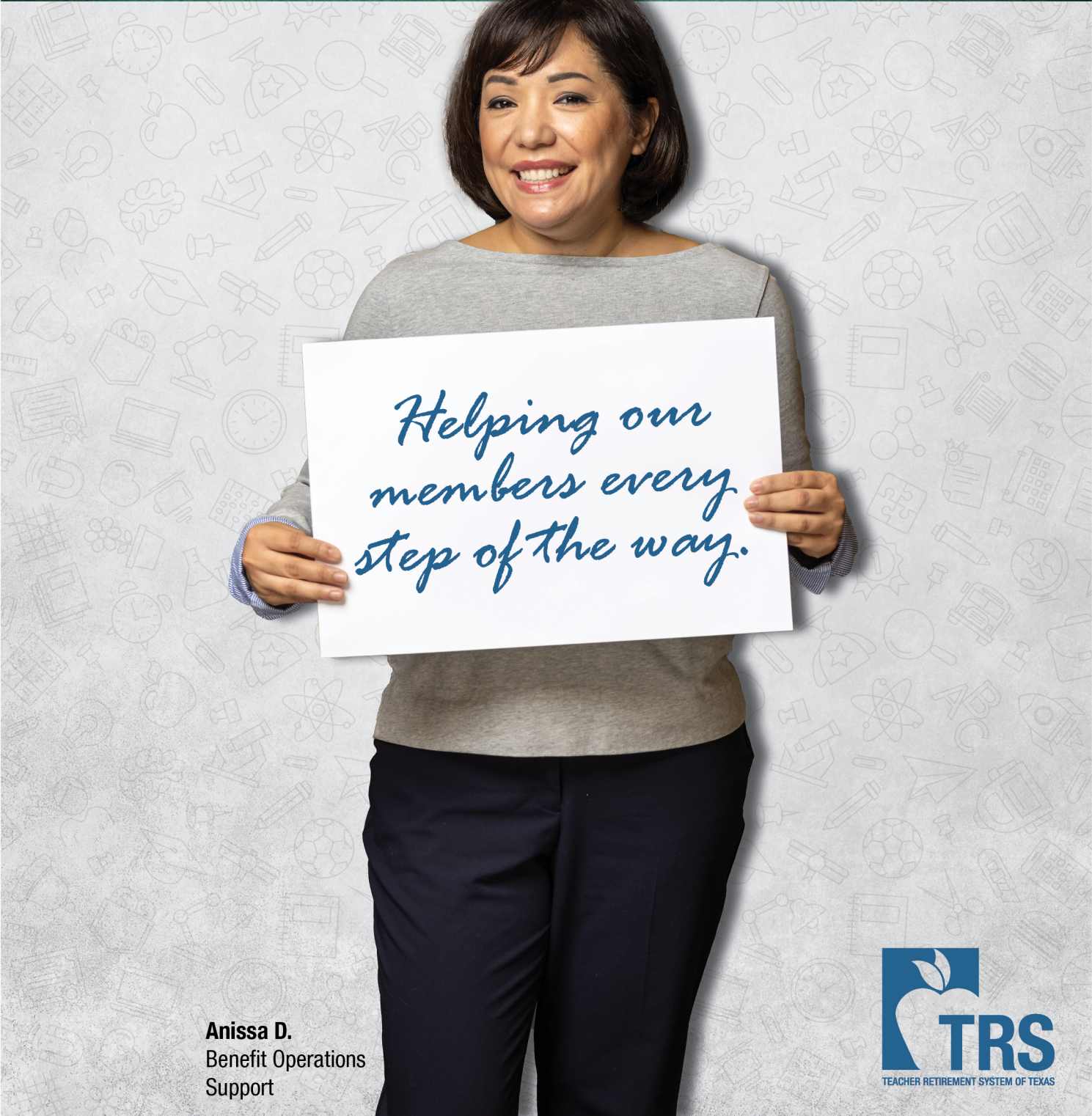


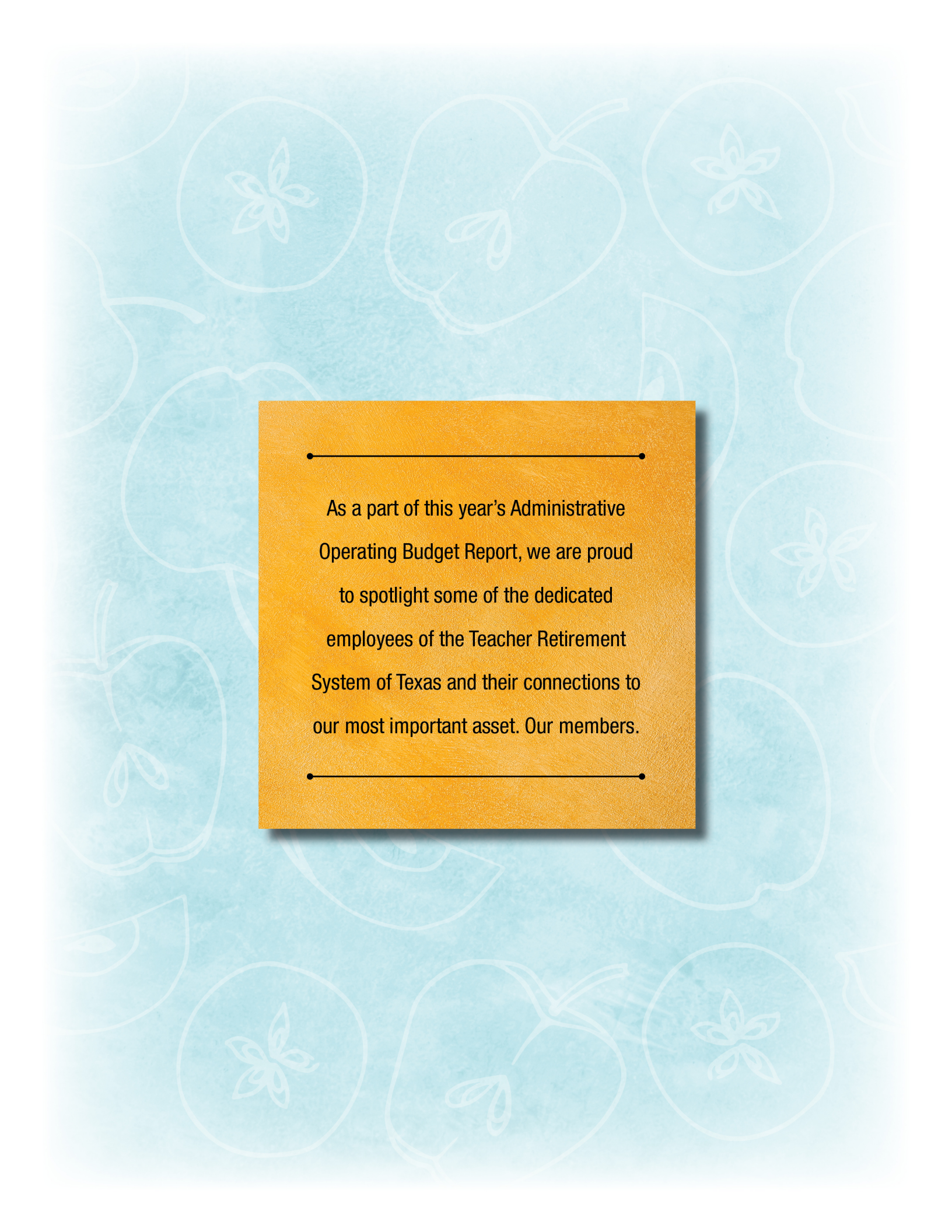
ADMINISTRATIVE OPERATING BUDGET REPORT

FISCAL YEAR 2024

A woman with dark hair, smiling, is holding a white sign. The background is a light gray with a repeating pattern of various educational icons such as a clock, apple, microscope, rocket, and books. The woman is wearing a gray long-sleeved shirt and dark pants.

*Helping our
members every
step of the way.*

Anissa D.
Benefit Operations
Support



As a part of this year's Administrative
Operating Budget Report, we are proud
to spotlight some of the dedicated
employees of the Teacher Retirement
System of Texas and their connections to
our most important asset. Our members.

FY 2024

Administrative

Operating Budget

Report

Teacher Retirement System of Texas

Brian K. Guthrie

Executive Director

Prepared by the Finance Division

Don Green, Chief Financial Officer

Janie Duarte, Deputy Chief Financial Officer

Jessica Brown, Budget Director

Erica Munoz, Senior Budget Analyst

Jackie Horbovetz, Senior Budget Analyst

Katasia Jordan, Senior Budget Analyst

Kevin Luu, Associate Budget Analyst

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INTRODUCTION



*Our members
are our focus.*

Rob S.
Safety and
Security

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Teacher Retirement System of Texas
Texas**

For the Fiscal Year Beginning
September 01, 2022

Christopher P. Morill

Executive Director

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Teacher Retirement System of Texas for its annual budget for the fiscal year beginning September 1, 2022. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

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Message from the CFO

October 9, 2023

I am proud to present the Teacher Retirement System of Texas (TRS) Fiscal Year (FY) 2024 Administrative Operating Budget Report, which was prepared in accordance with TRS' General Provisions and adopted by the TRS Board of Trustees. Key components of the FY 2024 Administrative Operating Budget report include estimated revenue projections for the pension and health care funds, administrative operating budget summaries, financial policies and guidelines, and information on capital projects.

Administrative Operating Budget

The budget development process included a strategy-based approach that ensured TRS evaluated all current service levels, prioritized those services based on strategic goals and objectives, and budgeted for the top priorities. The Budget team hosted resource planning meetings with agency leadership to develop the goals, resource needs, and service level priorities through open group discussions early in the internal budget development process. The Board of Trustees began the goal-setting process with a thorough understanding of TRS' current financial situation and anticipated future budget constraints, many of which were external to the organization.

In response to significant challenges TRS encountered with recruiting and retention, pressing customer service needs, and unprecedented inflation, the TRS Board of Trustees issued a fiduciary finding in August 2022. This included increasing the FTE cap by 264 FTEs, pursuant to Rider 20 Exception to FTE Limitation for Board Fiduciary Finding of the TRS bill pattern in the General Appropriations Act. It also included funding for two new capital projects, the Investment Data Modernization Program (IDM) and a Fraud Prevention Tool. During the 88th Texas Legislative Session, state leadership recognized TRS' full fiduciary authority to address the customer service needs of our growing membership, continue to expand the number of in-house investment professionals, and improve operational efficiencies and systems used to deliver benefits and services to members and annuitants, allowing the Board to fulfill its fiduciary responsibilities consistent with statute.

