonstrating how TRS continues to be one of the lowest cost systems of any major state public pension fund.

TRS is proud of its accomplishments and is thankful to the Legislature for their continued trust and partnership in supporting over 2 million TRS members and retirees. TRS is dedicated to achieving the highest levels of customer satisfaction and continues to prioritize the delivery of services that align with our mission. To further evaluate how effectively resources are being utilized, TRS is incorporating a process improvement initiative that will focus on evaluating current procedures, pinpointing areas of inefficiency, and implementing strategic solutions to improve effectiveness, efficiency, and customer satisfaction.

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The FY 2026 and FY 2027 Administrative Operations request includes funding approval to operationalize the costs of TRS' new headquarters located at the Mueller District in Austin. The new headquarters, designed as a generational solution to accommodate the growth in TRS' membership, will offer a substantial increase in space, including a Member Experience Center, counseling rooms, and a board room. Construction on the new campus headquarters site continues on-schedule with the expectation that the campus will be open to members in mid-2025. The total cost of the new campus is projected to be around \$340 million, with no impact on our funded ratio or Unfunded Actuarial Accrued Liability (UAAL).

Furthermore, through member surveys and current service data, TRS has identified unfulfilled demand for in-person office visit appointments among members who live far from the Austin headquarters. In FY 2022, TRS opened its first regional office in El Paso, Texas to offer member services in an underserved part of the state. Within two years of operations, the El Paso Office is a success and served over 4,000 members locally and answered over 20,000 member calls. In addition to this TRS expects our employer outreach program to increase demand for presentations as we continue to develop partnerships with school districts in the area. To continue improving customer service to members throughout the state, TRS is researching options to determine the cost and effectiveness of expanding services to other areas in Texas.

Criminal History Information

TRS contracts with the Department of Public Safety (DPS) to obtain criminal history information on candidates for FTE and contract positions, pursuant to Government Code §411.0971. Information is disclosed to only essential staff in the Organizational Excellence division - TRS' human resources function, the Director of Security, and if necessary, essential legal and executive staff. In accordance with TRS policies, procedures, and the Federal Bureau of Investigation's Criminal Justice Information Services (CJIS) Security policy, TRS will destroy criminal history record information after the information is used for its authorized purposes.

Exempt Positions

Pursuant to Government Code §825.208, the Board of Trustees has the authority to determine the rate of pay of employees of the retirement system. TRS respectfully requests that current salaries for the following three positions listed in the General Appropriations Act (GAA) be revised to reflect the current not to exceed rates for those positions adopted by the TRS Board of Trustees, as listed below.

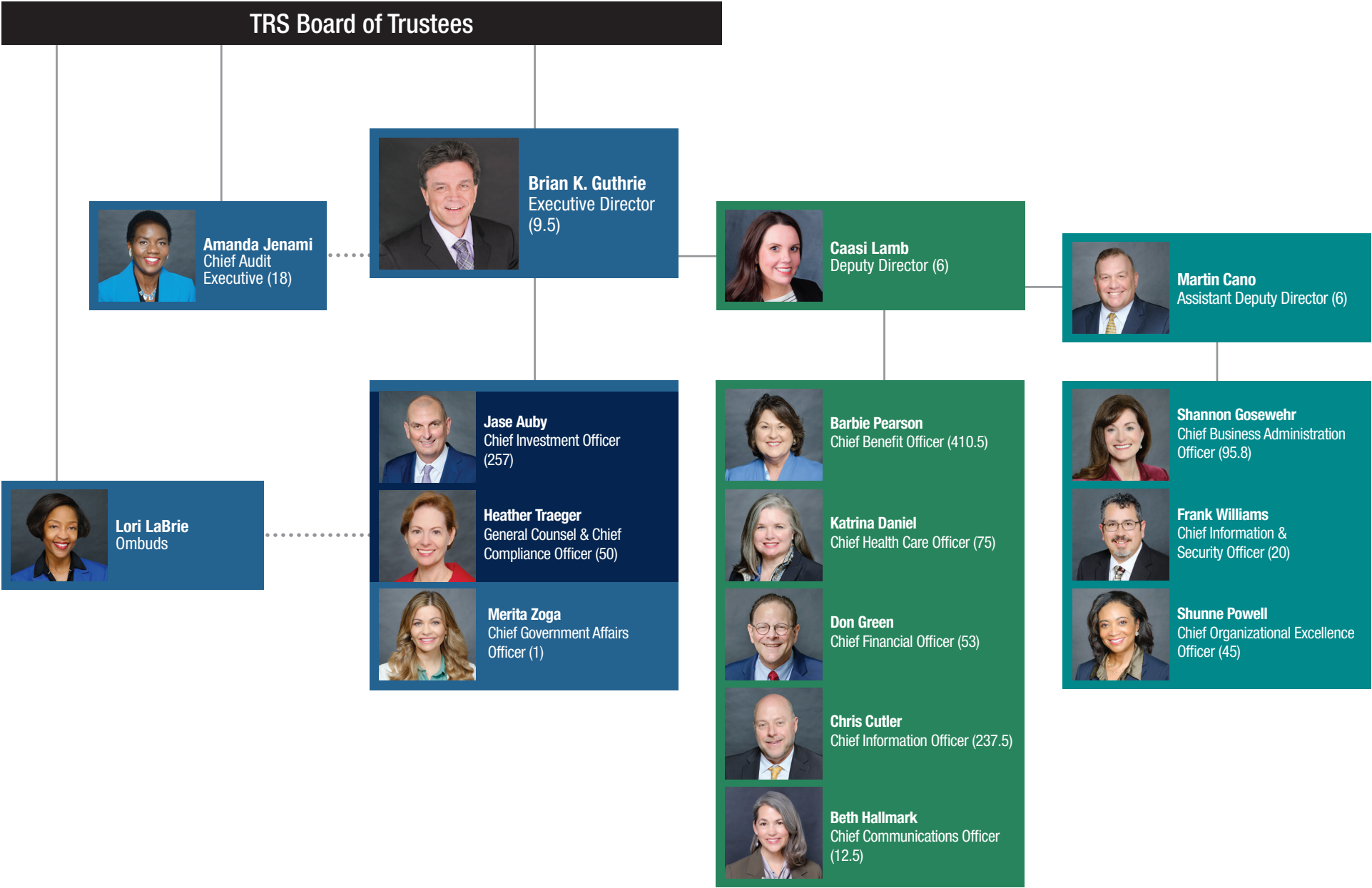
Executive Director, \$550,000
Chief Investment Officer, \$725,000
Deputy Chief Investment Officer, \$410,000

TRS would like to express its deepest gratitude to state leadership and the legislature for the invaluable support provided for the TRS Pension Trust Fund and the TRS-Care and TRS-ActiveCare health insurance programs. This request prioritizes resources to meet the needs of over 2 million members and retirees while fulfilling our fiduciary obligation to prudently manage TRS trust funds. Your consideration of these funding requests on behalf of the members of the Teacher Retirement System of Texas is greatly appreciated.

Sincerely,



Brian K. Guthrie
Executive Director





C E R T I F I C A T E

Agency Name: Teacher Retirement System

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Office of the Governor, Budget and Policy Division, is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Office of the Governor will be notified in writing in accordance with House Bill 1, Article IX, Section 7.01, Eighty-eighth Legislature, Regular Session, 2023.

Chief Executive

Handwritten signature of Brian K. Guthrie in black ink.

Signature

Brian K. Guthrie

Printed Name

Executive Director

August 23, 2024

Date

Board Chair

Handwritten signature of Robert H. Walls Jr. in black ink.

Signature

Robert H. Walls Jr.

Printed Name

Chair, Board of Trustees

August 23, 2024

Date

Chief Financial Officer

Handwritten signature of Don Green in blue ink.

Signature

Don Green

Printed Name

Chief Financial Officer

August 23, 2024

Date

Budget Overview - Biennial Amounts
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

323 Teacher Retirement System											
Appropriation Years: 2026-27											
	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2024-25	2026-27	2024-25	2026-27	2024-25	2026-27	2024-25	2026-27	2024-25	2026-27	2026-27
Goal: 1. To Administer the System as an Employee Benefit Trust											
1.1.1. TRS - Public Education Retirement	5,129,535,700	5,690,104,531							5,129,535,700	5,690,104,531	
1.1.2. TRS - Higher Education Retirement	573,448,645	656,977,363	78,731,309	79,634,852			14,177,006	15,630,149	666,356,960	752,242,364	
1.1.3. Administrative Operations							530,075,288	548,486,600	530,075,288	548,486,600	
1.1.4. TRS Retirement-Additional Payment	5,000,000,000								5,000,000,000		
	960,235,659	1,073,827,566							960,235,659	1,073,827,566	
1.2.1. Retiree Health - Statutory Funds	588,518,000	450,000,000							588,518,000	450,000,000	
1.4.1. Active Employee Healthcare											
Total, Goal	12,251,738,004	7,870,909,460	78,731,309	79,634,852			544,252,294	564,116,749	12,874,721,607	8,514,661,061	
Total, Agency	12,251,738,004	7,870,909,460	78,731,309	79,634,852			544,252,294	564,116,749	12,874,721,607	8,514,661,061	
Total FTEs									1,139.3	1,139.3	

2.A. Summary of Base Request by Strategy

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Goal / Objective / STRATEGY	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
1 To Administer the System as an Employee Benefit Trust					
1 <i>Sound Retirement System</i>					
1 TRS - PUBLIC EDUCATION RETIREMENT	2,279,408,927	2,460,565,824	2,668,969,876	2,789,266,927	2,900,837,604
2 TRS - HIGHER EDUCATION RETIREMENT	324,532,897	328,115,862	338,241,098	369,237,900	383,004,464
3 ADMINISTRATIVE OPERATIONS	168,057,507	291,346,442	238,728,846	291,612,800	256,873,800
4 TRS RETIREMENT-ADDITIONAL PAYMENT	0	5,000,000,000	0	0	0
2 <i>Health Care Program for Public Education Retirees Funded by Statute</i>					
1 RETIREE HEALTH - STATUTORY FUNDS	474,356,993	474,190,449	486,045,210	531,597,805	542,229,761
3 <i>Health care for Public Ed Retirees Funded by Supplemental State Funds</i>					
1 RETIREE HEALTH - SUPPLEMENTAL FUNDS	0	0	0	0	0
4 <i>Healthcare for Public Ed Active Employees</i>					
1 ACTIVE EMPLOYEE HEALTHCARE	0	588,518,000	0	450,000,000	0
TOTAL, GOAL 1	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629

2.A. Summary of Base Request by Strategy

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323 Teacher Retirement System

Goal / Objective / STRATEGY	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
TOTAL, AGENCY STRATEGY REQUEST	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				\$0	\$0
GRAND TOTAL, AGENCY REQUEST	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629
<u>METHOD OF FINANCING:</u>					
General Revenue Funds:					
1 General Revenue Fund	3,027,602,528	8,803,278,494	3,448,459,510	4,093,441,477	3,777,467,983
SUBTOTAL	\$3,027,602,528	\$8,803,278,494	\$3,448,459,510	\$4,093,441,477	\$3,777,467,983
General Revenue Dedicated Funds:					
770 Est. Other Educational & General	45,907,231	41,196,028	37,535,281	39,036,692	40,598,160
SUBTOTAL	\$45,907,231	\$41,196,028	\$37,535,281	\$39,036,692	\$40,598,160
Other Funds:					
960 TRS Trust Account Fund	172,846,565	298,262,055	245,990,239	299,237,263	264,879,486
SUBTOTAL	\$172,846,565	\$298,262,055	\$245,990,239	\$299,237,263	\$264,879,486
TOTAL, METHOD OF FINANCING	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629

*Rider appropriations for the historical years are included in the strategy amounts.

2.B. Summary of Base Request by Method of Finance

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Agency code: **323**

Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
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GENERAL REVENUE

1 General Revenue Fund

REGULAR APPROPRIATIONS

Regular Appropriations from MOF Table (2022-23 GAA)

\$3,000,200,663	\$0	\$0	\$0	\$0
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Comments: Conference Committee Report,
Senate Bill 1, 87th Legislature Regular Session, 2021.

Regular Appropriations from MOF Table (2024-25 GAA)

\$0	\$3,214,760,494	\$3,448,459,510	\$0	\$0
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Comments: Conference Committee Report,
House Bill 1, 88th Legislature Regular Session, 2023.

Regular Appropriations from MOF Table (2024-25 GAA)

\$0	\$588,518,000	\$0	\$0	\$0
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Comments: Conference Committee Report,
House Bill 1, 88th Legislature Regular Session, 2023.
Healthcare for Public Ed Active Employees.