The FY 2024 Administrative Operating Budget (FY 2024 Budget), effective September 1, 2023, represents the FY 2024 portion of the FY 2024-25 biennial legislative appropriations. TRS proposed a balanced budget in accordance with the General Appropriations Act, thereby demonstrating fiscal responsibility. The FY 2024 Budget is the result of extensive planning, analysis, and an unwavering commitment to cost management without sacrificing service quality. The total FY 2024 Budget represents an increase of 4.9% over the previous fiscal year, which is significantly below average historical growth.

**12-Year
Average
Historical
Budget
Growth
7 %**

It is important to highlight that despite the increased costs, our total pension administrative operating costs remain competitive. At \$47 per active member and annuitant, our expenses are substantially lower than the industry average of \$115. Throughout the budgeting process, we have endeavored to effectively serve the needs of our customers while maintaining fiscal responsibility.

Key highlights of the FY 2024 Administrative Operating Budget include strategic investments for sustaining a competitive advantage, improving operational efficiencies, and ensuring the full implementation of the Customer Service Improvement Initiative. TRS remains committed to serving our members and strengthening the trust funds. The funding priorities in this budget reflects those commitments.

**The total FY 2024 Administrative Operating Budget for TRS is \$292.6 million across all funds.
Major cost drivers for the FY 2024 Budget include:**

- | | |
|---|--|
| • annualizing the cost of 264 new positions and the associated operating costs to continue improving customer service metrics to meet member expectations | • funding for the state's mandated salary adjustments |
| • funding to support the implementation of the new Investment Data Modernization Program and the Fraud Prevention tool | • cost-saving opportunities by converting contractors to FTEs, reducing reliance on external contract support |
| • deploying core business technologies used to deliver benefits and services to members and annuitants, releasing the TRUST Line of Business (LOB) which includes Build and User Acceptance Testing (UAT) for retirement processing, annuity payroll, and tax reporting functionalities | • managing the cost of the health care plans, better serving members, and member engagement and communications |

Customer Service Improvement Initiative

Improving customer service is the agency's top priority. TRS is committed to achieving the highest levels of customer satisfaction by delivering services consistent with our mission. The FY 2024 Administrative Operating Budget includes \$31.6 million to prioritize funding and staffing for the Customer Service Improvement Initiative (CSII), a multi-year comprehensive approach to addressing customer service levels.

In FY 2023, agency leadership has taken action to address customer service by adding Benefit Services staff, hiring an Ombuds, making policy and procedure changes, implementing process improvements, and prioritizing system enhancements as part of the Customer Service Improvement Initiative (CSII). Additionally, TRS implemented a new agile compensation structure that increases flexibility and options for TRS to attract, retain, and develop a diverse and highly competent workforce. TRS' FY 2023 year to date turnover rate is 10.3 percent which is lower than the previous fiscal year.

Furthermore, through member surveys and current service data, TRS identified unfulfilled demand for in-person office visit appointments among members who live far from the Austin headquarters. In FY 2023, TRS opened a pilot regional office in El Paso, Texas to offer member services in an underserved part of the state. By prioritizing staffing levels and supporting technology solutions, TRS has made significant progress towards

meeting key performance targets in certain customer service levels such as telephone counseling calls, death claims, benefit estimates, and refunds.

Benefit Services Key Performance Measures	Target	FY 2020	FY 2021	FY 2022	FY 2023
Telephone Counseling calls answered within three minutes	80%	45.8%	44%	19%	86%
Death Claim payments issued within 31 days of receipt of all required paperwork	95%	67.3%	17%	37%	96%
Benefit estimates mailed within 31 days of the request	90%	86.9%	13%	30%	100%
Refunds validated within five business days of receiving final deposit and all paperwork	95%	94.8%	97%	97%	94%

The budget for FY 2024 includes funding for additional resources to keep up with volume increases in processing member benefits and counseling services. Five percent average annual growth is anticipated for member call volume, and 11 percent for member benefit processing. These additional resources will allow us to maintain service levels and eliminate the external contract for excess member counseling services, resulting in cost savings for TRS. In addition, the FY 2024 Budget includes funding for essential agency efforts to improve member communications through the development of a member chat feature that will provide additional communication channels beyond phone calls and secure messages.

Investment Management

To stay competitive, TRS implemented a multi-biennia fee-saving initiative to establish new investment programs to continue trust growth by exploring alternative investments, including direct investing. TRS can decrease external management fees, preserve risk-appropriate returns, and sustainably satisfy return assumptions by investing more money and resources. The first five years of this program saved \$414.4 million in external manager investment fees. Final 2023 performance will be reported in April 2024.

The FY 2024 Budget includes \$80.5 million for Investment Management operations. With the fund's growth exceeding \$200 billion and the increase in data volumes and complexity of our assets, TRS' fiduciary oversight of trust asset valuation and performance is becoming increasingly difficult due to the strain on current technology and investment operations staff and legacy data architectures and systems. The FY 2024 Budget includes funding for a 5-year Investment Data Modernization Program (IDM), approved by the Board, to modernize TRS' investment data platform and systems to improve trust asset monitoring and fiduciary oversight. The IDM Program introduces business agility for the next decade, optimizes operational and financial risk across the agency, and aligns with industry trends and peers. We prioritized fleet expansion and bringing investments in-house. Now, we must also ensure that our internal investors have the necessary systems and data for success.

Managing Health Care Plans

The TRS Care and ActiveCare administrative operating budget for FY 2024 includes \$27.6 million to support administrative operations necessary to increase the value and affordability of health benefits for Texas public educators and their families. Administrative support includes the design, implementation, and management of

health-related benefits, sustaining the financial health of the TRS-Care and TRS-ActiveCare funds, and conduct targeted engagement and outreach to ensure that educators are aware of their health benefits.

The approved FY 2024 Budget includes funding for additional resources to provide accessible comprehensive health data reporting, analysis, and technical work to support health claims-related data infrastructure used to communicate essential benefit information to employers and participants, engaging them in informed decisions, and fostering a culture of informed health care usage. Additional resources were also approved to support new mandates of the 88th Legislative Session.

One notable change to the Health Care program is the passage of Senate Bill (SB) 1854, which proposes a significant enhancement to the benefits available to TRS retirees and their eligible dependents. Currently, TRS retirees have access to the Texas Public School Employees Group Insurance Program, known as TRS-Care, but this program does not include dental or vision insurance coverage, except for specific medical issues or a limited set of benefits in the TRS-Care Medicare Advantage plan. SB1854 mandates that TRS contract for optional plans that offer dental and vision insurance coverage to close this gap. The FY 2024 Budget funds strategic health care service purchases to reduce health-related expense growth and provide cost-effective TRS Care and ActiveCare fund management.

Funding for TRS-Care, the Retired Employees Group Insurance Program, for the FY 2024-25 biennium totals \$960.2 million in state funding for the statutorily required contributions to TRS-Care. The approved state funding assumes a 3.6 percent annual payroll growth based on five-year payroll growth trends, excluding one-time, significant pay raises in fiscal year 2020 following the enactment of House Bill 3, 86th Legislature, Regular Session, 2019. From 2005-2019 the state provided direct supplemental funding to address shortfalls due to legislative intent to freeze retiree premiums. Retiree premiums have remained the same since 2018. TRS does not anticipate that additional funding will be needed to maintain TRS-Care benefits at current levels through FY 2024.

TRS is also responsible for administering TRS-ActiveCare, which provides health care coverage for 1,000 public education employers across Texas, representing nearly 450,000 lives. The TRS Board of Trustees sets the gross premiums to ensure adequate funding for benefits, the cost of which TRS benchmarking research shows is 14 percent below similar benefit plans. Participating districts contribute \$150, and the state contributes \$75 for a combined minimum of \$225 per employee per month toward the total premium. While many districts contribute more, the minimum contribution has not increased since the program was created in 2001.

During the 87th Legislative Session, the state provided TRS with a total of \$721 million in one-time federal funding to reimburse COVID-19 expenses and reduce the impact of premium increases. Results of the improved TRS-Care fund balance enabled a one-time payment of \$448.12 to TRS retirees or surviving spouses in March 2022 and held premiums constant for the 2023 plan year. Additional one-time funding enabled participants in TRS-ActiveCare to have the same or reduced premiums for 2022-2023 school year.

Every year, the cost of medical services across the country increases, and Texas is not immune from that trend. The Texas Legislature has taken action to lessen the impact of that reality on TRS-ActiveCare rates with a one-time contribution of \$588.5 million for the FY 2024-25 biennium. The legislative contribution, along with TRS' aggressive cost containment measures, will keep costs lower than state and national average cost

trends this upcoming plan year. TRS will continue to manage TRS-ActiveCare with a relentless focus on controlling costs while protecting benefits for educators. We remain the highest-quality option for the lowest cost for public education employers.

Shared Services

The Pension Trust Fund's administrative operating budget for FY 2024 prioritizes \$137.7 million, which includes the annualized cost of resources added to support the Customer Service Improvement Initiative (CSII) and to keep pace with the enterprise shared services requirements related to program and contract management, and the technological product lines for strengthening the Pension Trust Fund. These shared functions are primarily in the areas of Information Technology, Internal Audit, Legal and Compliance, Information Security, Organizational Excellence, Financial Services, and Business Administration.

Funding priorities for the FY 2024 Budget address the growing demands and requirements of various departments within the organization. Additional critical resources were approved to enhance operational efficiencies with contract administration, information technology, cybersecurity, legal and compliance, provide additional security and custodial services to accommodate the opening of the first building at TRS' new headquarters location, support remote work complexities, and to facilitate effective talent acquisition processes.

Additionally, the adopted budget accounts for the state's mandated salary adjustments. As fiduciaries, TRS will ensure people, processes, and technology align to achieve excellence in the delivery of services to members. The agency has implemented a core-to-support ratio of 78.5% to support the administrative functions of operations and achieve an appropriate balance of support personnel to front-line service employees.

TRS Enterprise Application Modernization Program

The TRS Enterprise Application Modernization (TEAM) Program is a cohesive collection of components designed to meet TRS' business and technology objectives over the next 15-20 years. The associated projects under the TEAM Program include data management, independent program assessment, the pension administration line of business (LOB) solution, and the health care line of business (HILOB) solution. In April 2023, the Retirement Application and Death Claim Processing (RAP/DTH) releases successfully launched to streamline and expedite the processing of retirement applications and death claims, enhancing efficiency and accuracy while reducing manual efforts for staff.