Regular Appropriations

\$0	\$0	\$0	\$3,643,441,477	\$3,777,467,983
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Comments: Regular Appropriations

2.B. Summary of Base Request by Method of Finance

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	323	Agency name:	Teacher Retirement System			
METHOD OF FINANCING		Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
<u>GENERAL REVENUE</u>						
Regular Appropriations						
		\$0	\$0	\$0	\$450,000,000	\$0
Comments: Healthcare for Public Ed Active Employees.						
<i>RIDER APPROPRIATION</i>						
Article IX, Section 18.37 (2024-2025 GAA), Contingency for SB10						
		\$0	\$1,645,000,000	\$0	\$0	\$0
Comments: 900.1 TRS Retirement Additional Annuity Payment						
Article IX, Section 18.37 (2024-2025 GAA), Contingency for HJR2						
		\$0	\$3,355,000,000	\$0	\$0	\$0
Comments: Voter approved constitutional amendment for TRS to provide a cost-of-living adjustment to certain TRS retirees.						
<i>BASE ADJUSTMENT</i>						
Adjustment per Section 1575.201(b), Insurance Code						
		\$21,127,831	\$0	\$0	\$0	\$0

2.B. Summary of Base Request by Method of Finance

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Agency code:	323	Agency name:	Teacher Retirement System			
METHOD OF FINANCING		Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
<u>GENERAL REVENUE</u>						
	Comments: Strategy A.2.1, Retiree Health - Statutory Funds, is estimated to pay state contributions to TRS-Care required by Insurance Code 1575.202(a). CPA transfers to TRS monthly amounts based on the estimated appropriation, settled up each year end with amounts owed based on actual active member payroll. FY 2023 matches Settle-up Letter to CPA dated 10/9/23 for TRS-Care (\$21,127,831 due from the State to TRS).					
Adjustment per Section 403.093(c), Government Code		\$32,973,177	\$0	\$0	\$0	\$0
	Comments: Strategies A.1.1, Public Education Retirement, and A.1.2, Higher Education Retirement, are estimated to pay state retirement contributions required by Government Code 403.093(c). CPA transfers to TRS monthly amounts based on the estimated appropriation, settled up each year end with amounts owed based on actual active member payroll. FY 2023 matches Settle-up Letter to CPA dated 10/9/23 for Higher Education (\$32,973,177 owed to TRS by the State).					
Adjustment per Section 403.093(c), Government Code		\$(26,699,143)	\$0	\$0	\$0	\$0
	Comments: Strategies A.1.1, Public Education Retirement, and A.1.2, Higher Education Retirement, are estimated to pay state retirement contributions required by Government Code 403.093(c). CPA transfers to TRS monthly amounts based on the estimated appropriation, settled up each year end with amounts owed based on actual active member payroll. FY 2023 matches Settle-up Letter to CPA dated 10/9/23 for Public Education (\$26,699,143 owed to the State by TRS).					
TOTAL,	General Revenue Fund	\$3,027,602,528	\$8,803,278,494	\$3,448,459,510	\$4,093,441,477	\$3,777,467,983

2.B. Summary of Base Request by Method of Finance

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **323**Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
TOTAL, ALL GENERAL REVENUE	\$3,027,602,528	\$8,803,278,494	\$3,448,459,510	\$4,093,441,477	\$3,777,467,983

GENERAL REVENUE FUND - DEDICATED**770** GR Dedicated - Estimated Other Educational and General Income Account No. 770*REGULAR APPROPRIATIONS*

Regular Appropriations from MOF Table (2022-23 GAA)

\$26,567,937	\$0	\$0	\$0	\$0
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Comments: Conference Committee Report,
Senate Bill 1, 87th Legislature Regular Session, 2021.

Regular Appropriations from MOF Table (2024-25 GAA)

\$0	\$36,196,028	\$37,535,281	\$0	\$0
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Comments: Conference Committee Report,
House Bill 1, 88th Legislature Regular Session, 2023.

Regular Appropriations

\$0	\$0	\$0	\$39,036,692	\$40,598,160
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Comments: Regular Appropriations

SUPPLEMENTAL, SPECIAL OR EMERGENCY APPROPRIATIONS

Rider 7 - Transfer of Other Educ & Gen Income (2022-23 GAA)

\$19,339,294	\$0	\$0	\$0	\$0
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2.B. Summary of Base Request by Method of Finance

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **323**

Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
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GENERAL REVENUE FUND - DEDICATED

Comments: Transfer of authorized appropriations for TRS Higher-Education Retirement from Other Educational and General Income to institutions of higher education to meet their obligations and comply with the Benefits Paid Proportional by Method of Finance

Rider 7 - Transfer of Other Educ & Gen Income (2024-25 GAA)

\$0	\$5,000,000	\$0	\$0	\$0
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Comments: Transfer of authorized appropriations for TRS Higher-Education Retirement from Other Educational and General Income to institutions of higher education to meet their obligations and comply with the Benefits Paid Proportional by Method of Finance

TOTAL, GR Dedicated - Estimated Other Educational and General Income Account No. 770	\$45,907,231	\$41,196,028	\$37,535,281	\$39,036,692	\$40,598,160
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TOTAL GENERAL REVENUE FUND - DEDICATED - 704, 708 & 770	\$45,907,231	\$41,196,028	\$37,535,281	\$39,036,692	\$40,598,160
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TOTAL, ALL GENERAL REVENUE FUND - DEDICATED	\$45,907,231	\$41,196,028	\$37,535,281	\$39,036,692	\$40,598,160
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TOTAL, GR & GR-DEDICATED FUNDS	\$3,073,509,759	\$8,844,474,522	\$3,485,994,791	\$4,132,478,169	\$3,818,066,143
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OTHER FUNDS

960 Teacher Retirement System Trust Account Fund No. 960

REGULAR APPROPRIATIONS

2.B. Summary of Base Request by Method of Finance

8/22/2024 4:57:20PM

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Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	323	Agency name:	Teacher Retirement System			
METHOD OF FINANCING	Exp 2023		Est 2024	Bud 2025	Req 2026	Req 2027
<u>OTHER FUNDS</u>						
Regular Appropriations from MOF Table (2022-23 GAA)	\$150,013,045		\$0	\$0	\$0	\$0
Comments: Conference Committee Report, Senate Bill 1, 87th Legislature Regular Session, 2021. Administrative Operations of the Pension Trust Fund						
Regular Appropriations from MOF Table (2022-23 GAA)	\$4,789,058		\$0	\$0	\$0	\$0
Comments: Conference Committee Report, Senate Bill 1, 87th Legislature Regular Session, 2021. Employer Contributions for TRS Employees						
Regular Appropriations from MOF Table (2024-25 GAA)	\$0	\$230,582,400	\$219,096,500	\$0	\$0	\$0
Comments: Conference Committee Report, House Bill 1, 88th Legislature Regular Session, 2023. Administrative Operations of the Pension Trust Fund						
Regular Appropriations from MOF Table (2024-25 GAA)	\$0	\$6,915,613	\$7,261,393	\$0	\$0	\$0
Comments: Conference Committee Report, House Bill 1, 88th Legislature Regular Session, 2023. Employer Contributions for TRS Employees						

2.B. Summary of Base Request by Method of Finance

8/22/2024 4:57:20PM

89th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 323	Agency name: Teacher Retirement System				
METHOD OF FINANCING	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
<u>OTHER FUNDS</u>					
Regular Appropriations from MOF Table (2024-25 GAA)	\$0	\$5,336,391	\$10,899,746	\$0	\$0
Comments: Conference Committee Report, House Bill 1, 88th Legislature Regular Session, 2023. 5% Salary Adjustment					
Regular Appropriations	\$0	\$0	\$0	\$7,624,463	\$8,005,686
Comments: Regular Appropriations, Employer Contributions for TRS Employee					
Regular Appropriation	\$0	\$0	\$0	\$291,612,800	8
Comments: Regular Appropriations, Administrative Operations of the Pension Trust Fund					
<i>RIDER APPROPRIATION</i>					
Rider 12, Performance Incentive Compensation (2024-25 GAA)	\$0	\$55,427,651	\$0	\$0	\$0
Comments: TRS Rider 12 authorizes payment of performance incentive compensation.					
<i>TRANSFERS</i>					

2.B. Summary of Base Request by Method of Finance
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

8/22/2024 4:57:20PM

Agency code: 323	Agency name: Teacher Retirement System				
METHOD OF FINANCING	Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
<u>OTHER FUNDS</u>					
Government code 825.313(d)	\$59,731,000	\$0	\$0	\$0	\$0
Comments: Appropriation revision for fiduciary finding of the TRS Board of Trustees.					
<i>LAPSED APPROPRIATIONS</i>					
Administrative Operations of the Pension Trust Fund	\$(43,684,157)	\$0	\$0	\$0	\$0
<i>UNEXPENDED BALANCES AUTHORITY</i>					
Art IX, Sec 14.05, UB Authority within the Same Biennium (2022-23 GAA)	\$1,997,619	\$0	\$0	\$0	\$0
Comments: Capital Budget UB related to all other Capital Budget Appropriations					
<i>BASE ADJUSTMENT</i>					
Regular Appropriations from MOF Table (2024-25 GAA)	\$0	\$0	\$8,732,600	\$0	\$0
Comments: Pursuant to Rider 19 Exception to FTE limitation pending Board approval for additional resources for customer service to keep pace with membership growth, the implementation of pension and investment data modernization systems, and cybersecurity/artificial intelligence.					

2.B. Summary of Base Request by Method of Finance

8/22/2024 4:57:20PM

89th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	323	Agency name:	Teacher Retirement System			
METHOD OF FINANCING		Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
<u>OTHER FUNDS</u>						
TOTAL,	Teacher Retirement System Trust Account Fund No. 960	\$172,846,565	\$298,262,055	\$245,990,239	\$299,237,263	\$264,879,486
TOTAL, ALL	OTHER FUNDS	\$172,846,565	\$298,262,055	\$245,990,239	\$299,237,263	\$264,879,486
GRAND TOTAL		\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629

2.B. Summary of Base Request by Method of Finance

8/22/2024 4:57:20PM

89th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	323	Agency name:	Teacher Retirement System			
METHOD OF FINANCING		Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
FULL-TIME-EQUIVALENT POSITIONS						
REGULAR APPROPRIATIONS						
Regular Appropriations from MOF Table (2022-23 GAA)		783.3	0.0	0.0	0.0	0.0
Comments: Conference Committee Report, Senate Bill 1, 87th Legislature Regular Session, 2021. Administrative Operations of the Pension Trust Fund						
Regular Appropriations from MOF Table (2024-25 GAA)		0.0	1,047.3	1,047.3	0.0	0.0
Comments: Conference Committee Report, House Bill 1, 88th Legislature Regular Session, 2023. Administrative Operations of the Pension Trust Fund						
Regular Appropriation		0.0	0.0	0.0	1,139.3	1,139.3
RIDER APPROPRIATION						
Rider 10, Full-Time Equivalent Positions Intern Exemption (2022-23 GAA)		13.5	0.0	0.0	0.0	0.0
Comments: FTEs authorized by rider 10 in addition to FTEs reflected in the FTE cap.						
Rider 10, Full-Time Equivalent Positions Intern Exemption (2022-23 GAA)		(13.5)	0.0	0.0	0.0	0.0
Comments: FTEs exempt from the FTE cap.						
Rider 20, Exception to FTE Limitation for Board Fiduciary Finding (GAA 2022-23 GAA)		264.0	0.0	0.0	0.0	0.0

2.B. Summary of Base Request by Method of Finance

8/22/2024 4:57:20PM

89th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code:	323	Agency name:	Teacher Retirement System			
METHOD OF FINANCING		Exp 2023	Est 2024	Bud 2025	Req 2026	Req 2027
Comments: Appropriation revision for fiduciary finding of the TRS Board of Trustees.						
LAPSED APPROPRIATIONS						
Administrative Operations of the Pension Trust Fund (2022-23 GAA)		(144.4)	0.0	0.0	0.0	0.0
REQUEST TO EXCEED ADJUSTMENTS						
Rider 19 (2024-25 GAA), Exception to FTE Limitation for Board Fiduciary Finding		0.0	0.0	92.0	0.0	0.0
Comments: Pursuant to Rider 19 Exception to FTE limitation pending Board approval for additional resources for customer service to keep pace with membership growth, the implementation of pension and investment data modernization systems, and cybersecurity/artificial intelligence.						
TOTAL, ADJUSTED FTES		902.9	1,047.3	1,139.3	1,139.3	1,139.3

NUMBER OF 100% FEDERALLY FUNDED FTES

2.C. Summary of Base Request by Object of Expense

8/22/2024 4:57:20PM

89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)**323 Teacher Retirement System**

OBJECT OF EXPENSE	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
1001 SALARIES AND WAGES	\$104,400,530	\$184,139,740	\$161,506,800	\$167,675,400	\$176,048,400
1002 OTHER PERSONNEL COSTS	\$3,080,681,179	\$8,853,145,558	\$3,494,726,884	\$4,141,632,732	\$3,827,665,329
2001 PROFESSIONAL FEES AND SERVICES	\$25,777,353	\$57,504,757	\$34,954,800	\$55,735,300	\$33,835,100
2002 FUELS AND LUBRICANTS	\$2,250	\$4,000	\$4,000	\$4,000	\$4,000
2003 CONSUMABLE SUPPLIES	\$471,835	\$731,900	\$731,900	\$731,900	\$731,900
2004 UTILITIES	\$1,173,354	\$1,479,589	\$2,489,900	\$2,991,200	\$2,991,200
2005 TRAVEL	\$1,284,729	\$2,994,100	\$2,994,100	\$2,994,100	\$2,994,100
2006 RENT - BUILDING	\$4,262,523	\$462,800	\$462,800	\$462,800	\$462,800
2007 RENT - MACHINE AND OTHER	\$586,412	\$950,500	\$950,500	\$950,500	\$950,500
2009 OTHER OPERATING EXPENSE	\$27,027,809	\$36,196,307	\$33,109,346	\$42,118,200	\$37,208,300
5000 CAPITAL EXPENDITURES	\$688,350	\$5,127,326	\$54,000	\$16,419,300	\$54,000
OOE Total (Excluding Riders)	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629
OOE Total (Riders)					
Grand Total	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629

2.D. Summary of Base Request Objective Outcomes
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

8/22/2024 4:57:21PM

323 Teacher Retirement System					
Goal/ Objective / Outcome	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
1 To Administer the System as an Employee Benefit Trust					
1 Sound Retirement System					
1 # of Years-Amortize TRS Retiremt. Fund Unfunded Actuarial Accrued Liab					
	29.00	30.00	30.00	30.00	30.00
2 TRS Retiremt. Fund 5-yr Avg Time-weighted Rate of ROI Performance					
	6.40%	7.90%	7.00%	7.00%	7.00%
3 TRS Retirement. Fund 20-yr Avg Time-weighted Rate of ROI Performance					
	7.40%	7.15%	7.00%	7.00%	7.00%
4 Investment Performance Relative to Board Approved Benchmark					
	173.00	146.00	100.00	100.00	100.00
KEY 5 TRS Retiremt. Fund Ann. Op. Exp. Per Member					
	42.55	59.02	72.08	74.41	74.68
KEY 6 TRS Retirement Fund Investment Expense as Basis Points of Net Assets					
	46.05	53.34	51.48	48.56	45.38
KEY 7 Service Level Percentage of Calls Answered in Specified Time Interval					
	86.01%	94.00%	90.00%	90.00%	90.00%
2 Health Care Program for Public Education Retirees Funded by Statute					
1 Participation Rate in Disease Mgmt Program by Non-Medicare Enrollees					
	5.00%	5.20%	5.00%	5.00%	5.00%
2 Generic Substitution Rate for TRS-Care Prescription Drug Benefits					
	98.00%	99.80%	98.00%	98.00%	98.00%

2.F. Summary of Total Request by Strategy
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/22/2024
TIME : 4:57:21PM

Agency code: 323	Agency name: Teacher Retirement System					
Goal/Objective/STRATEGY	Base 2026	Base 2027	Exceptional 2026	Exceptional 2027	Total Request 2026	Total Request 2027
1 To Administer the System as an Employee Benefit Trust						
1 Sound Retirement System						
1 TRS - PUBLIC EDUCATION RETIREMENT	\$2,789,266,927	\$2,900,837,604	\$0	\$0	\$2,789,266,927	\$2,900,837,604
2 TRS - HIGHER EDUCATION RETIREMENT	369,237,900	383,004,464	0	0	369,237,900	383,004,464
3 ADMINISTRATIVE OPERATIONS	291,612,800	256,873,800	0	0	291,612,800	256,873,800
4 TRS RETIREMENT-ADDITIONAL PAYMENT	0	0	0	0	0	0
2 Health Care Program for Public Education Retirees Funded by Statu						
1 RETIREE HEALTH - STATUTORY FUNDS	531,597,805	542,229,761	0	0	531,597,805	542,229,761
3 Health care for Public Ed Retirees Funded by Supplemental State Fu						
1 RETIREE HEALTH - SUPPLEMENTAL FUNDS	0	0	0	0	0	0
4 Healthcare for Public Ed Active Employees						
1 ACTIVE EMPLOYEE HEALTHCARE	450,000,000	0	0	0	450,000,000	0
TOTAL, GOAL 1	\$4,431,715,432	\$4,082,945,629	\$0	\$0	\$4,431,715,432	\$4,082,945,629
TOTAL, AGENCY STRATEGY REQUEST	\$4,431,715,432	\$4,082,945,629	\$0	\$0	\$4,431,715,432	\$4,082,945,629
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	\$4,431,715,432	\$4,082,945,629	\$0	\$0	\$4,431,715,432	\$4,082,945,629

2.F. Summary of Total Request by Strategy
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : 8/22/2024
TIME : 4:57:21PM

Agency code: 323		Agency name: Teacher Retirement System					
Goal/Objective/STRATEGY		Base 2026	Base 2027	Exceptional 2026	Exceptional 2027	Total Request 2026	Total Request 2027
General Revenue Funds:							
1	General Revenue Fund	\$4,093,441,477	\$3,777,467,983	\$0	\$0	\$4,093,441,477	\$3,777,467,983
		\$4,093,441,477	\$3,777,467,983	\$0	\$0	\$4,093,441,477	\$3,777,467,983
General Revenue Dedicated Funds:							
770	Est. Other Educational & General	39,036,692	40,598,160	0	0	39,036,692	40,598,160
		\$39,036,692	\$40,598,160	\$0	\$0	\$39,036,692	\$40,598,160
Other Funds:							
960	TRS Trust Account Fund	299,237,263	264,879,486	0	0	299,237,263	264,879,486
		\$299,237,263	\$264,879,486	\$0	\$0	\$299,237,263	\$264,879,486
TOTAL, METHOD OF FINANCING		\$4,431,715,432	\$4,082,945,629	\$0	\$0	\$4,431,715,432	\$4,082,945,629
FULL TIME EQUIVALENT POSITIONS							
		1,139.3	1,139.3	0.0	0.0	1,139.3	1,139.3

2.G. Summary of Total Request Objective Outcomes
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/22/2024
Time: 4:57:21PM

Agency code: 323		Agency name: Teacher Retirement System						
Goal/ Objective / Outcome								
		BL 2026	BL 2027	Excp 2026	Excp 2027	Total Request 2026	Total Request 2027	
1	To Administer the System as an Employee Benefit Trust							
1	Sound Retirement System							
	1 # of Years-Amortize TRS Retirement. Fund Unfunded Actuarial Accrued Liab							
		30.00	30.00			30.00	30.00	
	2 TRS Retirement. Fund 5-yr Avg Time-weighted Rate of ROI Performance							
		7.00%	7.00%			7.00%	7.00%	
	3 TRS Retirement. Fund 20-yr Avg Time-weighted Rate of ROI Performance							
		7.00%	7.00%			7.00%	7.00%	
	4 Investment Performance Relative to Board Approved Benchmark							
		100.00	100.00			100.00	100.00	
KEY	5 TRS Retirement. Fund Ann. Op. Exp. Per Member							
		74.41	74.68			74.41	74.68	
KEY	6 TRS Retirement Fund Investment Expense as Basis Points of Net Assets							
		48.56	45.38			48.56	45.38	
KEY	7 Service Level Percentage of Calls Answered in Specified Time Interval							
		90.00%	90.00%			90.00%	90.00%	
2	Health Care Program for Public Education Retirees Funded by Statute							
	1 Participation Rate in Disease Mgmt Program by Non-Medicare Enrollees							
		5.00%	5.00%			5.00%	5.00%	

2.G. Summary of Total Request Objective Outcomes
 89th Regular Session, Agency Submission, Version 1
 Automated Budget and Evaluation system of Texas (ABEST)

Date : 8/22/2024
 Time: 4:57:21PM

Agency code: **323**

Agency name: **Teacher Retirement System**

Goal/ *Objective* / **Outcome**

BL
2026

BL
2027

Excp
2026

Excp
2027

Total
Request
2026

Total
Request
2027

2 Generic Substitution Rate for TRS-Care Prescription Drug Benefits

98.00%

98.00%

98.00%

98.00%

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System

STRATEGY: 1 Retirement Contributions for Public Education Employees. Estimated

Service Categories:

Service: 06

Income: A.2

Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$2,279,408,927	\$2,460,565,824	\$2,668,969,876	\$2,789,266,927	\$2,900,837,604
TOTAL, OBJECT OF EXPENSE		\$2,279,408,927	\$2,460,565,824	\$2,668,969,876	\$2,789,266,927	\$2,900,837,604
Method of Financing:						
1	General Revenue Fund	\$2,279,408,927	\$2,460,565,824	\$2,668,969,876	\$2,789,266,927	\$2,900,837,604
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$2,279,408,927	\$2,460,565,824	\$2,668,969,876	\$2,789,266,927	\$2,900,837,604
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$2,789,266,927	\$2,900,837,604
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$2,279,408,927	\$2,460,565,824	\$2,668,969,876	\$2,789,266,927	\$2,900,837,604
FULL TIME EQUIVALENT POSITIONS:						

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 1 Retirement Contributions for Public Education Employees. Estimated

Service Categories:
Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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STRATEGY DESCRIPTION AND JUSTIFICATION:

Article 16, Section 67 of the Texas Constitution provides that the financing of benefits to the Teacher Retirement System must be based on sound actuarial principles. Section 821.006 of Title 8, Texas Government Code prohibits a reduction in member or state contributions to the retirement system or any change in benefits if, as a result of the particular action, the time required to amortize the unfunded actuarial accrued liabilities of the retirement system, as determined by an actuarial valuation, would be increased to a period that equals or exceeds 31 years. This strategy continues the agency's efforts to maintain an actuarially sound retirement system by providing funding for promised benefits and investing for future benefits. This strategy contributes to the agency's objective to manage an actuarially sound retirement system that maintains an amortization period of less than 31 years and generates a 20-year average investment return equal to or exceeding the board approved actuarial rate of return.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Total membership in TRS is approximately 2 million members and is expected to increase by approximately 2% during the 2026-27 biennium. Based on current trends, we are assuming covered payroll growth in Public Education of 4% per year. This request assumes current law, which requires a state retirement contribution rate of 8.25% for FY26 and FY27.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL CHANGE	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$5,129,535,700	\$5,690,104,531	\$560,568,831	\$560,568,831	Increase to cover assumed payroll growth of 4% per year.
			\$560,568,831	Total of Explanation of Biennial Change

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System

Service Categories:

STRATEGY: 2 Retirement Contributions for Higher Education Employees. Estimated

Service: 06

Income: A.2

Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$324,532,897	\$328,115,862	\$338,241,098	\$369,237,900	\$383,004,464
TOTAL, OBJECT OF EXPENSE		\$324,532,897	\$328,115,862	\$338,241,098	\$369,237,900	\$383,004,464
Method of Financing:						
1	General Revenue Fund	\$273,836,608	\$280,004,221	\$293,444,424	\$322,576,745	\$334,400,618
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$273,836,608	\$280,004,221	\$293,444,424	\$322,576,745	\$334,400,618
Method of Financing:						
770	Est. Other Educational & General	\$45,907,231	\$41,196,028	\$37,535,281	\$39,036,692	\$40,598,160
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		\$45,907,231	\$41,196,028	\$37,535,281	\$39,036,692	\$40,598,160
Method of Financing:						
960	TRS Trust Account Fund	\$4,789,058	\$6,915,613	\$7,261,393	\$7,624,463	\$8,005,686
SUBTOTAL, MOF (OTHER FUNDS)		\$4,789,058	\$6,915,613	\$7,261,393	\$7,624,463	\$8,005,686

323 Teacher Retirement System

GOAL:	1	To Administer the System as an Employee Benefit Trust	
OBJECTIVE:	1	Sound Retirement System	Service Categories:
STRATEGY:	2	Retirement Contributions for Higher Education Employees. Estimated	Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$369,237,900	\$383,004,464
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$324,532,897	\$328,115,862	\$338,241,098	\$369,237,900	\$383,004,464

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Article 16, Section 67 of the Texas Constitution provides that the financing of benefits to the Teacher Retirement System must be based on sound actuarial principles. Section 821.006 of Title 8, Texas Government Code prohibits a reduction in member or state contributions to the retirement system or any change in benefits if, as a result of the particular action, the time required to amortize the unfunded actuarial accrued liabilities of the retirement system, as determined by an actuarial valuation, would be increased to a period that equals or exceeds 31 years. This strategy continues the agency's efforts to maintain an actuarially sound retirement system by providing funding for promised benefits and investing for future benefits. This strategy contributes to the agency's objective to manage an actuarially sound retirement system that maintains an amortization period of less than 31 years and generates a 20-year average investment return equal to or exceeding the board approved actuarial rate of return.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Total membership in TRS is approximately 2 million members and is expected to increase by approximately 2% during the 2026-27 biennium. Based on current trends, we are assuming covered payroll growth in Higher Education of 4% per year. This request assumes current law, which requires a state retirement contribution rate of 8.25% for FY26 and FY27.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 2 Retirement Contributions for Higher Education Employees. Estimated

Service Categories:
Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL CHANGE	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$666,356,960	\$752,242,364	\$85,885,404	\$85,885,404	Increase to cover assumed payroll growth of 4% per year.
			<u>\$85,885,404</u>	Total of Explanation of Biennial Change

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 3 Administrative Operations

Service Categories:

Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Output Measures:						
KEY 1	Number of TRS Benefit Applications Processed	123,794	108,000	100,000	100,000	100,000
2	Number of TRS Retirement Fund Member Accounts Serviced	14,918,440	15,263,682	15,401,055	15,539,664	15,649,520
3	Percent of Retirees Whose First Annuity is Paid When It is First Due	88.00 %	90.00 %	98.00 %	98.00 %	98.00 %
Objects of Expense:						
1001	SALARIES AND WAGES	\$104,400,530	\$184,139,740	\$161,506,800	\$167,675,400	\$176,048,400
1002	OTHER PERSONNEL COSTS	\$2,382,362	\$1,755,423	\$1,470,700	\$1,530,100	\$1,593,500
2001	PROFESSIONAL FEES AND SERVICES	\$25,777,353	\$57,504,757	\$34,954,800	\$55,735,300	\$33,835,100
2002	FUELS AND LUBRICANTS	\$2,250	\$4,000	\$4,000	\$4,000	\$4,000
2003	CONSUMABLE SUPPLIES	\$471,835	\$731,900	\$731,900	\$731,900	\$731,900
2004	UTILITIES	\$1,173,354	\$1,479,589	\$2,489,900	\$2,991,200	\$2,991,200
2005	TRAVEL	\$1,284,729	\$2,994,100	\$2,994,100	\$2,994,100	\$2,994,100
2006	RENT - BUILDING	\$4,262,523	\$462,800	\$462,800	\$462,800	\$462,800
2007	RENT - MACHINE AND OTHER	\$586,412	\$950,500	\$950,500	\$950,500	\$950,500
2009	OTHER OPERATING EXPENSE	\$27,027,809	\$36,196,307	\$33,109,346	\$42,118,200	\$37,208,300
5000	CAPITAL EXPENDITURES	\$688,350	\$5,127,326	\$54,000	\$16,419,300	\$54,000

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 3 Administrative Operations

Service Categories:

Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
TOTAL, OBJECT OF EXPENSE		\$168,057,507	\$291,346,442	\$238,728,846	\$291,612,800	\$256,873,800
Method of Financing:						
960	TRS Trust Account Fund	\$168,057,507	\$291,346,442	\$238,728,846	\$291,612,800	\$256,873,800
SUBTOTAL, MOF (OTHER FUNDS)		\$168,057,507	\$291,346,442	\$238,728,846	\$291,612,800	\$256,873,800
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$291,612,800	\$256,873,800
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$168,057,507	\$291,346,442	\$238,728,846	\$291,612,800	\$256,873,800
FULL TIME EQUIVALENT POSITIONS:		902.9	1,047.3	1,139.3	1,139.3	1,139.3

STRATEGY DESCRIPTION AND JUSTIFICATION:

Section 825.312 of the Texas Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system. The method of finance established in the General Appropriations Act, House Bill 1, 88th Legislature, Regular Session provides funding for administrative operations primarily from the Pension Trust Fund. Section 825.313(d) provides that the board of trustees may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 3 Administrative Operations

Service Categories:

Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Administrative needs are driven substantially by growth in membership and the prudent management of the investment portfolio. This request includes the annualized cost of the customer service improvement initiatives, which aim to enhance the quality and efficiency of services provided to members and annuitants. TRS has made significant strides in addressing the challenges faced in customer service and is continuing efforts to update business processes and core technologies used to deliver benefits and services to members and annuitants. This request prioritizes key initiatives for emerging technologies, as it relates to data management systems, artificial intelligence, and cyber security capabilities that protect all categories of TRS data.

Total membership in TRS is approximately 2 million members and is expected to increase by approximately 2% during the 2026-27 biennium. The amounts requested for investment management translate to an estimated cost of approximately 48.56 basis points per dollar invested for FY26 and approximately 45.38 basis points per dollar invested for FY27. A basis point is one one-hundredth of one percent, or 0.01 percent. The cost for benefit administration per member is estimated to be approximately \$74 each fiscal year. Benefit administration costs continue to be one of the lowest of any major state public pension fund.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 3 Administrative Operations

Service Categories:

Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL CHANGE	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$530,075,288	\$548,486,600	\$18,411,312	\$3,187,911	Funding for new headquarters utilities and operating costs
			\$6,327,000	Additional capital funds for the Investment Data Modernization Project
			\$8,896,401	Support for critical IT compliance initiatives to maintain data management systems, artificial intelligence, and cybersecurity capabilities used to store data that are primary drivers for performance
			\$18,411,312	Total of Explanation of Biennial Change

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 1 Sound Retirement System
STRATEGY: 4 TRS Retirement Additional Annuity Payment

Service Categories:

Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$0	\$5,000,000,000	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$0	\$5,000,000,000	\$0	\$0	\$0
Method of Financing:						
1	General Revenue Fund	\$0	\$5,000,000,000	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$0	\$5,000,000,000	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$0	\$0
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$0	\$5,000,000,000	\$0	\$0	\$0

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

This strategy provides supplemental funding to pay for benefit enhancements approved by the legislature.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System

STRATEGY: 4 TRS Retirement Additional Annuity Payment

Service Categories:

Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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In FY 2024, TRS received funding to provide benefit enhancements for eligible annuitants. \$1.6 billion for a one-time stipend following the enactment of Senate Bill 10, 88th Legislature, Regular Session, 2023; and \$3.4 billion for a cost-of-living adjustment to eligible retirees following the enactment of House Joint Resolution 2, 88th Legislature, Regular Session, 2023.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL CHANGE	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$5,000,000,000	\$0	\$(5,000,000,000)	\$(5,000,000,000)	One-time funding related to SB10, stipends for retirees (\$1.6B) and HJR2, a cost-of-living adjustment for retirees (\$3.4B).
			\$(5,000,000,000)	Total of Explanation of Biennial Change

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 2 Health Care Program for Public Education Retirees Funded by Statute
STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Statute. Estimated

Service Categories:
Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$474,356,993	\$474,190,449	\$486,045,210	\$531,597,805	\$542,229,761
TOTAL, OBJECT OF EXPENSE		\$474,356,993	\$474,190,449	\$486,045,210	\$531,597,805	\$542,229,761
Method of Financing:						
1	General Revenue Fund	\$474,356,993	\$474,190,449	\$486,045,210	\$531,597,805	\$542,229,761
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$474,356,993	\$474,190,449	\$486,045,210	\$531,597,805	\$542,229,761
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$531,597,805	\$542,229,761
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$474,356,993	\$474,190,449	\$486,045,210	\$531,597,805	\$542,229,761

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1575 of the Texas Insurance Code designates the Teacher Retirement System as trustee to administer the Texas Public School Employees Group Insurance Program (TRS-Care). The program is established to provide health care services for both retired public school employees and their eligible dependents. This strategy continues the agency's efforts to provide group health care benefits to retired public school employees by monitoring the performance of contract benefit providers , communicating health care plan features to retired public school employees, and resolving benefit disputes. Funds requested for this strategy relate only to the retiree health care program.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 2 Health Care Program for Public Education Retirees Funded by Statute Service Categories:

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Statute. Estimated Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The funding request for the retiree health benefits program assumes that the state will fund at the current level of 1.25% of active public school employee salaries for the 2026-27 biennium, that active employees will continue to contribute 0.65% of their salaries, and that the public schools will continue to contribute 0.75% of active public school employee salaries. At this level of funding, TRS projects it will have sufficient funding to maintain current premium and benefit levels through FY 2027.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL CHANGE	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$960,235,659	\$1,073,827,566	\$113,591,907	\$113,591,907	Increase to cover assumed payroll growth of 2% per year.
			\$113,591,907	Total of Explanation of Biennial Change

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 3 Health care for Public Ed Retirees Funded by Supplemental State Funds
STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Supplemental State Funds

Service Categories:
Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$0	\$0	\$0	\$0	\$0
TOTAL, OBJECT OF EXPENSE		\$0	\$0	\$0	\$0	\$0
Method of Financing:						
1	General Revenue Fund	\$0	\$0	\$0	\$0	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$0	\$0	\$0	\$0	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$0	\$0
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$0	\$0	\$0	\$0	\$0

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1575 of the Texas Insurance Code designates the Teacher Retirement System as trustee to administer the Texas Public School Employees Group Insurance Program (TRS-Care). The program is established to provide health care services for both retired public school employees and their eligible dependents. This strategy continues the agency's efforts to provide group health care benefits to retired public school employees by monitoring the performance of contract benefit providers , communicating health care plan features to retired public school employees, and resolving benefit disputes. Funds requested for this strategy relate only to the retiree health care program.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 3 Health care for Public Ed Retirees Funded by Supplemental State Funds

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Supplemental State Funds

Service Categories:
Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

No additional funding is requested for the TRS-Care program for the 2026-27 biennium.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL CHANGE	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$0	\$0	\$0		
			\$0	Total of Explanation of Biennial Change

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust
OBJECTIVE: 4 Healthcare for Public Ed Active Employees
STRATEGY: 1 Healthcare for Public Ed Active Employees

Service Categories:

Service: 22 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	\$0	\$588,518,000	\$0	\$450,000,000	\$0
TOTAL, OBJECT OF EXPENSE		\$0	\$588,518,000	\$0	\$450,000,000	\$0
Method of Financing:						
1	General Revenue Fund	\$0	\$588,518,000	\$0	\$450,000,000	\$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		\$0	\$588,518,000	\$0	\$450,000,000	\$0
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					\$450,000,000	\$0
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		\$0	\$588,518,000	\$0	\$450,000,000	\$0

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1579 of the Texas Insurance Codes designates the Teacher Retirement System as trustee to administer the Texas School Employees Uniform Group Health Coverage Act (TRS-ActiveCare). The program is established to provide health care services for eligible public school employees and their eligible dependents. This strategy continues the agency's efforts to provide group health care benefits to active public school employees by monitoring the performance of contract benefit providers, communicating health care plan features to active public school employees, and resolving benefit disputes. Funds requested for this strategy relate only to the Texas School Employees Uniform Group Health Coverage Act (TRS-ActiveCare).

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 4 Healthcare for Public Ed Active Employees Service Categories:

STRATEGY: 1 Healthcare for Public Ed Active Employees Service: 22 Income: A.2 Age: B.3

CODE	DESCRIPTION	Exp 2023	Est 2024	Bud 2025	BL 2026	BL 2027
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EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

For the 2024-25 biennium, the state legislature provided a one-time contribution of \$588.5 million to keep the average premium rate increase in TRS-ActiveCare below 10 percent. Estimates based on medical trend indicators, current enrollment, health costs are expected to grow 5% each year, premiums/funding amounts may need to increase depending on actual costs and enrollment experience. As employer interest in TRS-ActiveCare continues to rise TRS anticipates a significant increase to enrollment during the 2026-27 biennium.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

<u>STRATEGY BIENNIAL TOTAL - ALL FUNDS</u>		BIENNIAL CHANGE	<u>EXPLANATION OF BIENNIAL CHANGE</u>	
Base Spending (Est 2024 + Bud 2025)	Baseline Request (BL 2026 + BL 2027)		\$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
\$588,518,000	\$450,000,000	\$(138,518,000)	\$(138,518,000)	Estimated 2026-27 funding to maintain TRS-ActiveCare premium increases below 10 percent.
			\$(138,518,000)	Total of Explanation of Biennial Change

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629
METHODS OF FINANCE (INCLUDING RIDERS):				\$4,431,715,432	\$4,082,945,629
METHODS OF FINANCE (EXCLUDING RIDERS):	\$3,246,356,324	\$9,142,736,577	\$3,731,985,030	\$4,431,715,432	\$4,082,945,629
FULL TIME EQUIVALENT POSITIONS:	902.9	1,047.3	1,139.3	1,139.3	1,139.3

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:																																													
323	Teacher Retirement System	Don Green	8-23-2024	Baseline																																													
Current Rider Number	Page Number in 2024-25 GAA	Proposed Rider Language																																															
1	III-44	<p>Performance Measure Targets. The following is a listing of the key performance target levels for the Teacher Retirement System. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Teacher Retirement System. In order to achieve the objectives and service standards established by this Act, the Teacher Retirement System shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.</p> <table> <tr> <th></th><th><u>2024</u></th><th><u>2026</u></th><th><u>2025</u></th><th><u>2027</u></th></tr> <tr> <td colspan="5">A. Goal: TEACHER RETIREMENT SYSTEM</td></tr> <tr> <td colspan="5">Outcome (Results/Impact):</td></tr> <tr> <td>TRS Retirement Fund Annual Operating Expense Per Member in Dollars (Excluding Investment Expenses)</td><td>60.64</td><td><u>74.41</u></td><td>60.83</td><td><u>74.68</u></td></tr> <tr> <td>TRS Retirement Fund Investment Expense as Basis Points of Net Assets</td><td>13.14</td><td><u>48.56</u></td><td>12.32</td><td><u>45.38</u></td></tr> <tr> <td>Service Level Percentage of Calls Answered in a Specified Time Interval</td><td>80%</td><td><u>90%</u></td><td>80%</td><td><u>90%</u></td></tr> <tr> <td colspan="5">A.1.3. Strategy ADMINISTRATIVE OPERATIONS</td></tr> <tr> <td>Output (Volume)</td><td>100,000</td><td>100,000</td><td>100,000</td><td>100,000</td></tr> <tr> <td>Number of TRS Benefit Applications Processed</td><td></td><td></td><td></td><td></td></tr> </table> <p><i>The rider has been revised to reflect fiscal years 2026 and 2027 projected performance measure targets.</i></p>				<u>2024</u>	<u>2026</u>	<u>2025</u>	<u>2027</u>	A. Goal: TEACHER RETIREMENT SYSTEM					Outcome (Results/Impact):					TRS Retirement Fund Annual Operating Expense Per Member in Dollars (Excluding Investment Expenses)	60.64	<u>74.41</u>	60.83	<u>74.68</u>	TRS Retirement Fund Investment Expense as Basis Points of Net Assets	13.14	<u>48.56</u>	12.32	<u>45.38</u>	Service Level Percentage of Calls Answered in a Specified Time Interval	80%	<u>90%</u>	80%	<u>90%</u>	A.1.3. Strategy ADMINISTRATIVE OPERATIONS					Output (Volume)	100,000	100,000	100,000	100,000	Number of TRS Benefit Applications Processed				
	<u>2024</u>	<u>2026</u>	<u>2025</u>	<u>2027</u>																																													
A. Goal: TEACHER RETIREMENT SYSTEM																																																	
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A.1.3. Strategy ADMINISTRATIVE OPERATIONS																																																	
Output (Volume)	100,000	100,000	100,000	100,000																																													
Number of TRS Benefit Applications Processed																																																	