The FY 2024 Administrative Operating Budget includes \$15.1 million to support the internal development of the final TEAM product, the Annuity Payroll & Tax reporting release. Annuity payroll and tax reporting functionalities include processing over 489,000 annuity payments, member payroll deductions (insurance, withholding), vouchering process and integration with the state of Texas Comptroller systems, retiree account adjustments, and tax withholding and reporting. Results of the TEAM Roadmap analysis include a 16.5 percent increase to the scope of the final release due to Legislative Session and regulatory changes, such as the Benefit Enhancements (stipend and COLA) and tax law changes related to federal income tax withholdings. The FY 2024 Budget includes additional resources to support the associated level of effort

estimates based on re-validated backlog of work and average amount of work possible per cycle, including deep dive analysis for gaps in code delivered by TRS' former vendor.

Capital Projects

The capital budget includes funding for both physical infrastructure and information technology infrastructure. A total of \$18.7 million is included in the FY 2024 Administrative Operating Budget for capital spending, including \$2.2 million for facility and security renovations. The agency's focus in FY 2024 is to maintain a physical work environment that is safe, enhances productivity, achieves more effective utilization of space, and ensures continued safety and security at TRS.

The FY 2024 Budget also includes \$3.1 million for the IT Infrastructure Upgrades and the Data Center Services project which supports the technological infrastructure to reduce capacity constraints and issues with compatibility and obsolescence. This project provides the extension, design, implementation, and maintenance of the IT infrastructure as it 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.

TRS has a fiduciary responsibility to protect pension funds and member data. Using artificial intelligence to help detect unusual patterns and activity, TRS is looking to add a new layer to its electronic threat prevention, detection, and investigation toolkit. The FY 2024 Budget includes \$3.3 million to implement a new fraud detection and prevention tool.

Additionally, in response to the increased demand for enhanced asset monitoring and a desire to develop a long-term data strategy to modernize our investment data platforms and fiduciary oversight, the FY 2024 adopted budget includes \$10.1 million of funding to implement the Investment Data Modernization Program. 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.

Long-Term Considerations

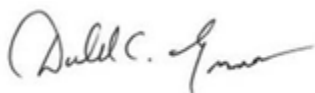
Between 1972 and today, Texas has seen its population surge from approximately 12 million to over 30 million. As a result, TRS membership and the demands on our pension fund have grown significantly. While we maintain one of the lowest staff ratios among public pension plans, at 4.7 full-time employees per 10,000 members, we anticipate doubling in size by 2050 to meet the evolving needs of our members. Today, our pension is valued at around \$170 billion, ranking as the seventh largest in the U.S. and among the top 20 globally. However, our existing headquarters in downtown Austin, where we've been based for nearly half a century, is no longer conducive to our needs. The challenges of downtown travel and parking have become increasingly burdensome for our expanding membership. Additionally, our agency has had to lease additional office space nearby, and our downtown campus requires significant maintenance.

In September 2021, the Board of Trustees made the forward-looking decision to purchase a new headquarters space located outside downtown Austin, in the Mueller area. This new TRS Headquarters will provide a modern, efficient, and adaptable campus that consolidates our staff into one facility owned by TRS and its members. This consolidation eliminates the need for leasing additional office space in Austin, streamlining our operations and saving resources. The total purchase price of the new campus is expected to be around \$300 million, factoring in inflation and other considerations. Importantly, this decision has no impact on our funded ratio or Unfunded Actuarial Accrued Liability (UAAL). The new campus will be a valuable capital asset, with the potential for appreciation in the years to come. This purchase will be partially offset by the sale of our current downtown headquarters, which was completed in October 2022 for \$108 million. Overall, relocating outside downtown Austin is projected to save up to \$23 million over the next two decades by avoiding costly renovations and exiting leased spaces.

Our staff has undertaken an extensive planning and search process, with the assistance of a local real estate firm. This process identified properties that align with our priorities, including a location outside downtown Austin that remains accessible to our members. Although the planning process faced temporary delays due to the COVID-19 pandemic, it resumed in 2021. Beginning in the summer of 2023, all, or part of five TRS business units will move to the new campus as the first of two buildings (Alpha) is completed. We anticipate the remaining business units will relocate when the second building (Bravo) is ready in late 2024. This move includes the establishment of an enhanced Member Experience Center and ample office space for our staff, aligning with our vision of offering exceptional service and retirement support to our members in the years ahead. Additionally, TRS is exploring opportunities to open regional offices, a step we have already initiated with the pilot regional office in El Paso, Texas.

This relocation marks a significant milestone in our commitment to serving Texas public educators and their families. It ensures that TRS remains agile, responsive, and accessible as we continue to grow. We are dedicated to keeping you informed throughout this process, and we look forward to providing an even better member experience in our new home.

Don Green,



Chief Financial Officer



Administrative Operating Budget Fiscal Year 2024

Total Operating Budget
\$292,582,000

Total FTEs
1,245.8

Capital Projects
\$18,710,800



Budget Key Highlights

- Annualization costs of FTEs related to customer service improvement initiatives
- 20 FTEs to convert contracted positions
- Incentive Compensation payout estimated to be \$46.9 million if the fund ends positive
- Initial request of 131 new FTEs reduced to 37



Legislative Highlights

- HB1 funded full submitted request with the exception of \$14.4 million
- FY23 Fiduciary Finding funded as requested for the Customer Service Improvement Initiative
- 5% increase for all state employee salaries, with a minimum of \$3,000 per year in FY24 followed by a 5% increase with a minimum of \$3,000 per year in FY25
- Capital budget request funded, including Investment Data Modernization and Fraud Prevention Tool and created a new capital project for Data Center Services, which results in a shift of funding from operating to capital



Budget Funding Sources

Pension Trust Fund

Commission Credits

Health Benefits Funds

Administrative Operations

\$254,022,500

Commission Credits

\$ 10,984,500

TRS-Care

\$ 22,164,500

TRS-ActiveCare

\$ 5,410,500

Pension Administrative Operating Budget

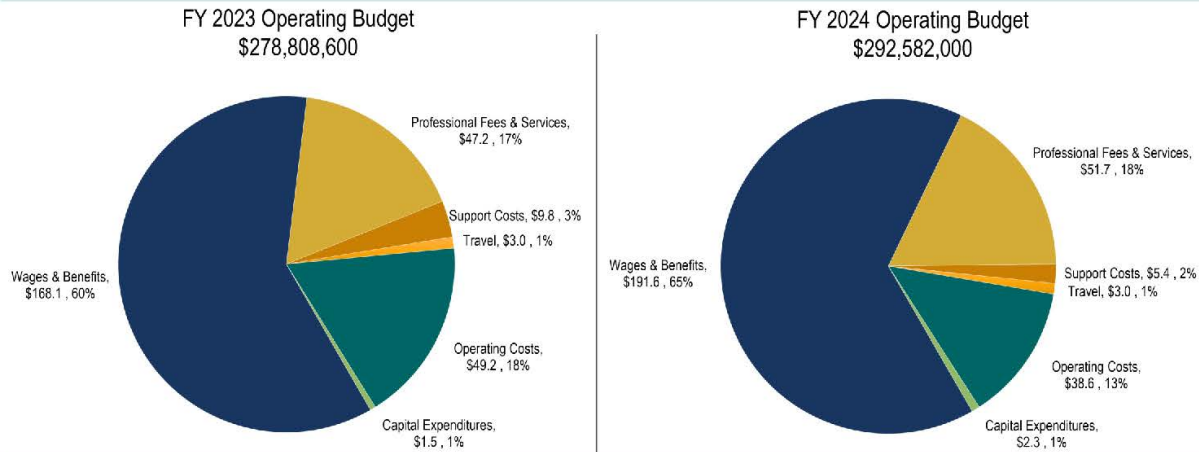
Reduction of
\$3.6
Million
excluding salary adjustments

Total pension administrative operating costs amount is \$47 per active member and annuitant, remaining below the peer average of \$115.

Balanced to
the GAA

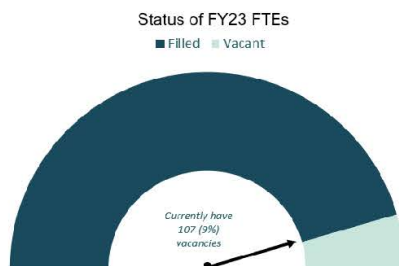


FY24 Administrative Operating Budget by Budget Category



The FY24 Administrative Operating Budget is a 4.9% increase over the FY23 budget

- The FY24 Budget reflects the priorities identified by staff for the first half of the FY, which is within the current appropriated limitations for FTEs and Budget.
- As authorized by Article IX in the General Appropriations Act (GAA), all agencies may exceed the FTE cap up to 50 FTEs.
- Given the current level of vacancies, we plan to fund any new positions with available lapse and are targeting the most critical areas we need to fill immediately for the 50+ authority.
- We will continue to assess the status of open positions and the requirement for the remaining portion of the FY24 request in early January.



	FY23		FY24	
	Budget ¹	FTEs ²	Budget ¹	FTEs ²
Investment Management	\$ 92.2	250	\$ 80.5	251
Benefit Services	\$ 29.9	373	\$ 31.6	395
Health	\$ 22.3	68	\$ 27.6	72
Business Administration	\$ 18.6	83.8	\$ 19.1	88.8
Executive	\$ 2.5	10	\$ 1.7	10
Government Relations	\$ 0.4	2	\$ 0.5	2
Information Security	\$ 2.7	16	\$ 3.7	18
Financial Services	\$ 5.4	41	\$ 6.2	43
Information Technology	\$ 65.0	211.5	\$ 75.6	227.5
Legal & Compliance	\$ 12.3	50	\$ 12.5	51
Organizational Excellence	\$ 7.9	42	\$ 8.6	46
Internal Audit	\$ 4.0	19	\$ 4.8	19
Strategy Office	\$ 4.2	22.5	\$ 4.4	22.5
Agencywide	\$ 11.4	-	\$ 15.8	-
Total	\$278.8	1,188.8	\$292.6	1,245.8

(1 - Budget in Millions, 2 - FTEs by Working Division)

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The Teacher Retirement System of Texas (TRS) was approved in 1936 by an amendment to the Texas Constitution, followed by enabling legislation in 1937 to improve the retirement security of Texas educators which requires TRS to have a Board of Trustees to administer TRS and invest its funds. The assets of the TRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of plan participants and beneficiaries. The Board of Trustees of TRS, the trustee of all plan assets, is responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board.