3.B. Rider Revisions and Additions Request

2	III-44	<p>Capital Budget. None of the funds appropriated above for Strategy A.1.3, Administrative Operations, may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes.</p> <table><thead><tr><th></th><th><u>2024</u></th><th><u>2026</u></th><th><u>2025</u></th><th><u>2027</u></th></tr></thead><tbody><tr><td>a. Repair or Rehabilitation of Buildings and Facilities</td><td></td><td></td><td></td><td></td></tr><tr><td> (1) Building Renovations <u>Maintenance</u></td><td>3,000,000</td><td>\$3,000,000</td><td>UB</td><td>UB</td></tr><tr><td> (2) Security Renovations</td><td>200,000</td><td>\$0</td><td>UB</td><td>UB</td></tr><tr><td>Total, Repair or Rehabilitation of Building and Facilities</td><td>3,200,000</td><td><u>\$3,000,000</u></td><td>UB</td><td>UB</td></tr><tr><td>b. Acquisition of Information Resource Technologies</td><td></td><td></td><td></td><td></td></tr><tr><td> (1) IT Infrastructure Upgrades</td><td>7,300,000</td><td>\$7,300,000</td><td>UB</td><td>UB</td></tr><tr><td> (2) Investment Data Modernization</td><td>25,773,000</td><td><u>\$32,100,000</u></td><td>UB</td><td>UB</td></tr><tr><td>Total, Acquisition of Information Resource Technologies</td><td>33,073,000</td><td><u>\$39,400,000</u></td><td>UB</td><td>UB</td></tr><tr><td>c. Data Center/Shared Technology Services</td><td></td><td></td><td></td><td></td></tr><tr><td> (1) Data Center Services</td><td>1,110,805</td><td>\$2,180,000</td><td>953,101</td><td><u>UB</u></td></tr><tr><td>Total, Capital Budget</td><td>37,383,805</td><td>\$44,580,000</td><td>953,101</td><td><u>UB</u></td></tr><tr><td colspan="5">Method of Financing (Capital Budget):</td></tr><tr><td>Teacher Retirement System Trust Account Fund No. 960</td><td>37,383,805</td><td><u>\$44,580,000</u></td><td>953,101</td><td><u>UB</u></td></tr><tr><td>Total, Method of Financing</td><td>37,383,805</td><td><u>\$44,580,000</u></td><td>953,101</td><td><u>UB</u></td></tr></tbody></table> <p><i>The proposed revisions to the rider reflect the 2026-27 Capital Budget Request.</i></p>		<u>2024</u>	<u>2026</u>	<u>2025</u>	<u>2027</u>	a. Repair or Rehabilitation of Buildings and Facilities					(1) Building Renovations <u>Maintenance</u>	3,000,000	\$3,000,000	UB	UB	(2) Security Renovations	200,000	\$0	UB	UB	Total, Repair or Rehabilitation of Building and Facilities	3,200,000	<u>\$3,000,000</u>	UB	UB	b. Acquisition of Information Resource Technologies					(1) IT Infrastructure Upgrades	7,300,000	\$7,300,000	UB	UB	(2) Investment Data Modernization	25,773,000	<u>\$32,100,000</u>	UB	UB	Total, Acquisition of Information Resource Technologies	33,073,000	<u>\$39,400,000</u>	UB	UB	c. Data Center/Shared Technology Services					(1) Data Center Services	1,110,805	\$2,180,000	953,101	<u>UB</u>	Total, Capital Budget	37,383,805	\$44,580,000	953,101	<u>UB</u>	Method of Financing (Capital Budget):					Teacher Retirement System Trust Account Fund No. 960	37,383,805	<u>\$44,580,000</u>	953,101	<u>UB</u>	Total, Method of Financing	37,383,805	<u>\$44,580,000</u>	953,101	<u>UB</u>
	<u>2024</u>	<u>2026</u>	<u>2025</u>	<u>2027</u>																																																																									
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3	III-44	<p>Updated Actuarial Valuation. The Teacher Retirement System shall contract with an actuary to perform a limited actuarial valuation of the assets and liabilities of the Teacher Retirement System as of February 28 in those years when the Legislature meets in regular session. The purpose of the valuation shall be to determine the effect of investment, salary, and payroll experience on the unfunded liability, the amortization period, and the state contribution rate which results in a 30- year amortization period of the retirement system.</p> <p><i>No change to Rider 3 for the 2026-2027 biennium.</i></p>																																																																											

3.B. Rider Revisions and Additions Request

4	III-45	<p>State Contribution to Teacher Retirement Program. The amounts specified above in Strategy A.1.1, TRS-Public Education Retirement, \$2,460,565,824 <u>\$2,789,266,927</u> in fiscal year 2024 <u>2026</u> and \$2,668,969,876 <u>\$2,900,837,604</u> in fiscal year 2025 <u>2027</u>, and A.1.2, TRS-Higher Education Retirement, \$323,115,862 <u>\$369,237,900</u> in fiscal year 2024 <u>2026</u> and \$338,241,098 <u>\$383,004,464</u> in fiscal year 2025 <u>2027</u> are based on a state contribution of 8.25 percent of payroll in year 2024 <u>2026</u> and 8.25 percent in year 2025 <u>2027</u> of the biennium, estimated.</p> <p><i>The rider has been revised to reflect fiscal years 2026 and 2027 projected state matching contributions.</i></p>
5	III-45	<p>State Contribution to Texas Public School Retired Employees Group Insurance Program. The amounts specified above in Strategy A.2.1, Retiree Health-Statutory Funds, \$474,190,449 <u>\$531,597,805</u> in fiscal year 2024 <u>2026</u> and \$486,045,210 <u>\$542,229,761</u> in fiscal year 2025 <u>2027</u> are based on a state contribution of 1.25 percent of payroll for each fiscal year, estimated.</p> <p>The retirement system shall notify the Legislative Budget Board, the Governor, and its membership prior to establishing premiums, regarding the impact such premiums will have on retiree costs for TRS-Care insurance.</p> <p>It is the intent of the Legislature that the Teacher Retirement System control the cost of the retiree insurance program by not providing rate increases to health care providers and pharmacy providers during the 2024-25 <u>26-27</u> biennium without providing 60 days notice to the Legislative Budget Board.</p> <p><i>The rider has been revised to reflect fiscal years 2026 and 2027 projected state matching contributions.</i></p>
6	III-45	<p>Excess Benefit Arrangement Account. There is hereby appropriated to the Teacher Retirement System all funds transferred or deposited into the Excess Benefit Arrangement Account established in the General Revenue Fund for the purpose of paying benefits as authorized by Government Code §825.517.</p> <p><i>No change to Rider 6 for the 2026-2027 biennium.</i></p>
7	III-45	<p>Transfer of Other Educational and General Income. The Comptroller of Public Accounts is hereby authorized to transfer the necessary appropriations made above in Strategy A.1.2, TRS-Higher Education Retirement from Other Educational and General Income to institutions of higher education to meet their obligations and comply with the proportionality policy as expressed in the Article IX provision entitled Benefits Paid Proportional by Method of Finance.</p> <p><i>No change to Rider 7 for the 2026-2027 biennium</i></p>

3.B. Rider Revisions and Additions Request

8	III-45	<p>Exempt Positions. Notwithstanding the limitations contained in the Article IX provision entitled Scheduled Exempt Positions, the TRS Board of Trustees may determine the salaries of the positions listed above in the Schedule of Exempt Positions without limitation.</p> <p><i>No change to Rider 8 for the 2026-2027 biennium</i></p>
9	III-45	<p>Annual School District Contribution Rate to TRS-Care. The annual contribution rate for school districts for fiscal years 2024 <u>2026</u> and 2025 <u>2027</u> shall be 0.75 percent of total payroll.</p> <p><i>The rider has been revised to reflect fiscal years 2026 and 2027.</i></p>
10	III-45	<p>Full-Time Equivalent Positions Intern Exemption. The number of Full-Time Equivalent (FTE) positions associated with the Teacher Retirement System's (TRS) Internship Program held by undergraduate students, trade school students, community college students, law school students, graduate school students, or post-graduate fellowship recipients in the Intern Program of the Teacher Retirement System (TRS) shall be exempt from Article IX, Sec. 6.10. Limitation on State Employment Levels. This provision will not change the cap on the Number of Full-Time Equivalents (FTE) for TRS listed elsewhere in this Act. TRS shall provide to the Legislative Budget Board, the Governor, the Comptroller of Public Accounts, and the State Auditor's Office a report of the number of FTEs associated with the Intern Program each fiscal year.</p> <p><i>No change to Rider 10 for the 2026-2027 biennium</i></p>
11	III-45	<p>Limitation on Retirement Contributions to Public Community/Junior Colleges. General Revenue related funds appropriated above in Strategy A.1.2, TRS - Higher Education Retirement, for retirement contributions for Public Community/Junior Colleges are limited to 50 percent of the state contribution of 8.25 percent in fiscal year 2024 <u>2026</u> and 8.25 percent in fiscal year 2025 <u>2027</u> of the total covered payroll for Public Community and Junior Colleges, in accordance with Government Code Section 825.4071.</p> <p><i>The rider has been revised to reflect fiscal years 2026 and 2027.</i></p>
12	III-45	<p>Performance Incentive Compensation Payments. The Teacher Retirement System Board of Trustees may make performance incentive compensation payments to the staff of the Investment Management Division based on investment performance standards adopted by the Board prior to the beginning of the period for which any additional compensation is paid. Such amounts as may be necessary to make performance incentive payment under the plan approved by the Board are hereby appropriated from the Teacher Retirement System Pension Trust Fund Account Fund No. 960.</p> <p>The Teacher Retirement System Board of Trustees shall notify the Legislative Budget Board and the Governor at least 45 days prior to the execution of any performance incentive payment based on the Retirement Trust Fund's investment performance. Funds shall be appropriated pursuant to this rider for performance incentive payments only in a fiscal year following a year in which the Retirement Trust Fund experiences a positive return.</p> <p><i>No change to Rider 12 for the 2026-2027 biennium.</i></p>

3.B. Rider Revisions and Additions Request

13	III-46	<p>Settle-Up Dollars Directed to TRS-Care. Any settle-up payments made in the fiscal year ending August 31, 2025 <u>2027</u>, from the Teacher Retirement System of Texas pension fund or from the TRS-Care program are appropriated to the TRS-Care program. Settle-up funds are all estimated General Revenue appropriations for fiscal year 2024 <u>2026</u> in excess of the state's actual statutory obligations for retirement and retiree insurance contributions, and those funds are re-appropriated to the TRS-Care program, for deposit to the Texas Public School Retired Employees Group Insurance Trust Fund. For the purposes of this section, settle-up payments from the pension fund include any net payments made in excess of the state's total obligation to both Public Education Retirement and Higher Education Retirement.</p> <p><i>The rider has been revised to reflect fiscal years 2026 and 2027.</i></p>
14	III-46	<p>Appropriation Transfers between Fiscal Years for TRS-Care. In addition to the transfer authority provided elsewhere in this Act and in order to provide for benefits through the Texas Public School Retired Employees Group Benefits Program (TRS-Care), the Teacher Retirement System is authorized to transfer General Revenue funds appropriated to Strategy A.2.1, Retiree Health - Statutory Funds, in fiscal year 2025 <u>2027</u> to fiscal year 2024 <u>2026</u> and such funds are appropriated for fiscal year 2024 <u>2026</u>. Such transfers may only be made subject to the following:</p> <ul style="list-style-type: none"> a. Transfers under this section may be requested only upon a finding by the TRS Board of Trustees that the fiscal year 2024 <u>2026</u> costs associated with providing retiree health benefits will exceed the funds appropriated for these services for fiscal year 2024 <u>2026</u>. b. A transfer is not authorized by this section unless it receives the prior written approval of the Governor and the Legislative Budget Board. c. The Comptroller of Public Accounts shall cooperate as necessary to assist the completion of a transfer and spending made under this section. <p><i>The rider has been revised to reflect fiscal years 2026 and 2027.</i></p>
15	III-46	<p>Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation. Upon a finding of fact by the Teacher Retirement System Board of Trustees that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements, the Teacher Retirement System is appropriated such additional funds as approved by the Board from the Teacher Retirement System Pension Trust Fund Account No. 960 to communicate such guidelines to affected members and employers, and to acquire additional audit and actuarial services as needed for implementation.</p> <p>Within thirty days of such a finding, the Teacher Retirement System Board of Trustees shall provide written notification to the Legislative Budget Board and the Governor of the amounts anticipated to be necessary to achieve these purposes.</p> <p><i>No change to Rider 15 for the 2026-2027 biennium.</i></p>

3.B. Rider Revisions and Additions Request

16	III-46	<p>TRS-Care Shortfall. It is the intent of the Legislature that resolving the long-term solvency of TRS-Care be a shared fiscal responsibility between the state, school districts, employees, and retirees.</p> <p><i>No change to Rider 16 for the 2026-2027 biennium.</i></p>
17	III-46	<p>Medicare Enrollment for Eligible Members of TRS-Care. Out of funds appropriated above, TRS shall identify members of TRS-Care who are eligible for Social Security Disability or Medicare benefits, and provide information and assistance necessary for eligible members to enroll in the programs to help ensure the solvency of the TRS-Care fund.</p> <p><i>No change to Rider 17 for the 2026-2027 biennium.</i></p>
18	III-46	<p>Right to Shop Incentive. It is the intent of the Legislature that the Teacher Retirement System incentivize members of TRS-Care and TRS-ActiveCare to shop for lower cost care within the health plans in order to achieve shared savings. Pursuant to the provisions of Insurance Code Section 1575.109, Section 1579.052, and Article IX, Section 7.11, Notification of Certain Purchases or Contract Awards, Amendments, and Extensions, the agency may contract with a third-party vendor for this purpose.</p> <p><i>No change to Rider 18 for the 2026-2027 biennium.</i></p>
19	III-46	<p>Exception to FTE Limitation for Board Fiduciary Finding.</p> <ul style="list-style-type: none"> a. In addition to the funding and "Number of Full-Time Equivalents (FTE)" appropriated above, the Teacher Retirement System (TRS) is authorized to employ additional FTEs and contract workers under a Fiduciary Finding of the TRS Board of Trustees (the Board) if the Board determines the additional staff are necessary to perform the fiduciary duties of the Board, pursuant to Government Code §825.313. b. It is the intent of the Legislature that the Board approve a statement of justifications and objectives for adopting the additional FTEs, contract workers, and any additional funding related to those staff. No later than 30 business days following the adoption of a Fiduciary Finding pursuant to subsection (a), TRS shall submit to the Legislative Budget Board (LBB) and the Governor: <ul style="list-style-type: none"> (a) A statement of the justifications and objectives for the additional funding and staff; (b) The current operating budget, as approved by the Board, for each fiscal year of the 2024<u>2026</u> - 2025<u>2027</u> biennium that is amended by the Fiduciary Finding described in subsection (a); (c) Performance metrics proposed by TRS to evaluate the impact of additional staff on the Board's objectives in approving the additional staff; and (d) Any additional information requested by the LBB or the Governor regarding the Fiduciary Finding described in subsection (a).

3.B. Rider Revisions and Additions Request

		<p>c. No later than October 31 following a fiscal year for which the TRS Board has adopted a Fiduciary Finding described in subsection (a), TRS shall provide a report to the LBB and the Governor on:</p> <ul style="list-style-type: none"> (a) The actual number of additional FTEs and contract workers hired during the preceding fiscal year pursuant to subsection (a); (b) The actual total expenditures for the preceding fiscal year related to additional FTEs and contract workers described in subsection (c) (1); and (c) A report on the agency's actual performance on metrics described in subsection (b)(3) for the preceding fiscal year. <p><i>The rider has been revised to reflect fiscal years 2026 and 2027.</i></p>
20	III-47	<p>Analysis of High-Cost Hospital Claims.</p> <ul style="list-style-type: none"> a) It is the intent of the legislature that the Teacher Retirement System, using funds appropriated by this Act, engage a third party vendor to conduct a review of hospital claims of TRS Care and TRS ActiveCare enrollees that exceeded \$100,000 during the 2022 fiscal year and analyze itemized charges and medical records to determine any potential cost savings that could be realized by the system. b) Not later than September 1, 2024, the Teacher Retirement System shall provide to the Legislative Budget Board, the Governor, and the members of the Senate Finance Committee, Senate Health and Human Services Committee, House of Representatives Appropriations Committee, and House of Representatives Insurance Committee a report on the findings of the review and analysis. <p><i>This rider is no longer applicable.</i></p>
21	III-47	<p>Contingent Appropriation of Pension Trust Funds to consider an additional Regional Office. In addition to the amounts appropriated above and notwithstanding the provisions of Article IX, Section 6.10, Limitation on State Employment Levels, TRS is authorized to expend additional funds out of the TRS Pension Trust Fund and employ additional FTEs upon a finding of fact by the TRS Board of Trustees that additional resources are necessary to open an additional regional office. No later than 30 business days after such a finding, the TRS Board of Trustees shall notify the Legislative Budget Board (LBB) and the Governor of the amount of funding and number of FTEs anticipated to be necessary for these purposes.</p> <p><i>No change to Rider 21 for the 2026-2027 biennium.</i></p>

3.B. Rider Revisions and Additions Request

22	III-47	<p>Outside Legal Counsel . It is the intent of the Legislature that the Teacher Retirement System (TRS) shall confer with the Legislative Budget Board (LBB) before approving any settlement sought by TRS with its outside legal counsel contracted in fiscal year 2023<u>2025</u> and fiscal year 2024<u>2026</u> for healthcare related claims and litigation. This provision does not apply to settlements sought by TRS for subrogation cases or other cases defended by the Office of the Attorney General. The request shall be considered to be approved unless the LBB issues a written disapproval within 15 business days of the date upon receipt.</p> <p><i>The rider has been revised to reflect fiscal years 2025 and 2026.</i></p>
23	III-48	<p>Contingency for Senate Bill 10 and House Joint Resolution 2.1</p> <p>(a) Contingent on enactment of Senate Bill 10, or similar legislation relating to benefits paid by the Teacher Retirement System of Texas, by the Eighty-eighth Legislature, Regular Session, included in amounts appropriated above to the Teacher Retirement System (TRS) in Strategy A.1.4, TRS Retirement Additional Annuity Payment, is \$1,645,000,000 in fiscal year 2024 from General Revenue to provide a onetime supplemental payment to certain TRS retirees, pursuant to the provisions of the legislation.</p> <p>(b) Contingent on enactment of Senate Bill 10, or similar legislation relating to benefits paid by the Teacher Retirement System of Texas, and subsequent voter approval of the constitutional amendment proposed by House Joint Resolution 2, or similar legislation relating to benefits paid by the Teacher Retirement System of Texas, by the Eighty-eighth Legislature, Regular Session, included in amounts appropriated above to TRS in Strategy A.1.4, TRS Retirement Additional Annuity Payment, is \$3,355,000,000 in fiscal year 2024 from General Revenue to provide a cost of living adjustment to certain TRS retirees, pursuant to the provisions of the legislation.</p> <p>(c) It is the intent of the Legislature that any amounts directed by Subsection (b) shall be structured so as to not exceed the limit provided under Texas Constitution, Article VIII, Section 22, Limitation on the Rate of Growth of Appropriations.</p> <p><i>This rider is no longer applicable.</i></p>

5.A. Capital Budget Project Schedule
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2024**
TIME : **4:58:07PM**

Agency code: **323**

Agency name: **Teacher Retirement System**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE		Est 2024	Bud 2025	BL 2026	BL 2027
5003 Repair or Rehabilitation of Buildings and Facilities					
<i>1/1 Building Renovations</i>					
OBJECTS OF EXPENSE					
<u>Capital</u>					
General	2001 PROFESSIONAL FEES AND SERVICES	\$1,718,961	\$0	\$2,000,000	\$0
General	2009 OTHER OPERATING EXPENSE	\$1,281,039	\$0	\$1,000,000	\$0
Capital Subtotal OOE, Project 1		\$3,000,000	\$0	\$3,000,000	\$0
Subtotal OOE, Project 1		\$3,000,000	\$0	\$3,000,000	\$0
TYPE OF FINANCING					
<u>Capital</u>					
General	CA 960 TRS Trust Account Fund	\$3,000,000	\$0	\$3,000,000	\$0
Capital Subtotal TOF, Project 1		\$3,000,000	\$0	\$3,000,000	\$0
Subtotal TOF, Project 1		\$3,000,000	\$0	\$3,000,000	\$0
<i>2/2 Security Renovations</i>					
OBJECTS OF EXPENSE					
<u>Capital</u>					
General	2009 OTHER OPERATING EXPENSE	\$200,000	\$0	\$0	\$0
Capital Subtotal OOE, Project 2		\$200,000	\$0	\$0	\$0
Subtotal OOE, Project 2		\$200,000	\$0	\$0	\$0
TYPE OF FINANCING					
<u>Capital</u>					
General	CA 960 TRS Trust Account Fund	\$200,000	\$0	\$0	\$0

5.A. Capital Budget Project Schedule
89th Regular Session, Agency Submission, Version 1
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Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE	Est 2024	Bud 2025	BL 2026	BL 2027
Capital Subtotal TOF, Project 2	\$200,000	\$0	\$0	\$0
Subtotal TOF, Project 2	\$200,000	\$0	\$0	\$0
Capital Subtotal, Category 5003	\$3,200,000	\$0	\$3,000,000	\$0
Informational Subtotal, Category 5003				
Total, Category 5003	\$3,200,000	\$0	\$3,000,000	\$0

5005 Acquisition of Information Resource Technologies

3/3 IT Infrastructure Upgrades

OBJECTS OF EXPENSE

Capital

General	2001	PROFESSIONAL FEES AND SERVICES	\$800,000	\$0	\$800,000	\$0
General	2009	OTHER OPERATING EXPENSE	\$5,200,000	\$0	\$5,200,000	\$0
General	5000	CAPITAL EXPENDITURES	\$1,300,000	\$0	\$1,300,000	\$0
Capital Subtotal OOE, Project 3			\$7,300,000	\$0	\$7,300,000	\$0
Subtotal OOE, Project 3			\$7,300,000	\$0	\$7,300,000	\$0

TYPE OF FINANCING

Capital

General	CA	960 TRS Trust Account Fund	\$7,300,000	\$0	\$7,300,000	\$0
Capital Subtotal TOF, Project 3			\$7,300,000	\$0	\$7,300,000	\$0
Subtotal TOF, Project 3			\$7,300,000	\$0	\$7,300,000	\$0

4/4 Investment Data Modernization

OBJECTS OF EXPENSE

Capital

5.A. Capital Budget Project Schedule
89th Regular Session, Agency Submission, Version 1
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TIME : **4:58:07PM**

Agency code: **323**

Agency name: **Teacher Retirement System**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE		Est 2024	Bud 2025	BL 2026	BL 2027
General	2001 PROFESSIONAL FEES AND SERVICES	\$22,023,000	\$0	\$17,034,700	\$0
General	5000 CAPITAL EXPENDITURES	\$3,750,000	\$0	\$15,065,300	\$0
Capital Subtotal OOE, Project 4		\$25,773,000	\$0	\$32,100,000	\$0
Subtotal OOE, Project 4		\$25,773,000	\$0	\$32,100,000	\$0
TYPE OF FINANCING					
<u>Capital</u>					
General	CA 960 TRS Trust Account Fund	\$25,773,000	\$0	\$32,100,000	\$0
Capital Subtotal TOF, Project 4		\$25,773,000	\$0	\$32,100,000	\$0
Subtotal TOF, Project 4		\$25,773,000	\$0	\$32,100,000	\$0
Capital Subtotal, Category 5005		\$33,073,000	\$0	\$39,400,000	\$0
Informational Subtotal, Category 5005					
Total, Category 5005		\$33,073,000	\$0	\$39,400,000	\$0

7000 Data Center/Shared Technology Services

5/5 Data Center Services

OBJECTS OF EXPENSE

Capital

General	2001 PROFESSIONAL FEES AND SERVICES	\$1,110,805	\$953,101	\$2,180,000	\$0
Capital Subtotal OOE, Project 5		\$1,110,805	\$953,101	\$2,180,000	\$0
Subtotal OOE, Project 5		\$1,110,805	\$953,101	\$2,180,000	\$0

TYPE OF FINANCING

Capital

5.A. Capital Budget Project Schedule
89th Regular Session, Agency Submission, Version 1
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Agency name: **Teacher Retirement System**

Category Code / Category Name

Project Sequence/Project Id/ Name

OOE / TOF / MOF CODE				Est 2024	Bud 2025	BL 2026	BL 2027
General	CA	960	TRS Trust Account Fund	\$1,110,805	\$953,101	\$2,180,000	\$0
			Capital Subtotal TOF, Project 5	\$1,110,805	\$953,101	\$2,180,000	\$0
			Subtotal TOF, Project 5	\$1,110,805	\$953,101	\$2,180,000	\$0
			Capital Subtotal, Category 7000	\$1,110,805	\$953,101	\$2,180,000	\$0
			Informational Subtotal, Category 7000				
			Total, Category 7000	\$1,110,805	\$953,101	\$2,180,000	\$0
			AGENCY TOTAL -CAPITAL	\$37,383,805	\$953,101	\$44,580,000	\$0
			AGENCY TOTAL -INFORMATIONAL				
			AGENCY TOTAL	\$37,383,805	\$953,101	\$44,580,000	\$0
			METHOD OF FINANCING:				
			<u>Capital</u>				
General		960	TRS Trust Account Fund	\$37,383,805	\$953,101	\$44,580,000	\$0
			Total, Method of Financing-Capital	\$37,383,805	\$953,101	\$44,580,000	\$0
			Total, Method of Financing	\$37,383,805	\$953,101	\$44,580,000	\$0
			TYPE OF FINANCING:				
			<u>Capital</u>				
General	CA		CURRENT APPROPRIATIONS	\$37,383,805	\$953,101	\$44,580,000	\$0
			Total, Type of Financing-Capital	\$37,383,805	\$953,101	\$44,580,000	\$0
			Total,Type of Financing	\$37,383,805	\$953,101	\$44,580,000	\$0

5.B. Capital Budget Project Information
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2024
TIME: 4:58:08PM

Agency Code:	323	Agency name:	Teacher Retirement System
Category Number:	5003	Category Name:	REPAIR OR REHABILITATION
Project number:	1	Project Name:	Building Renovations

PROJECT DESCRIPTION

General Information

TRS owns, operates, and maintains its headquarters facilities. This project provides funds for maintaining facilities to provide a physical work environment that is safe and enhances productivity and to achieve more effective utilization of space.