TRS Board of Trustees



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



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



Michael Ball
Senior Vice President
Hilltop Securities, Inc.
Argyle
Active public education position
Term expires 2025



David Corpus
Executive Vice President-Bank President
Stellar Bank (STEL)
Humble
Position nominated by the State Board
of Education
Term expires 2025



Elvis Williams
Assistant Superintendent of Operations
Edgewood Independent School District
Fair Oaks Ranch
Active public education position
Term expires 2027



John Elliott
Partner
Elliott Stratmann, PLLC
Austin
Direct appointment of the governor
Term expires 2027



Brittny Allred
Principal
Luther King Capital Management
Dallas
Position nominated by the State Board
of Education
Term expires 2027



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



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

The nine-member board of trustees acts as a fiduciary of TRS assets. The board members are appointed by the governor of Texas. Three are direct appointments of the governor. Two are appointed by the governor from a list prepared by the State Board of Education. Two are appointed by the governor from the three public school district member candidates who have been nominated for each position by employees of public school districts. One is appointed by the governor from the three retired member candidates who are nominated by retired TRS members. One is appointed by the governor from the three at-large candidates who have been nominated for the position. TRS retirees, members in public school districts, and members in higher education institutions may run for nomination to the at-large trustee position.

*A trustee whose term expires shall continue to perform the duties of the office, with few exceptions, until the successor is appointed.

TRS Organizational Chart



Straight line indicates direct report. Dotted line indicates Divisions who report administratively to the Executive Director. Organizational structure consists of divisions with each containing the departments needed to deliver on agency goals. Further descriptions and goals for each division are included in the Division Expenses and Goals section.

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TRS follows a collaborative process in responding to the needs of the legislature by involving all departments at TRS. Strong working relationships are developed with all stakeholders and maintained in providing cost estimates and impact statement analysis for agency bill assignments. During the 88th Legislative Session, a total of 8,345 bills and joint resolutions were filed. Of those, 1,259 passed the legislature. Approximately 14 percent of all bills and joint resolutions filed became law. The following list summarizes prominent TRS-related legislation.

HB1 – General Appropriations Act (Appendix C)

Public & Higher Education Retirement

- Funding for public education retirement benefits totals an estimated \$5.1 billion in State General Revenue Funds for the 2024–25 biennium, a 15% increase from the 2022–23 biennial All Funds base.
- Funding recommendations for higher education retirement benefits total an estimated \$661 million in All Funds for the 2024–25 biennium, an 15% increase from the 2022–23 biennial base.
- Increased funding for public and higher education retirement is attributed to the increased contribution rates pursuant to Senate Bill 12, 86th Legislature, 2019: 8.25% for FY 2024 - 2025 and the growth of covered payroll, projected to be 3.6% each year of the 2024–25 biennium for public education and 6% each year for higher education.



Administrative Operations

- Funding recommendations for administrative operations, which are supported by the TRS Pension Trust Fund, total \$449.7 million, a 23% increase from the 2022–23 biennial base. The increase includes approved funding as requested by the TRS Board of Trustees ("Board") for the administrative operating budget, including the annualized costs for the Customer Service Improvement Initiative, and improving operational efficiencies for the 2024-25 biennium
- Funding recommendations also include \$5.3 million for state's mandated salary adjustments.
- Authorizes TRS to expend additional funds and employ additional FTEs necessary to opening an additional regional office through a finding of fact by the Board of Trustees. The Board shall notify the Legislative Budget Board (LBB) and the Governor no later than 30 business days after such a finding.
- Directs TRS to confer with the LBB before approving any settlement sought by TRS with its outside legal counsel contracted in FY 2023 and FY 2024 for health care related claims and litigation.

- Requires TRS to engage a third-party vendor to review hospital claims of TRS-Care and TRS-ActiveCare enrollees that exceeded \$100,000 during FY 2022.
- Sustains the following existing riders: positions associated with the TRS Internship Program are exempt from counting against the FTE cap; settle-up dollars are to be directed to TRS-Care; the intent of the legislature is that TRS incentivize members of TRS-Care and TRS-ActiveCare to shop for lower cost care within health plans to achieve shared savings; an exception to the FTE limitation is permitted with a Board fiduciary finding and a report to the Legislative Budget Board (LBB) and the Governor; several agencies, including TRS, are to engage in cross-agency collaboration to compare health care data to identify outliers and improvements for efficiency and quality that can be implemented within each system with a report due to the LBB and the Governor.

Retiree (Statutory Funds) & Active Health

- Funding for TRS-Care for the 2024–25 biennium totals \$960.2 million in General Revenue Funds, a 5% increase from the 2022–23 biennial base. The increase is attributed to maintaining the 1.25% state contribution and the 0.75% district contribution to TRS-Care and the growth of covered payroll, projected to be 3.6% each year of the 2024–25 biennium.
- Funding for TRS-ActiveCare includes \$588.5 million to help educators have affordable health coverage by keeping the average premium rate increase in TRS-ActiveCare below 10 percent.



Benefit Enhancements for Eligible TRS Retirees

Legislation passed to provide two types of benefit enhancements to eligible retirees, beneficiaries, and alternate payees who are receiving a monthly annuity from TRS. Funding recommendations include \$1.645 billion for one-time stipends per SB10 and \$3.355 billion per HJR 2 for a cost-of-living adjustment (COLA) contingent upon voter approval of House Joint Resolution (HJR) 2 in November 2023.

- **SB 10:** One-time stipend to be paid no later than the end of September 2023. An Annuitant will receive the one-time stipend for the amount they are eligible for based on the annuitant's age. The amount of the stipend is the same regardless of the annuitant's monthly annuity amount or their retirement date. Annuitants must meet the qualifying age on or before Aug. 31, 2023.
 - A \$7,500 one-time stipend to eligible annuitants 75 years of age and older
 - A \$2,400 one-time stipend to eligible annuitants 70 to 74 years of age
- **HJR 2:** Cost-of-living adjustment (COLA) to be paid in January 2024 if approved by Texas voters in the November 2023 election.
 - 2% COLA for eligible retirees who retired between 9/1/13 through 8/31/20 or eligible beneficiaries receiving a monthly annuity if the member's date of death occurred between 9/1/13 and 8/31/20
 - 4% COLA for eligible retirees who retired between 9/1/01 through 8/31/13 or eligible beneficiaries receiving a monthly annuity if the member's date of death occurred between 9/1/01 and 8/31/13
 - 6% COLA for eligible retirees who retired on or before 8/31/01 or eligible beneficiaries receiving a monthly annuity if the member's date of death occurred before 9/1/01



More information on the Benefit Enhancements and a message from TRS Executive Director can be found through this QR code.



New Laws Impacting TRS and Other State Agencies

Enhance Investment Returns

- **SB 1246:** Relates to authorized investments of public money by certain governmental entities and the confidentiality of certain information related to those investments.
 - Provides relief to statewide Procurement and Contracting (P&C) requirements as timelines associated with the required procurement processes place TRS investment-related procurement at a competitive disadvantage in this marketplace.
 - Provides that Texas Comptroller (Texas Treasury Safekeeping Trust Company) may directly enter into repurchase agreements with other state investing entities which also have authority to invest in repurchase agreements, such as TRS.
 - Clarifies TRS' investment authority by defining securities under the law to include interests in wholly-owned real estate title-holding corporations controlled by TRS and reinforces certain information relating to real estate investments are subject to public disclosure.
 - Provides that the TRS Board of Trustees is to set the limit on hedge fund investments as they do for all other asset classes.
 - Provides TRS with the ability to form a title holding entity for direct real estate investments and reinforces certain information relating to real estate investments are subject to public disclosure.

TRS Administrative Functions

- **SB 222:** Provides forty days of paid parental leave to an eligible state employee for the birth of a child and twenty days of paid leave for the birth of a child by the employee's spouse, birth of a child by a gestational surrogate, or the adoption of a child. A state employee is not required to use all available paid vacation and sick leave before the employee is entitled to take paid parental leave. TRS employees are included.
- **SB1659:** Changes TRS' sunset date from 2033 to 2035.
- **HB 4510:** Requires state agencies to submit unaudited annual financial reports by November 1 each year (up from November 20), and pushes back state agency, university system and institutions of higher education submission of audited annual financials to December 15 each year.

TRS Health Care

- **SB 989:** Requires TRS-Care and TRS-ActiveCare (and other entities) to provide coverage for biomarker testing with cancer and rare diseases when it is supported by medical and scientific evidence.
- **SB 1854:** Requires TRS to contract and offer optional vision and dental benefits for TRS retirees who are eligible for TRS-Care; retirees do not have to be currently enrolled in TRS-Care. Coverage to begin Jan. 1, 2025. Premiums and administrative costs to be paid by participating retirees.

- **HB 755:** Prohibits TRS-Care and TRS-ActiveCare (and other entities) from requiring more than one prior authorization annually for a prescription drug prescribed to treat certain diseases.
- **HB 916:** Requires TRS-Care and TRS-ActiveCare (and other entities) to provide a certain number of months supply of covered contraceptive drugs.
- **HB 3414:** Amends requirements for data collected, issued, and accessed from the all-payor claims database that is administered by the Center of Healthcare Data at The University of Texas Health Science Center at Houston. TRS-Care and TRS-ActiveCare (and other entities) must submit utilization data to the Center.
- **HB 4500:** Requires TRS-Care and TRS-ActiveCare (and other entities) to make electronic verification of health benefits available to a hospital or freestanding emergency medical care facility.
- **HB 4990:** Creates the Texas Pharmaceutical Initiative to provide cost-effective access to prescription drugs for certain groups, including TRS members, and to develop a business plan by Oct. 1, 2024. TRS to serve on the advisory council.

TRS Information Technology

- **SB 271:** Expands applicability to local entities and adds a new definition of Security Incident to replace “breach/unauthorized exposure.” Expands notifiable security incidents and continues to require TRS to comply with Department of Information Resources (DIR) rules.
- **SB 1893:** Requires state agencies to adopt a model policy prohibiting the installation or use of prohibited applications on any device owned or leased by the state agency and requiring removal of prohibited applications from such devices. Requires DIR and Texas Department of Public Safety (DPS) to jointly develop a model policy for state agencies to use.
- **HB 2060:** Creates an Artificial Intelligence Advisory Council to study and monitor AI systems developed, employed, or procured by state agencies. Report due Dec. 1, 2024.