PLCS Tracking Key

Number of Units / Average Unit Cost	N/A
Estimated Completion Date	Ongoing

Additional Capital Expenditure Amounts Required	2028	2029
	0	0

Type of Financing	CA	CURRENT APPROPRIATIONS
Projected Useful Life	Ongoing	
Estimated/Actual Project Cost	\$3,000,000	
Length of Financing/ Lease Period	N/A	

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

	2026	2027	2028	2029	Total over project life
	0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
---------------------------------	------------------------	------------------------------

Explanation: This project provides funds for maintaining facilities to provide a physical work environment that is safe and enhances productivity and to achieve a more effective utilization of space.

Project Location: Austin, TX

Beneficiaries: TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.

Frequency of Use and External Factors Affecting Use:

TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.

5.B. Capital Budget Project Information
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2024
TIME: 4:58:08PM

Agency Code:	323	Agency name:	Teacher Retirement System
Category Number:	5003	Category Name:	REPAIR OR REHABILITATION
Project number:	2	Project Name:	Security Renovations

PROJECT DESCRIPTION

General Information

TRS must be prepared to replace aging security equipment due to useful life issues which are resulting in equipment failure. This project anticipates useful life issues and supports the agency's overall mission ensuring a safe and secure environment at TRS. The TRS Security Division is responsible for safety and security at TRS and requires surveillance and access managements systems to assist in this responsibility. This system is comprised of cameras and badge access readers located throughout TRS. The objective of this project is to maintain the technological infrastructure that supports the Security Division's ability to ensure continued safety and security at TRS. This project is strategic and will be ongoing.

PLCS Tracking Key

Number of Units / Average Unit Cost	N/A
Estimated Completion Date	August 31, 2025

Additional Capital Expenditure Amounts Required	2028	2029
	0	0
Type of Financing	CA CURRENT APPROPRIATIONS	
Projected Useful Life	Ongoing	
Estimated/Actual Project Cost	\$0	
Length of Financing/ Lease Period	N/A	

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

				Total over project life
2026	2027	2028	2029	
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
---------------------------------	------------------------	------------------------------

Explanation: This project provides funds for refreshing and updating security equipment to provide a safe and secure environment at TRS. Austin, TX

Project Location: TRS membership and staff.

Beneficiaries:

Frequency of Use and External Factors Affecting Use:

TRS utilizes security equipment daily to ensure a safe and secure environment for staff, members, and visitors.

5.B. Capital Budget Project Information
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2024
TIME: 4:58:08PM

Agency Code:	323	Agency name:	Teacher Retirement System
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	3	Project Name:	IT Infrastructure Upgrades

PROJECT DESCRIPTION

General Information

This project encapsulates the support of implementation and maintenance of IT infrastructure to reduce capacity constraints and issues with compatibility and obsolescence. The project provides the development, design, implementation and maintenance of the IT infrastructure as relates to premise-based and cloud-based infrastructure application and security requirements. In addition, this project will provide a strategy for replacing and upgrading aging equipment and technology including replacement of compute and storage systems, mobile and workstation devices, utilizing cloud-based alternatives as appropriate, and ongoing improvements of the agency Disaster Recovery strategy. As TRS facilitates a hybrid work environment, these activities will enable TRS to continue to be flexible in supporting our Digital Business Transformation and work from anywhere approach.

PLCS Tracking Key

Number of Units / Average Unit Cost

N/A

Estimated Completion Date

Ongoing

Additional Capital Expenditure Amounts Required

2028

2029

0

0

Type of Financing

CA

CURRENT APPROPRIATIONS

Projected Useful Life

Ongoing

Estimated/Actual Project Cost

\$7,300,000

Length of Financing/ Lease Period

N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2026

2027

2028

2029

**Total over
project life**

0

0

0

0

0

REVENUE GENERATION / COST SAVINGS

REVENUE COST FLAG

MOF CODE

AVERAGE AMOUNT

Explanation: As TRS facilitates a hybrid work environment, these activities will enable TRS to continue to be flexible in supporting our Digital Business Transformation and work from anywhere approach.

Project Location: Austin, Texas

Beneficiaries: TRS membership and staff.

Frequency of Use and External Factors Affecting Use:

Hardware and software components will be used daily. The external factors affecting the use of items are membership growth, benefits legislation, changes to investment portfolio tools, and public education school growth.

5.B. Capital Budget Project Information
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2024
TIME: 4:58:08PM

Agency Code:	323	Agency name:	Teacher Retirement System
Category Number:	5005	Category Name:	ACQUISITN INFO RES TECH.
Project number:	4	Project Name:	Investment Data Modernization

PROJECT DESCRIPTION

General Information

The strategic goal of this project is to modernize TRS' data management systems with industry standard solutions that provide reliable data in support of investment decision making. The project will enhance the ability to reliably perform fiduciary oversight of the Trust asset valuation and performance, addressing the gap in functional and technical capabilities in our current data architectures and systems. The project is focused on five key capabilities that include data management, an investment book of record, a parallel accounting book, intelligent document processing, and centralized secure access to investment data. To achieve these capabilities, the project will implement investment management software and a modern data analytics platform that will support TRS staff to exercise robust fiduciary oversight of the Trust. In addition, using data from those investment systems as well as from the market, our custodian and other counterparties, the platform will help TRS staff make better investment decisions

PLCS Tracking Key

Number of Units / Average Unit Cost	N/A
Estimated Completion Date	August 31,2028

Additional Capital Expenditure Amounts Required	2028	2029
	0	0
Type of Financing	CA CURRENT APPROPRIATIONS	
Projected Useful Life	5 years	
Estimated/Actual Project Cost	\$66,429,000	
Length of Financing/ Lease Period	N/A	

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

	2026	2027	2028	2029	Total over project life
	0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
---------------------------------	------------------------	------------------------------

Explanation: The TRS Board of Trustees approved a 5-year Investment Data Modernization effort to modernize TRS' investment data platform and systems to improve trust asset monitoring and fiduciary oversight.

Project Location: Austin, TX

Beneficiaries: TRS membership and staff.

Frequency of Use and External Factors Affecting Use:

Used daily. The external factors affecting the use of this system are changes in the investment portfolio and external partners.

5.B. Capital Budget Project Information
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/22/2024
TIME: 4:58:08PM

Agency Code:	323	Agency name:	Teacher Retirement System
Category Number:	7000	Category Name:	Data Center/Shared Technology Svcs
Project number:	5	Project Name:	Data Center Services

PROJECT DESCRIPTION

General Information

Texas Government Code §2054.375, Subchapter L. Statewide Technology Centers requires DIR to manage consolidated statewide data centers and identify agencies for participation. The Data Center Services program funds the consumption of print/mail services and continued managed security vulnerability services through the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.

PLCS Tracking Key

Number of Units / Average Unit Cost	N/A
Estimated Completion Date	Ongoing

Additional Capital Expenditure Amounts Required	2028	2029
	0	0

Type of Financing	CA	CURRENT APPROPRIATIONS
Projected Useful Life	Ongoing	
Estimated/Actual Project Cost	\$2,180,000	
Length of Financing/ Lease Period	N/A	

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

	2026	2027	2028	2029	Total over project life
	0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

<u>REVENUE COST FLAG</u>	<u>MOF CODE</u>	<u>AVERAGE AMOUNT</u>
---------------------------------	------------------------	------------------------------

Explanation: TRS is required to use the DIR-managed Data Center Services.

Project Location: Austin, TX

Beneficiaries: TRS staff.

Frequency of Use and External Factors Affecting Use:

Used daily.

Agency code: 323 Agency name: Teacher Retirement System

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027
5003 Repair or Rehabilitation of Buildings and Facilities					
<i>1/1</i>	<i>Building Renovations</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-3 ADMINISTRATIVE OPERATIONS	3,000,000	0	\$3,000,000	\$0
	TOTAL, PROJECT	\$3,000,000	\$0	\$3,000,000	\$0
<i>2/2</i>	<i>Security Renovations</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-3 ADMINISTRATIVE OPERATIONS	200,000	0	0	0
	TOTAL, PROJECT	\$200,000	\$0	\$0	\$0
5005 Acquisition of Information Resource Technologies					
<i>3/3</i>	<i>IT Infrastructure Upgrades</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-3 ADMINISTRATIVE OPERATIONS	7,300,000	0	7,300,000	0
	TOTAL, PROJECT	\$7,300,000	\$0	\$7,300,000	\$0
<i>4/4</i>	<i>Investment Data Modernization</i>				
<u>GENERAL BUDGET</u>					
Capital	1-1-3 ADMINISTRATIVE OPERATIONS	25,773,000	0	32,100,000	0
	TOTAL, PROJECT	\$25,773,000	\$0	\$32,100,000	\$0

7000 Data Center/Shared Technology Services

5.C. Capital Budget Allocation to Strategies (Baseline)
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: **8/22/2024**
TIME: **4:58:08PM**

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027	
5/5	Data Center Services					
<u>GENERAL BUDGET</u>						
Capital	1-1-3	ADMINISTRATIVE OPERATIONS	1,110,805	953,101	\$2,180,000	\$0
		TOTAL, PROJECT	\$1,110,805	\$953,101	\$2,180,000	\$0
		TOTAL CAPITAL, ALL PROJECTS	\$37,383,805	\$953,101	\$44,580,000	\$0
		TOTAL INFORMATIONAL, ALL PROJECTS				
		TOTAL, ALL PROJECTS	\$37,383,805	\$953,101	\$44,580,000	\$0

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027
5003 Repair or Rehabilitation of Buildings and Facilities					
1 Building Renovations					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
<u>General Budget</u>					
2001	PROFESSIONAL FEES AND SERVICES	1,718,961	0	2,000,000	0
2009	OTHER OPERATING EXPENSE	1,281,039	0	1,000,000	0
TOTAL, OOE's		\$3,000,000	\$0	3,000,000	0
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
<u>General Budget</u>					
960	TRS Trust Account Fund	3,000,000	0	3,000,000	0
TOTAL, OTHER FUNDS		\$3,000,000	\$0	3,000,000	0
TOTAL, MOF's		\$3,000,000	\$0	3,000,000	0

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027
2 Security Renovations					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
2009	OTHER OPERATING EXPENSE	200,000	0	0	0
TOTAL, OOE's		\$200,000	\$0	0	0
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	200,000	0	0	0
TOTAL, OTHER FUNDS		\$200,000	\$0	0	0
TOTAL, MOF's		\$200,000	\$0	0	0

5005 Acquisition of Information Resource Technologies

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027
3 IT Infrastructure Upgrades					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
2001	PROFESSIONAL FEES AND SERVICES	800,000	0	800,000	0
2009	OTHER OPERATING EXPENSE	5,200,000	0	5,200,000	0
5000	CAPITAL EXPENDITURES	1,300,000	0	1,300,000	0
TOTAL, OOE's		\$7,300,000	\$0	7,300,000	0
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	7,300,000	0	7,300,000	0
TOTAL, OTHER FUNDS		\$7,300,000	\$0	7,300,000	0
TOTAL, MOF's		\$7,300,000	\$0	7,300,000	0

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027
4 Investment Data Modernization					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
2001	PROFESSIONAL FEES AND SERVICES	22,023,000	0	17,034,700	0
5000	CAPITAL EXPENDITURES	3,750,000	0	15,065,300	0
TOTAL, OOE's		\$25,773,000	\$0	32,100,000	0
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	25,773,000	0	32,100,000	0
TOTAL, OTHER FUNDS		\$25,773,000	\$0	32,100,000	0
TOTAL, MOF's		\$25,773,000	\$0	32,100,000	0