Pension Benefit Services

- **SCR 28:** Urges Congress to repeal the Government Pension Offset (“GPO”) and the Windfall Elimination Provision (“WEP”) of the Social Security Act.
- **HB 108:** The Texas Department of Transportation (TxDOT) will offer for purchase a \$10 license plate with the words “Texas Teacher” for classroom teachers with at least 15 years of service teaching public school students. TxDOT will also offer a \$5 license plate with the words “Retired Texas Teacher” for retired classroom teachers with at least 20 years of service teaching public school students to purchase.
- **HB 4141:** Requires TRS to conduct and deliver a study to the legislature on the feasibility of offering peace officers who retire through TRS alternative service retirement benefits. An employer who employs peace officers shall submit information to TRS. Study due Dec. 31, 2024.

TRS STRATEGIC PLAN HIGHLIGHTS



*A good teacher
changes
everything!*

Kendra A.
Organizational
Excellence

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TRS Strategic Plan Highlights

MISSION

Improving the retirement security of our members by prudently investing and managing the Trust assets and delivering benefits that make a positive difference in their lives.

VISION

Earning your trust every day.

CORE VALUES

Our values represent a mutual understanding about responsibilities, expectations, and communication in the way TRS employees treat each other and those we serve. The core values include member focused, ethics, accountability, respect, diversity, efficiency, collaboration, and excellence.

The 2023 - 2027 Strategic Plan supports the vision, mission, and core values of TRS. It is a five-year view of the agency's objectives and strategies for the accomplishment of agency goals in service to the agency's core mission. The strategic plan provides feedback that leads to program performance that influences future planning, resource allocation, and operating decisions. Objectives are developed in accordance with the TRS Board of Trustees' fiduciary duties and in support of the statewide objectives of the state of Texas. TRS supports the statewide objectives by effectively serving members, operating efficiently and openly, and focusing on our mission to make a positive difference in members' lives.

Statewide Objectives



Accountable to tax and fee payers of Texas.



Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective.



Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.



Attentive to providing excellent customer service.



Transparent such that agency actions can be understood by any Texan.

The full TRS Strategic Plan Fiscal Years 2023 to 2027 can be found at https://www.trs.texas.gov/TRS%20Documents/strategic_plan_2023_2027.pdf

FOUR STRATEGIC PLAN GOALS:

Goal 1: Sustain a financially sound pension system

OBJECTIVES

- 1 Improve communication regarding pension funding needs.
- 2 Increase identification of underpayments and collection of future contributions to TRS.
- 3 Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.
- 4 Improve communication regarding the impact of changing pension plan design.

Under the Texas Constitution and federal tax law applicable to qualified retirement plans, pension contributions are collected as assets that are held in the trust for the exclusive benefit of plan participants. With a pension fund, the challenge is to manage the funded ratio and funding period. The funding ratio is expressed as a percentage, specifically the portion of the unfunded liability that exists today as net available assets. It answers the question, "what percentage of the unfunded liability would the pension fund be able to pay today if the expected future liability existed today?" The expected future liability is the total in today's dollars of the next 20 years' worth of annuity payments. The funding period is the number of years the fund would need to pay off the total unfunded liability.

In FY 2020, the Board adopted a funding policy that states the funding goals of the System and sets the guidelines for which changes to contributions and/or benefit levels TRS may consider recommending to the legislature. During the 86th Legislative Session, Senate Bill 12 was passed which gradually increases the contributions from the state, public education employers, and active employees to make the pension fund actuarially sound. Both the funded ratio and funding period are affected by a number of variables including membership, covered payroll growth, longevity, and investment returns. In 2022, TRS conducted an experience study which found that while most assumptions have remained accurate, the investment return assumption was at the upper end of the range of expected returns. Due to changes in the global economic outlook and expected market conditions, as well as recommendations from the plan's actuary, in July 2022 the TRS Board of Trustees lowered the investment return assumption from 7.25% to 7.0%. The impact of lowering the rate of return on the funding period is offset by the use of deferred investment gains. The fund is projected to continue to be actuarially sound at the end of fiscal year 2022 with a funding period of 26 years.

Actuarial valuations are prepared annually, as of August 31 of each year. During legislative years, a February 28 valuation update is provided. State law defines actuarial soundness as a funding period of less than 31 years.

More information related to TRS experience study and investment return assumption can be found at:

https://www.youtube.com/watch?v=pe7Y_iIH8uk

Goal 1: Sustain a financially sound pension system

Action items supporting each Statewide Objective



Accountability

TRS' core function tied to this goal is to prudently invest trust assets. Being held accountable to Texas taxpayers, TRS serves as a trusted resource, engaging with policymakers and a nine-member Board of Trustees that is appointed by the Governor and represents our stakeholders on communicating the Pension Trust Fund's actuarial valuation.



Efficiency

To prudently invest trust fund dollars using an asset allocation designed to achieve an efficient risk-adjusted return. TRS has developed deep strategic relationships with key external partners leveraging the resources and intelligence of the external networks to optimize trading and execution.



Effectiveness

TRS regularly performs asset allocation reviews, publicly presents investment returns quarterly, and reports in the Annual Comprehensive Financial Report (ACFR) how the trust fund performed on a one, three, five, and ten-year bases. TRS also measures itself against peers via the Wilshire Trust Universe Comparison Service on a one, three, and five-year basis.



Customer Service

Given that investment returns currently represent most of the trust's revenues, it stands that investment performance is a key mechanism to ensure the long-term sustainability of the trust. TRS will continue to seek the achievement of the long-term assumed actuarial rate of return within appropriate risk parameters as set by the TRS Board of Trustees.



Transparency

TRS communicates with stakeholders to enable them to make informed decisions related to TRS programs. This may include funding and benefit design decisions made by the legislature or retirement options selected by members. TRS also provides general educational information regarding pensions and health benefit matters and responds to media and other requests relating to the investments of the system. As part of its commitment towards open and transparent communication, TRS continues to webcast all board and committee meetings.

<i>TRS Trust Fund Actuarial Projection</i>	<i>8/31/2022¹</i>	<i>Goal</i>
<i>Funded Ratio</i>	79.0%	≥80%
<i>State Contribution Rate</i>	8.25%	
<i>Non-Social Security School District Contribution Rate</i>	1.9%	
<i>Member Contribution Rate of Payroll</i>	8.25%	
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$51.7 Billion	
<i>Funding Period (years)</i>	26 years	≤30 years

¹The funding ratio, funding period, and UAAL in the chart above are the valuation results provided by TRS' actuary, GRS, as of 8/31/2022. The state, school district, and member contribution rates are reported on the TRS website at:

https://www.trs.texas.gov/Pages/re_contribution_rates.aspx

FOUR STRATEGIC PLAN GOALS:

Goal 2: Continuously Improve Our Benefit Delivery

OBJECTIVES

- 1 Improve the customer service experience for members and employers.
- 2 Improve timeliness and accuracy in employer-reported data.

A member satisfaction survey is conducted annually on a random sample of active and retired members to gauge satisfaction with TRS services. According to the 2022 Member Satisfaction Survey, an average of 67% of members were either satisfied or very satisfied with TRS' services (54% of active members and 80% of retirees). Overall satisfaction with TRS remained consistent between 2022 and 2021. The majority of both active (55%) and retired (78%) members gave positive feedback (6 or above on a scale of 10) when asked about their willingness to promote TRS as a great organization. Furthermore, while members experience longer hold times, 98.5% of callers to the telephone counseling center were pleased with the overall service they received and 98.0% agreed that they felt valued as a TRS member.

While TRS' efficiency and cost savings-oriented service delivery model served TRS and its members well for many years, it had become increasingly difficult for TRS to meet its service level performance targets. Improving customer service is the agency's top priority. In FY 2023, TRS has taken action to address customer service by adding new positions and expanding hiring efforts statewide for Benefit Telephone Counseling Services, completed a comprehensive review of Reporting Employer (RE) Portal validations to identify opportunities to reduce overrides and update error message to plain language, successfully opened the El Paso Regional Office in November 2022 and are seeing members in person and virtually, and improved foundational training curriculum for new hires to meet the needs of each department. Additionally, multiple eLearning courses were created to provide employers support with on-demand eLearning opportunities. During FY 2023, MyTRS released new enhancements such as a refund status tracker and enhanced capabilities for members to make updates such as, designating or updating beneficiaries.

TRS has experienced significant improvements in response times and service levels. Particularly, the death acknowledgments are exceeding FY 2023 service levels, which have not been met since August 2020. Additionally, adding more FTEs to the call center has significantly reduced hold times from 23 minutes in FY 2022 to under a minute and half as of July 2023.

In addition to the Member Satisfaction Survey, other ongoing functions to build and maintain strong, customer-focused relationships include reporting key performance measures to the Board of Trustees and including them in the agency's Biennial Legislative Appropriations Request (LAR).

Goal 2: Continuously Improve Our Benefit Delivery

Action items supporting each Statewide Objective



Accountability

TRS remains accountable by publicly presenting quarterly performance measure metrics and annual analytics on benefit delivery to the TRS Board of Trustees. Any rule changes governing benefit administration or TRS operations are adopted publicly at open meetings only after publication in the Texas Register and public comment periods.



Efficiency

TRS continues to make progress on implementing the TRS Enterprise Application Modernization (TEAM) Program which focuses on addressing the changing expectations of a growing membership, providing for the collection and maintenance of accurate and reliable data, expanding the number of automated processes, and incorporating modern technologies.



Effectiveness

TRS measures success in prudent and efficient benefit delivery by regularly utilizing an independent firm to conduct and report on customer satisfaction. Additionally, TRS annually participates in the CEM Pension Administration Benchmarking Study that measures TRS' success/efficiency in delivering benefits against peers.



Customer Service

TRS is dedicated to a professional, accurate, timely, and cost-effective delivery of services and benefits to members, annuitants, and their beneficiaries. TRS will enhance benefit delivery by identifying tools and programs that will allow TRS to better interact and educate stakeholders, expanding Contact Center Call Distribution software to all of the Benefit Services division to allow for better tracking of calls and cross-functional training and assistance during high call volume, as well as contracting with a vendor to assist with handling overflow calls. TRS routinely conducts member satisfaction surveys and adjusts processes based on survey findings. Finally, TRS continues to sharpen its focus on benefit delivery and is committed to enhancing communication to meet the needs of all constituents.



Transparency

TRS places a high priority on timely, accurate, and meaningful communications to share information, by providing webcasts of all board and committee meetings and posting benefit-related materials on our website. Benefit Counseling staff regularly make group presentations to professional associations, as well as employee and retiree groups at regional education service centers. The TRS Benefits Handbook reflects the latest benefit information.

Key Performance Measures	FY 2022 Target	FY 2022 Actual	Explanation
TRS expense per member (Benefit Administration Expenses)	\$45	\$31.84	Total administrative expense net of capital project expenditures are trending lower this year compared to last year. Total membership increased 4%.
Investment expense per member in basis points (bp)	14 bp	12.97 bp	The investment expense in basis points decreased 4% due to a 8% (\$13.9 billion) increase in the average value of pension fund investment assets. While investing activity expenses experienced a 4% (\$8.7 million) increase.
Service level percentage of calls answered in specified time interval	80%	18.53%	In FY 2022, the volume of calls increased by 26%, with the Telephone Counseling Center receiving 840,955 calls compared to 667,608 calls in FY 2021. From December to August call volume was up between 26-66% due to inquiries regarding the one-time supplemental payment and net pay change letters mailed in January 2022. Additionally, full staffing levels were not maintained due to high turnover in the call center.
Number of benefit claim applications processed annually	77,500	105,412	All applications (service and disability retirements, refunds, and death claims) received were processed efficiently.

FOUR STRATEGIC PLAN GOALS:

Goal 3: Facilitate Access to Competitive, Reliable Health Care Benefits for Our Members

OBJECTIVES

- 1 Improve communication efforts regarding health care funding needs.
- 2 Increase the value of health care benefits.
- 3 Improve the health of our members.

In FY 2022, nearly \$1.9 billion was provided by multiple funding sources for TRS-Care. State, district, and active employee contributions are based on a percentage of active employee payroll rather than by medical trend. Required state contributions totaled \$506 million, including proportionality amounts received from the districts elsewhere classified as district contributions. TRS-ActiveCare received \$2.7 billion in FY 2022 from multiple sources, including the supplemental appropriations approved by the legislature. The TRS Board of Trustees sets the gross premiums to ensure adequate funding for health benefits.

TRS would like to express its deepest gratitude to state leadership for the invaluable support provided for both the TRS-Care and TRS-ActiveCare health insurance programs. During the 87th Legislative Session, the State provided TRS with a total of \$721 million in one-time federal funding to reimburse COVID-19 expenses and reduce the impact of premium increases.

Results of the improved TRS-Care fund balance enabled a one-time payment of \$448.12 to TRS retirees or surviving spouses in March 2022 and held premiums constant for 2023 plan year. Additionally, TRS implemented regional rates for 20 Education Service Center Regions while applying \$435M in one-time federal COVID-relief funds to ensure that no public educator in TRS-ActiveCare saw a premium increase for the 2023 plan year and many received premium decreases. Employers now receive rates that reflect the cost of health care in their area and are competitive relative to comparable options in the market. In FY 23, TRS-ActiveCare's total cost is 18% lower on average than comparable coverage in the market.

In an environment of higher medical costs nationally, regional rate increases for employers were kept at less than 10% on average. This is due to TRS' size, aggressive management of health care costs, and a \$588.5 million appropriation from the Texas Legislature to the TRS-ActiveCare program for FY 2024. During the July 2023 board meeting, the Board voted to increase deductibles for the TRS-Care Standard Plan, for retirees who are not eligible for Medicare, to remain compliant with IRS Health Savings Account (HSA) requirements.

TRS will continue to manage and monitor TRS-Care and TRS-ActiveCare cost trends, assess existing cost containment strategies while exploring new initiatives and educate health care consumers on the optimal use of TRS health plan benefits. TRS will continue to enhance health data analytics to drive key decision-making to support cost management and resource maximization.

Goal 3: Facilitate Access to Competitive, Reliable Health Care Benefits for Our Members

Action items supporting each Statewide Objective

Accountability



TRS is accountable to Texas taxpayers in the delivery of health care benefits. Rates and plan design for the TRS health care plans are adopted publicly in an open meeting by the TRS Board of Trustees. Financial statistics related to TRS-Care and TRS-ActiveCare are regularly published in the ACFR and matters relating to the health care funds are regularly communicated with member and retiree associations and the legislature.

Efficiency



A major TRS initiative for the upcoming fiscal year is to serve as a resource for the legislature on matters involving TRS-Care and TRS-ActiveCare. This includes carefully monitoring TRS-Care funding and educating stakeholders about options for sustaining TRS-Care and managing TRS-ActiveCare. As part of this work, TRS has enhanced health data analytics to drive key decision-making in support of cost management and resource maximization.

Effectiveness



TRS strives to deliver the highest quality health care services to members at the best possible price to ensure funds go as far as possible. To that end, TRS watches health care market trends closely, procuring medical and pharmacy contracts when it is most advantageous for members. Routine market checks and procurement ensure the best value from available funds.

Customer Service



TRS is dedicated to a professional, accurate, timely, and cost-effective delivery of services to plan participants. TRS routinely compares its health care plans with similar plans, including analysis of comparative costs and premiums. Additionally, TRS routinely conducts member satisfaction surveys to ensure continued high-quality service to plan participants and solicits public input. TRS continues to sharpen its communication focus on health care matters and is committed to enhancing its channels of communication to meet the needs of all constituents.

Transparency



TRS is responsible for providing accurate information about TRS programs and services to all interested parties, including active and retired members, legislative and governing bodies, school districts, institutions of higher education, and the public so that informed health care decisions can be made. As part of its commitment towards open and transparent communication, TRS continues to webcast all board and committee meetings and post health care-related materials on our website. Detailed and easy-to-understand health care information can also be found in the TRS Benefits Handbook as well as the TRS Health Benefits Report.

The Texas Legislature invested \$588.5 million in TRS ActiveCare over the coming 2024-25 biennium

Equates to average annual savings for educators of **\$1,100** over the coming 2024-25 biennium



Prior appropriation of federal funds equated to average annual savings of **\$1,500** in current FY 23



FOUR STRATEGIC PLAN GOALS:

Goal 4: Ensure That People, Processes and Technology Align to Achieve Excellence in the Delivery of Services to Members

OBJECTIVES

- 1 Attract, retain and develop a diverse and highly competent staff.
- 2 Advance and enhance IT systems and services.
- 3 Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.
- 4 Execute on TRS facilities needs.
- 5 Foster a culture of fiduciary responsibility and ethical conduct.
- 6 Improve and maintain effective procurement and contract management practices.
- 7 Improve strategic communications with a customer-centric focus.
- 8 Evaluate automation and technology solutions to enhance existing processes.
- 9 Develop a centralized data management framework for digital and physical data.

TRS is often selected as a Top Workplace in Austin as part of the Austin American Statesman's workplace survey. In FY 2023, TRS was recognized as a national top workplace in the United States. TRS is a preferred employer because of its mission and culture and because it provides employees with the tools needed to succeed. In FY 2023, this includes expanding recruitment efforts, redesigning new employee orientation, and creating a six-month onboarding program to help new employees adjust and acclimate to TRS culture.



Maintaining a Competitive Edge

TRS maintains a competitive edge in recruiting the best talent by providing competitive pay, a merit program, and quality staff development. Merit allocations for FY 2024 were approved by the Board to increase to 10% for the Investment Management Division and 5% for Red River staff to help retain current employees, keep up with the current job market, and maintain a competitive edge in recruitment. Merit allocations continue to be centralized. The Executive Director and Deputy Director work with managers to determine merit allocations through a departmental analysis. TRS continues to increase employee in-house learning opportunities and development, maintains a desirable physical work environment that includes efficient use of space, and continues to provide organizational change management support. TRS encourages, supports, and maintains a work environment that is welcoming to all employees, with the goal of fostering an atmosphere that is conducive to innovation and creativity.

Additionally, the TRS Talent team has prioritized sourcing, passive recruiting, and building relationships with talent pipeline sources (such as colleges, universities, professional associations, and technical programs) to increase applicant pools in an effort to address the significant challenges TRS has experienced in hiring and retaining employees. In addition to eligible applicants, the adoption of the TRS Fellowship program has proven successful in equipping early-career candidates with the skills and experience needed for employment. By January 2023, TRS observed a substantial increase in job applications compared to the entire FY 2022. Some positions were easier to fill thanks to labor market shifts and the recruitment benefits of layoffs in certain roles. TRS has greatly expanded its reach as an employer of choice throughout the state of Texas by hiring more than 70 staff to work remotely across the state. Additionally, TRS has approved New Mexico as a remote state to support the El Paso Regional Office.

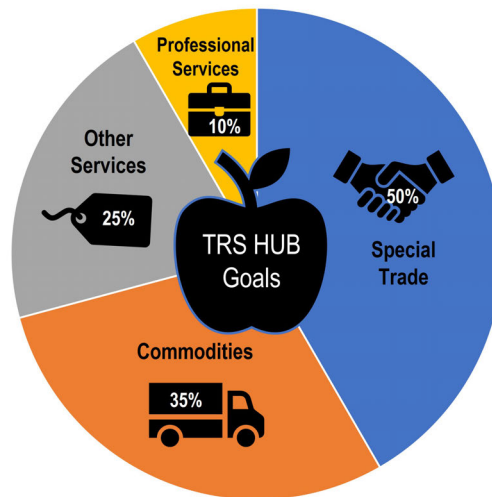
As a result of these measures, TRS is better able to attract new employees and keep the ones they already have. Employee turnover at TRS has consistently been below the statewide average among state agencies, as reported by the State Auditor's Office. In FY 2022, TRS turnover was 17.2%, well below the state average of 22.7% for the same period.

TRS will continue to manage (and expand, as needed) its effective programs and practices for attracting, retaining, and developing highly competent and diverse staff by:

- Recruitment activities and collaborations that market TRS as an employer of choice and have the potential to increase diversity among TRS staff.
- Internship and fellowship programs to build relationships with universities and develop talent pools.
- Strategic workforce management to include the use of contingent staffing, redeployment of current staff, variable scheduling to meet business needs, proactive sourcing, remote staff, and other appropriate best practices.
- Leadership development programs to build the skills of current and prospective leaders.
- Career development programs to provide professional growth opportunities for employees.
- Cross-training programs to advance skill levels, enhance productivity and provide back-up for critical functions.
- Continuity plans for critical staff.

Historically Underutilized Business Plan

TRS believes in promoting full and equal business opportunities for all businesses in Texas. To that end, the TRS Historically Underutilized Business (HUB) Program encourages the use of HUB vendors for the procurement of commodities and services. TRS will continue to promote purchasing selection practices that foster meaningful and substantive inclusion of Historically Underutilized Businesses (HUBs). To accomplish this, TRS hosts the annual TRS HUB forum and participates in local and selected statewide HUB events, including CPA forums; and conducts one-on-one meetings with HUB vendors and assists with identifying business opportunities with TRS and other state agencies, as well as assists vendors in becoming certified or re-certified as a Texas HUB. TRS is committed to adhering to the HUB Program and to operate under the highest ethical standards and will continue to support and implement responsibilities as determined by the Texas Comptroller of Public Accounts (CPA).