7000 Data Center/Shared Technology Services

323 Teacher Retirement System

Category Code/Name					
Project Sequence/Name					
Goal/Obj/Str	Strategy Name	Est 2024	Bud 2025	BL 2026	BL 2027
5 Data Center Services					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
2001	PROFESSIONAL FEES AND SERVICES	1,110,805	953,101	2,180,000	0
TOTAL, OOE's		\$1,110,805	\$953,101	2,180,000	0
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	1,110,805	953,101	2,180,000	0
TOTAL, OTHER FUNDS		\$1,110,805	\$953,101	2,180,000	0
TOTAL, MOF's		\$1,110,805	\$953,101	2,180,000	0

323 Teacher Retirement System

		Est 2024	Bud 2025	BL 2026	BL 2027
CAPITAL					
General Budget					
OTHER FUNDS					
TOTAL, GENERAL BUDGET		\$37,383,805	\$953,101	44,580,000	0
		37,383,805	953,101	44,580,000	0
TOTAL, ALL PROJECTS		\$37,383,805	\$953,101	44,580,000	0

6.A. Historically Underutilized Business Supporting Schedule
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: **8/22/2024**
Time: **4:58:09PM**

Agency Code: **323** Agency: **Teacher Retirement System**

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year - HUB Expenditure Information

Statewide HUB Goals	Procurement Category	% Goal	HUB Expenditures FY 2022			Total Expenditures FY 2022		HUB Expenditures FY 2023			Total Expenditures FY 2023	
			% Actual	Diff	Actual \$	% Goal		% Actual	Diff	Actual \$	% Goal	
32.9%	Special Trade	40.0 %	69.2%	29.2%	\$698,149	40.0 %		84.8%	44.8%	\$1,664,722	40.0 %	
23.7%	Professional Services	10.0 %	0.0%	-10.0%	\$0	10.0 %		0.0%	-10.0%	\$0	10.0 %	
26.0%	Other Services	25.0 %	30.9%	5.9%	\$10,501,676	25.0 %		31.9%	6.9%	\$12,479,852	25.0 %	
21.1%	Commodities	40.0 %	22.2%	-17.8%	\$884,435	30.0 %		30.8%	0.8%	\$1,296,808	30.0 %	
	Total Expenditures		29.3%		\$12,084,260		\$41,200,163	31.4%		\$15,441,382		\$49,132,232

B. Assessment of Attainment of HUB Procurement Goals

Attainment:

The agency exceeded two of four categories, or 50%, of the applicable agency HUB procurement goals in fiscal year 2022, and three of four categories, or 75% in fiscal year 2023. In FY 2023, TRS exceeded the goals in Special Trade and Other Services, with 44.8% and 6.9% over FY 2023 TRS goals, respectively. TRS continues to improve in HUB vendor utilization with an overall percentage of 31.4%, which is up from FY 2022 and higher than the overall State of Texas performance of 12.8%.

Applicability:

The "Heavy Construction" and "Building Construction" categories are not applicable to agency operations in either FY 2022 or FY 2023.

Factors Affecting Attainment:

TRS goals are set by the TRS Board of Trustees and historically, TRS' HUB goals are higher than the State goals, except for the Professional Services category. In FY 2022, TRS did not meet the goal of 40% in the Commodities category which had been dropping over the last few years. For FY 2023, the TRS Board reduced the Commodities goal from 40% to 30%, which is higher than the state's HUB goal. After the reduction to 30%, TRS was able to meet the goal by increasing our HUB utilization for procurements under \$10,000. TRS continues to seek new opportunities to increase TRS utilization within the Professional Service category despite the limited number of opportunities/contracts within Architecture/Engineering, Medical, and Finance Accounting.

C. Good-Faith Efforts to Increase HUB Participation

Outreach Efforts and Mentor-Protégé Programs:

TRS is committed to achieving HUB goals and continues to make a good faith effort in all areas. TRS has doubled the amount of outreach by filling the HUB Coordinator position. TRS continues to host an annual HUB forum and attends economic forums locally and across the state. Focus has been specifically on outreach efforts for professional services with significant focus on identifying Mentor Protégé relationships. The HUB Program is also increasing engagement by hosting meet and greet sessions between HUB vendors and end users.

6.A. Historically Underutilized Business Supporting Schedule
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas
(ABEST)

Date: **8/22/2024**
Time: **4:58:09PM**

Agency Code: **323** Agency: **Teacher Retirement System**

HUB Program Staffing:

TRS has a full-time HUB Coordinator available to assist HUB vendors with certification and are a resource for HUBs trying to earn business opportunities with TRS as well as other state agencies.

Current and Future Good-Faith Efforts:

TRS recognizes the importance of the HUB Program and continues to develop initiatives to promote and increase HUB opportunities by:

- Increasing agency awareness of HUB requirements through training and quarterly meetings with departments
- Doubling outreach efforts and forum attendance
- Contacting all eligible HUB vendors to participate for each solicitation
- Purchasing and Contracting staff reaching out to the HUB community to see if they can provide the good or service for procurements under \$10K and that do not require a solicitation
- Updating the external HUB website to include a solicitation calendar that provides transparency and opportunities for HUB vendors
- Working with the Communications department to advertise solicitations on social media
- Annual status reports are provided to the Board and include HUB goals in the agency Strategic Plan

6.B. Current Biennium Onetime Expenditure Schedule
Strategy Allocation from 2024-25 Biennium to 2026-27 Biennium

Agency Code: 323	Agency Name: Teacher Retirement System of Texas	Prepared By: Don Green	Date: 8/23/24
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2024-25 PROJECT: TRS Retirement Additional Annuity Payment ALLOCATION TO STRATEGY: A.1.4.	2026-27 PROJECT: ALLOCATION TO STRATEGY:
----------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------

Strategy Code	OOE/MOF Code	Strategy Allocation	Estimated 2024	Budgeted 2025	Requested 2026	Requested 2027
A.1.4.	1002	Object of Expense:				
		Other Personnel Costs	\$5,000,000,000	\$0	\$0	\$0
	0001	Total, Object of Expense	\$5,000,000,000	\$0	\$0	\$0
		Method of Financing:				
	0001	General Revenue	\$5,000,000,000	\$0	\$0	\$0
		Total, Method of Financing	\$5,000,000,000	\$0	\$0	\$0

Project Description for the 2024-25 Biennium:
Provided funding for a one-time supplemental payment (\$1,645,000,000) and a cost of living adjustment (\$3,355,000,000) to certain TRS retirees pursuant to the provisions of the legislation.
Project Description and Allocation Purpose for the 2026-27 Biennium:

6.F.a. Advisory Committee Supporting Schedule ~ Part A
89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/22/2024
Time: 4:58:11PM

Agency Code: **323** Agency: **Teacher Retirement System**

TRS MEDICAL BOARD

Statutory Authorization: Texas Government Code 825.204
Number of Members: 3
Committee Status: Ongoing
Date Created: 07/01/1937
Date to Be Abolished:
Strategy (Strategies): 1-1-3 ADMINISTRATIVE OPERATIONS

Advisory Committee Costs	Expended Exp 2023	Estimated Est 2024	Budgeted Bud 2025	Requested BL 2026	Requested BL 2027
Committee Members Direct Expenses					
Contracted Fee for Service	\$135,959	\$142,758	\$154,500	\$159,000	\$163,500
Other Expenditures in Support of Committee Activities					
Personnel (1.0) FTE	66,742	68,864	73,341	77,008	80,860
Total, Committee Expenditures	\$202,701	\$211,622	\$227,841	\$236,008	\$244,360
Method of Financing					
TRS Trust Account Fund	\$202,701	\$211,622	\$227,841	\$236,008	\$244,360
Total, Method of Financing	\$202,701	\$211,622	\$227,841	\$236,008	\$244,360
Meetings Per Fiscal Year	6	6	6	6	6

6.F.a. Advisory Committee Supporting Schedule ~ Part A

89th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Date: 8/22/2024
Time: 4:58:11PM

Agency Code: **323** Agency: **Teacher Retirement System**

Description and Justification for Continuation/Consequences of Abolishing

Section 824.301 of the Texas Government Code contains a provision for disability retirement benefits. Members who apply for disability retirement must file with the Board of Trustees the results of a medical examination of the member. Based on medical information submitted by the member, the Medical Board rules on the application for disability retirement. The Medical Board, authorized under section 825.204 of the Texas Government Code and comprised of three physicians, receives information throughout the year on applications for disability retirement and may request additional medical information on specific cases. The Medical Board meets with staff on a bi-monthly basis to review disability retirement applications. TRS Law requires that members of the Medical Board be physicians licensed to practice medicine in this state and be of good standing in the medical profession. Their expertise is invaluable to the integrity of the disability retirement process. Abolishing the Medical Board would result in the staff and/or Board of Trustees having to rule on disability applications without benefit of the medical expertise provided by this board. This very likely would result in increased appeals of decisions made by laypersons with ultimate increased costs and risk to the system. The Medical Board is composed of three members/physicians who are licensed to practice medicine in Texas and are in good standing with the Texas Medical Board and who are not eligible to participate in the retirement system. Members are appointed by the board of trustees. The medical board: (1) reviews all medical examinations required by the TRS Government Code Subtitle; (2) investigates essential statements and certificates made by or on behalf of a member of the retirement system in connection with an application for disability retirement; and (3) reports in writing to the board of trustees its conclusions and recommendations on all matters referred to it.

6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
323 - Teacher Retirement System

ESTIMATED GRAND TOTAL OF AGENCY FUNDS OUTSIDE THE 2026-27 GAA BILL PATTERN	\$	290,493,747,847
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Pension Trust Fund - 960

Estimated Beginning Balance in FY 2024	\$	187,170,535,558
Estimated Revenues FY 2024	\$	29,456,469,076
Estimated Revenues FY 2025	\$	24,933,547,675
FY 2024-25 Total	\$	241,560,552,309
Estimated Beginning Balance in FY 2026	\$	222,358,945,931
Estimated Revenues FY 2026	\$	26,054,734,395
Estimated Revenues FY 2027	\$	27,218,886,281
FY 2026-27 Total	\$	275,632,566,606

Constitutional or Statutory Creation and Use of Funds:

Article XVI, Section 67 of the Texas Consitution establishes the Teacher Retirement System. Texas Government Code, Title 8, Sections 825.402 through 825.410 specify contributions to the fund.

Method of Calculation and Revenue Assumptions:

Calculations are based on historical data, TRS Board assumptions, and statutorily required contribution rates. Calculations assume a 7.0% annual investment return, 3.6% annual payroll growth for FY 2024-2025, and 4% annual payroll growth for FY 2026-2027, as adopted by the TRS Board of Trustees. Expenditures are projected to grow 5.0% annually, based on historical trends.

6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
323 - Teacher Retirement System

Retired Health Benefits - 989

Estimated Beginning Balance in FY 2024	\$	3,889,765,200
Estimated Revenues FY 2024	\$	2,208,700,647
Estimated Revenues FY 2025	\$	2,316,475,095
FY 2024-25 Total	\$	8,414,940,942
Estimated Beginning Balance in FY 2026	\$	5,377,872,226
Estimated Revenues FY 2026	\$	2,320,701,948
Estimated Revenues FY 2027	\$	2,355,452,048
FY 2026-27 Total	\$	10,054,026,222

Constitutional or Statutory Creation and Use of Funds:

Texas Insurance Code Title 8, Subtitle H, Section 1575.001. Section 1575.201 through 1575.210 for contributions.

Method of Calculation and Revenue Assumptions:

Revenue and expenditure assumptions are based on historical trends. Assumes medical and pharmacy cost trends of 7% through FY 2023; both trends are reduced by 0.25% each year thereafter. Assumes an average of 2% growth of total revenue per year.

6.H. Estimated Total of All Agency Funds Outside the GAA Bill Pattern
323 - Teacher Retirement System

TRS-ActiveCare - 855

Estimated Beginning Balance in FY 2024	\$	283,836,965
Estimated Revenues FY 2024	\$	2,249,533,279
Estimated Revenues FY 2025	\$	2,432,304,917
FY 2024-25 Total	\$	4,965,675,161
Estimated Beginning Balance in FY 2026	\$	345,142,146
Estimated Revenues FY 2026	\$	2,202,847,083
Estimated Revenues FY 2027	\$	2,259,165,790
FY 2026-27 Total	\$	4,807,155,019

Constitutional or Statutory Creation and Use of Funds:

Texas Insurance Code Title 8, Subtitle H, Chapter 1579. Section 1579.251 through 1575.210 for contributions.

Method of Calculation and Revenue Assumptions:

Revenue and expenditure assumptions are based on historical trends. Revenues are calculated assuming current enrollment, a premium increase of less than 10% for FY2025, and a 3% increase each year thereafter. This methodology includes an additional appropriation of \$588.5M for the FY2024-2025 biennium to limit annual premium increases in TRS-ActiveCare to 10% or less on average. Medical and pharmacy cost trends are calculated using 5% and 8.5% respectively through FY2024; both trends are reduced by 0.25% each year thereafter. Adequate premiums would require increases beyond what has previously been assessed. At this time, TRS estimates that it would need an additional \$450M for the FY 2026-2027 biennium to maintain premium increases below 10% annually through FY 2027.