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
- Enhancing the TRS HUB Forum to include information on the state HUB program, additional resources, and information on how to create a winning proposal
- Purchasing and Contracting staff reaching out to the HUB community to see if they can provide the goods or services 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 (Facebook, Twitter)
- Providing annual status reports to the Board and include HUB goals in the agency Strategic Plan
- Contacting all eligible HUB vendors to participate in each solicitation

More information related to TRS HUB goals and initiatives can be found at:

https://www.trs.texas.gov/Pages/procurement_hub.aspx

Goal 4: Ensure That People, Processes and Technology Align to Achieve Excellence in the Delivery of Services to Members

Action items supporting each Statewide Objective



Accountability

TRS is committed to maintaining an efficient and effective administration that is accountable and transparent to its stakeholders. TRS frequently testifies before the legislature when called upon. TRS' budget is submitted to and approved by both the TRS Board of Trustees and the legislature. TRS has developed an agency contract management training program for all TRS contract managers. In addition, individuals that have significant contract management duties are required to enroll in the Comptroller's Certified Texas Contract Manager training and may be required to earn a Certified Texas Contract Manager certification.



Efficiency

The TRS Board of Trustees adopts the annual operating budget from the appropriations process and authorizes funding to be provided from the Pension Trust Fund; however, TRS does not receive funding from the state for administrative operations. TRS continues to maintain a relatively low administrative operations budget to total membership ratio compared to other public pension funds.



Effectiveness

TRS conducts ongoing analysis of the workforce to determine current and future staffing needs. TRS also develops and promotes career opportunities through defined career paths for current employees, researches options to retain institutional knowledge, and designs succession planning programs for critical staff. Additionally, TRS conducts ongoing analysis of processes and technology to ensure members' needs are met.



Customer Service

TRS' core functions are delivering retirement benefits, facilitating health care coverage, and managing investments. In our continued pursuit of providing excellent customer service, TRS ensures that the skills of current and future workforce have the required expertise to serve our members. TRS does this by monitoring business processes and full-time employee (FTE) levels and adjusting as necessary.



Transparency

As part of its commitment towards open and transparent communication, TRS continues to webcast all board and committee meetings and post budget-related materials including the biennial Legislative Appropriations Request (LAR) and Operating Budgets on the TRS website. Detailed and easy-to-understand financial information can be found in the ACFR.

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FINANCIAL POLICIES AND GUIDELINES



Jason J.
Investment
Operations

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Financial Policies and Guidelines

The Texas Constitution, Article 16, Section 67, authorizes programs of retirement for Texas public education employees and the administration of such programs in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries. Under the constitution, the Teacher Retirement System is established as a trust and requires the administration by trustees. Trustees carry the fiduciary responsibility in the administration of the plan and investment of the plan assets. The constitution requires that the assets of the System not be diverted. This imposes a duty on the TRS Board of Trustees to restrict use of assets to the benefit of the participants of the System. Use of the System assets for the benefit of the public in general, for the benefit of other programs or other program participants, or for the pursuit of other policies are examples of situations that may amount to or can lead to diversion of system assets. Statutory provisions also emphasize the Board's role as fiduciary and the trust arrangement for plan assets and administration. The Texas Constitution and statutory provisions provide the basis for which all policies are established and afford the System a level of autonomy from the state administration compared to other state agencies.

Article XVI, Section 67 of the Texas Constitution:

(a) General Provisions.

(1) The legislature may enact general laws establishing systems and programs of retirement and related disability and death benefits for public employees and officers. Financing of benefits must be based on sound actuarial principles. The assets of a system are held in trust for the benefit of members and may not be diverted.

(3) Each statewide benefit system must have a board of trustees to administer the system and to invest the funds of the system in such securities as the board may consider prudent investments. In making investments, a board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The legislature by law may further restrict the investment discretion of a board.

Under Texas Government Code, Chapter 825, the Board of Trustees are authorized to adopt rules for the administration of TRS and the transaction of the business of the Board. The Board monitors the actions of staff and consultants to ensure compliance with its policies. To aid in its prudent oversight and monitoring the board established an Audit, Compliance, and Ethics (ACE) Committee, Benefits Committee, Budget Committee, Investment Management Committee, Strategic Planning Committee, Policy Committee, and Compensation Committee each of which is a standing committee of the board charged with those responsibilities set forth in the bylaws of the board.

State, Generally Accepted Accounting Principles, and TRS internal policies guide activities such as development of annual budgets, procurement of goods and services, asset inventory, implementation and oversight of information technology projects, delegations of authority, and out-of-state and international travel. TRS adheres to the Texas Comptroller of Public Accounts' policies related to the annual reporting of capitalized and controlled assets which includes an assessment of their condition.

Budget Policy

The goal of TRS is to develop and submit a balanced budget so that the agency operates in accordance with the guidelines of the General Appropriations Act (GAA) adopted by the 88th Texas Legislature. A balanced budget is one in which the total revenues equal total estimated expenditures.

Basis of Budgeting

TRS maintains and manages its budget using the accrual basis of accounting for all funds in accordance with budgetary accounting practices. Under the accrual basis, revenues are recognized when they become available and measurable. Expenditures are recognized when the liability is incurred regardless of related cash flows. The basis of accounting for budget purposes is the same as the basis of accounting used in the audited financial statements.

TRS efficiently and effectively assigns resources to the appropriate areas in the agency to align with the goals and objectives set forth by the Board and executive management in the 2023–2027 Strategic Plan. The budget and expenses are primarily controlled through policies set forth by state of Texas governing entities, the Board of Trustees, and TRS.

Budget Committee Bylaw Citation

Art. 3 Section 3.1.3 Budget Committee

The board shall have a Budget Committee, which shall meet as necessary at the call of its chairman to:

- (a) recommend budgets for approval by the board;*
- (b) recommend intra-budget transfers and budget amendments for approval by the board; and*
- (c) monitor implementation of the operating budgets of the pension trust and other programs.*

Art. 5 Section 5.4 Budgets and Fiscal Year

The budgets of the Pension Trust Fund and any other trust funds administered by TRS are adopted by the board and may be amended by the board in subsequent meetings. The TRS fiscal year shall begin Sept. 1 and shall end the following Aug. 31.

Amended July 16, 2021

The full Bylaws of the TRS Board of Trustees can be found at the following link:

https://www.trs.texas.gov/TRS Documents/bot_bylaws.pdf

To comply with the budget policy the following benchmark(s) include, but are not limited to:

- **Develop the agency Administrative Operating Budget annually and the Legislative Appropriations Request (LAR) in even-numbered years.** *The budget for FY 2024 is balanced and prepared in accordance with board policy and guidelines and Generally Accepted Accounting Principles (GAAP). It was presented to the TRS Board in July 2023 and approved. The FY 2024-25 LAR was submitted to the Legislative Budget Board (LBB) in August 2022.*
- **Apply for the GFOA Distinguished Budget Presentation Award.** *Received the GFOA Distinguished Budget Presentation Award - 7 awards since 2015.*
- **Ensure the total approved budget for operating expenses and capital outlay are not exceeded without the approval of the TRS Board.** *Follow the General Provisions which authorize the Executive Director, or Deputy Director to approve the transfer of budgeted funds up to 25% of a major expense category between major expense categories. The FY 2024 capital budget includes funding for the Investment Data Modernization Program, the Fraud Prevention Tool, and a new capital project for Data Center/Shared Technology Services.*

Procurement Policy

The Purchasing and Contracts department within Business Administration manages the procurement process and provides high-level oversight of TRS' contracts, while the business units provide day-to-day contract oversight and management, and Legal and Compliance provides legal counsel throughout both processes. Pursuant to Section 5.6 (b) of the TRS Board Bylaws and the Board Procurement Policy, TRS shall acquire goods or services by procurement methods approved by the Board of Trustees or the Board's designee.

Excerpt from the Procurement and Contracting Guide:

Exclusive Authority over TRS Trust Funds

Notwithstanding any other law, TRS has exclusive authority under Section 825.103(d) of the Texas Government Code over the purchase of goods and services. Those purchases are statutorily exempt from the requirements of Title 10, Subtitle D, Tex. Gov't Code (Chapters 2151-2176). Further, sections 825.103(e) and (f) of the Texas Government Code exempt TRS from Chapters 2054 (with noted exceptions), 2055, and Subchapter C, Chapter 2260, Tex. Gov't Code.

Adopted September 2021

The complete guide and policy can be found here:

<https://www.trs.texas.gov/TRS%20Documents/procurement-contracting-guide.pdf>
https://www.trs.texas.gov/TRS%20Documents/trustee_procurement_policy.pdf

To comply with the Board Procurement Policy the following benchmark(s) include, but are not limited to:

- **Ensure that all purchases and contracts are developed, awarded, monitored, and evaluated per applicable laws, rules, and best management practices.** *The Purchasing and Contracts (P&C) department created the Procurement and Contract Management Guide. P&C also facilitated trainings and job aids to assist business units.*

Debt Policy

TRS does not issue debt nor does it have a statutory debt limitation.

Investment Policy

TRS Investments focuses on achieving superior long-term returns to secure members' retirement futures and deliver benefits that enrich their lives. The Board has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy. The Board also monitors the actions of the Investment Division to ensure compliance with its policies. The Board and Investment Division are assisted by outside advisors, consultants, and internal and external legal counsel.

All investments must be made prudently and in accordance with fiduciary and ethical standards, without promoting interests unrelated to the portfolio's stated objectives of controlling risk and achieving a long-term rate of return.

All investments made by the Total Fund must be in "securities" as provided by Article XVI, Section 67 (a)(3) of the Texas Constitution and defined in Texas Government Code Section 825.301.

Adopted July 15, 2022, to be effective July 18, 2022

The complete investment policy can be found at the following:

https://www.trs.texas.gov/TRS Documents/investment_policy_statement.pdf

To comply with the Investment Policy the following benchmark(s) include, but are not limited to:

- **Create a sustainable, competitive advantage for the Fund and the more than one and a half million people we serve.** *Reports are provided quarterly to the Board and appropriate board committee on the investment performance for the Total Fund and each component portfolio, net of external management fees (if applicable), will be compared with their respective benchmark indices. Fund performance will be judged primarily by comparisons to long-term (3, 5, and 10-year) Policy Benchmark returns.*

Pension Funding Policy

In FY 2020, the Board adopted a funding policy that states the funding goals of the System and sets the guidelines for which changes to contributions and/or benefit levels TRS may consider recommending to the legislature. The primary goal of the pension plan is to accumulate sufficient assets and achieve a stated funding objective to pay promised benefits. This funding policy establishes the funding objective as equal to or greater than 100 percent funded and identifies a detailed plan for achieving the funding objectives of Contribution Stability and Predictability, Legislative Appropriations Request of Contribution Rates, and Benefit Enhancements.

Consistent with its charge to protect the funds of the retirement system as required under Tex. Gov't Code § 821.008 and adopt a written funding policy under Tex. Gov't Code § 802.2011, the TRS Board of Trustees supports contribution and benefit policies that will systematically decrease the UAAL over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent. A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Tex. Gov't Code § 802.2011.

Dated December 13, 2021

The complete funding policy can be found in Appendix D and at the following link:

https://www.trs.texas.gov/TRS_Documents/pension_funding_policy.pdf.

To comply with the Pension Funding Policy the following benchmark(s) include, but are not limited to:

- **Systemically decrease the UAAL (Unfunded Actuarial Accrued Liability) over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent.** *In advance of the legislative session, TRS prepared a Legislative Appropriations Request (LAR) with the requested contribution rate. For the six fiscal years in which contribution rates are being increased under Tex. Gov't Code §§ 825.402, 825.4035, and 825.404, TRS will request a contribution rate consistent with Tex. Gov't Code § 825.404*
- **Review the assumptions and methods at least once every four years in an Experience Study.** *An experience study was conducted in 2022 and found that while most assumptions have remained accurate, the investment return assumption is at the upper end of the range of expected returns. In July 2022, TRS' Board of Trustees reviewed the results of the study and voted to approve a recommendation to lower the investment return assumption from 7.25% to 7.00%.*

Budget Development

State Budget Process and Timeline

The state of Texas budget process begins the year preceding the biennial legislative session (spring of even-numbered years) with the development of the agency Strategic Plan. Soon after submitting the Strategic Plan, agencies begin development of the Legislative Appropriations Request (LAR), which is used to request funding for the following biennium. The Legislative Budget Board (LBB) uses the LAR as a basis to create the general appropriations bill, which contains performance measures, the maximum number of full-time equivalent employment positions (FTEs) allowed, specific enumerated instructions, the amount of funding recommended by the LBB, and the method of financing for each agency's appropriation. When the Texas Legislature convenes in January of odd-numbered years, the general appropriations bill goes through the Senate Committee on Finance and the House Committee on Appropriations and eventually to the floor of each chamber for debate and ultimate approval. The appropriations bill guides spending over the next two years, beginning on September 1 of odd-numbered years. Although the budget is not recorded in Texas statutes or codes, it has the force of law. Agencies are bound by it, and their compliance is monitored by the LBB and the State Auditor's Office (SAO).

As a part of the state of Texas budget process, TRS prepares a detailed LAR under the guidelines of the LBB. The appropriations request itemizes the funding TRS needs to operate. The requests include performance measures designed to ensure the money is spent efficiently and effectively.

The legislature appropriates funding and FTE authorization from the Pension Trust Fund to pay for all Benefit Services operations, Investment Management operations, Support Administration, and Capital Projects. Funding for both fringe benefits and performance incentive compensation payments is appropriated separately. Health Division is funded with health care funds which include both TRS-Care and TRS-ActiveCare. Health care funding and staffing resources are not part of the legislative appropriations process. Annually, the Board adopts the administrative operating budget which funds TRS' internal operations.



Develop a Legislative Appropriations Request every even-numbered year.



The LBB uses the LAR as a basis to create the general appropriations bill and is presented to the Texas Legislature for approval.



The LBB and SAO monitor compliance with the GAA.

TRS Budget Development Process

Development

The development of the annual administrative operating budget is a participatory process with agency business units. The process begins when instructions are sent to all department managers asking to submit requests for operating and capital expenditures for the upcoming fiscal year and the next biennium during even-numbered years. Department managers are instructed to use a strategy-based approach plus needed funding for cost escalators. Departments are able to make adjustments and request additional resources using TRS' interactive budget software if any are needed. Salaries and other personnel costs are developed by budget staff using assumptions required to fund assumed expenditures. Department managers review the staffing list to ensure accuracy. To gain insight into the departments' plans for the upcoming year, the Budget team coordinates two meetings, one with all the Core function departments and the other with the Support departments. In these meetings the two groups present their requests for additional resources, which can include FTE and funding requests. The Core function departments normally present first to give an idea of their needs that the Support function departments may need additional resources to support.

For the FY 2024-2025 LAR, the Budget team hosted a Budget Kickoff before the two meetings with the Core and Support departments mentioned above. The Budget Kickoff meeting provided agency leadership an opportunity to develop the goals, resource needs, and service level priorities through open group discussions. The meeting further assisted departments with budget development and the identification of incremental increases in resources needed to advance the strategic plan of the organization. The Budget team also used this opportunity to provide refreshers on the state budgetary process, specifically addressing the LAR process and capital projects.

Review

Once all budgets are completed and submitted, the budgets are examined for additional funds requested above the base amount that balances to the General Appropriations Act (GAA) for that fiscal year. Any amount of increase requires a justification. To further facilitate the review process, budget staff examine previous budgets and expenditures, and research economic and financial developments that affect the agency's expenditures. In combination with the agency priorities, these trends and historical data are used to assist the budget staff with forecasting and advocating for departments' requested increases. Requests for additional funds and staff are considered for adoption based on increasing work demands, changing methods of operations, and delivery of mission-critical services.

Adoption

The final proposed annual administrative operating budget is presented to the Budget Committee for recommendation to be adopted by the Board of Trustees during the July board meeting. As the fiscal year progresses if an additional need for resources arise the Budget Staff will first look for available lapse within the existing budget. If no lapse is available to accommodate the request and amending the adopted budget is seen as necessary, an increase to the appropriated budget would need to be presented and approved by the Board of Trustees through a fiduciary finding.

Although the public has no involvement with the development of the annual administrative operating budget, the proposed budget presented during the board meetings is broadcasted publicly. The public's input, along with other factors affecting the agency, are taken into consideration as the budget is developed as TRS strives to be transparent and abide by all policies and guidelines. The public is also invited to provide testimony and comments at the board meetings. Additionally, the representatives of the Texas Legislature are the voices of the public and our members. TRS also publishes the administrative operating budget report on its website.

A detailed calendar of the TRS budget process can be found in Appendix C.



Development

Work with departments to develop the annual Administrative Operating Budget.



Review

Budget staff review budget submissions for accuracy and requested increases.



Adoption

Annual Administrative Operating Budget is presented to the Board for approval.

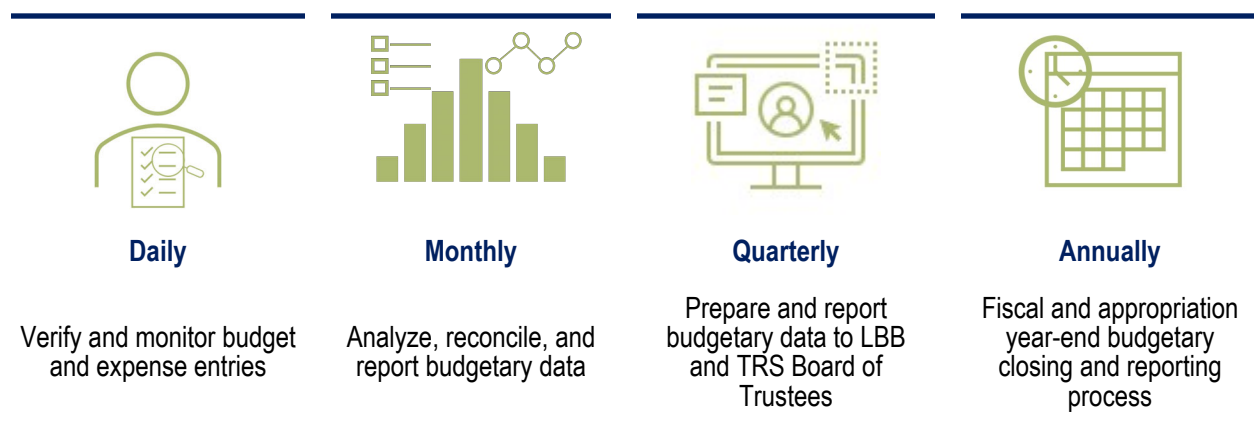
Budget Controls and Monitoring

After the biennial budget is passed by the Governor, the legislative leadership continues to play a role in the budget with ongoing monitoring of the implementation of the budget through the LBB. Legislative controls are laid out in the General Appropriations Act (GAA), which is used as guidelines for the agency budget and capital projects. TRS is required to submit quarterly reconciliations of expenditures and performance measure outcomes to the LBB.

After adoption of the internal operating budget, staff continuously monitors financial performance relative to the adopted budget, supporting timely decision-making by senior management. On a monthly basis, budget staff performs budget-to-actual and budget-to-projected actual comparisons of expenditures. The Board Budget Committee is provided mid-year and end-of-year reports as well.

As an internal control measure the budget is loaded into CAPPs (Centralized Accounting Payroll Personnel System) to establish expenditure limits by fund, appropriation, and department. Staff utilize CAPPs to verify and monitor the budget and expense entries on a daily basis.

On a quarterly basis, budget staff meet with department managers to discuss current year expenditure trends and patterns, and any issues that may have a fiscal impact. If an additional business need is identified, departments are first directed to use existing budget. If the department's existing budget cannot accommodate their need, another department's lapse could be redirected to these areas. Staffing levels are also monitored and earned lapse to date is calculated to use for additional resource requests. The following diagram depicts the various monitoring time frames:



Position Control

Generally, augmentations to authorized positions follow the standard budget process and are approved by the legislature. Once established, approved full-time equivalents (FTE) positions are monitored monthly. TRS created an internal planning committee to evaluate and discuss each division's requests in conjunction with all upcoming terminations, retirements, and separations to determine which positions can be posted and filled. Ultimately, the Executive Director has final decision-making authority. TRS monitors business activities and FTE employee levels to efficiently manage staying below the 1,047.3 authorized FTE cap. In coordination with Organizational Excellence and Payroll, the Budget team compiles the status of all positions and present any new request to agency leadership for consideration. To remain transparent with business units, the Budget team in conjunction with the Analytic and Financial Insights Group (AFIG) created PowerBI dashboards that are updated with position control data as new information is received. Reporting of FTE levels is submitted to the SAO quarterly.

Stakeholder Expectations

TRS is expected to maintain and manage its budget efficiently and accurately to meet the expectations of various stakeholders. The expectations of each are taken into account and are used as guidelines when developing the budget.



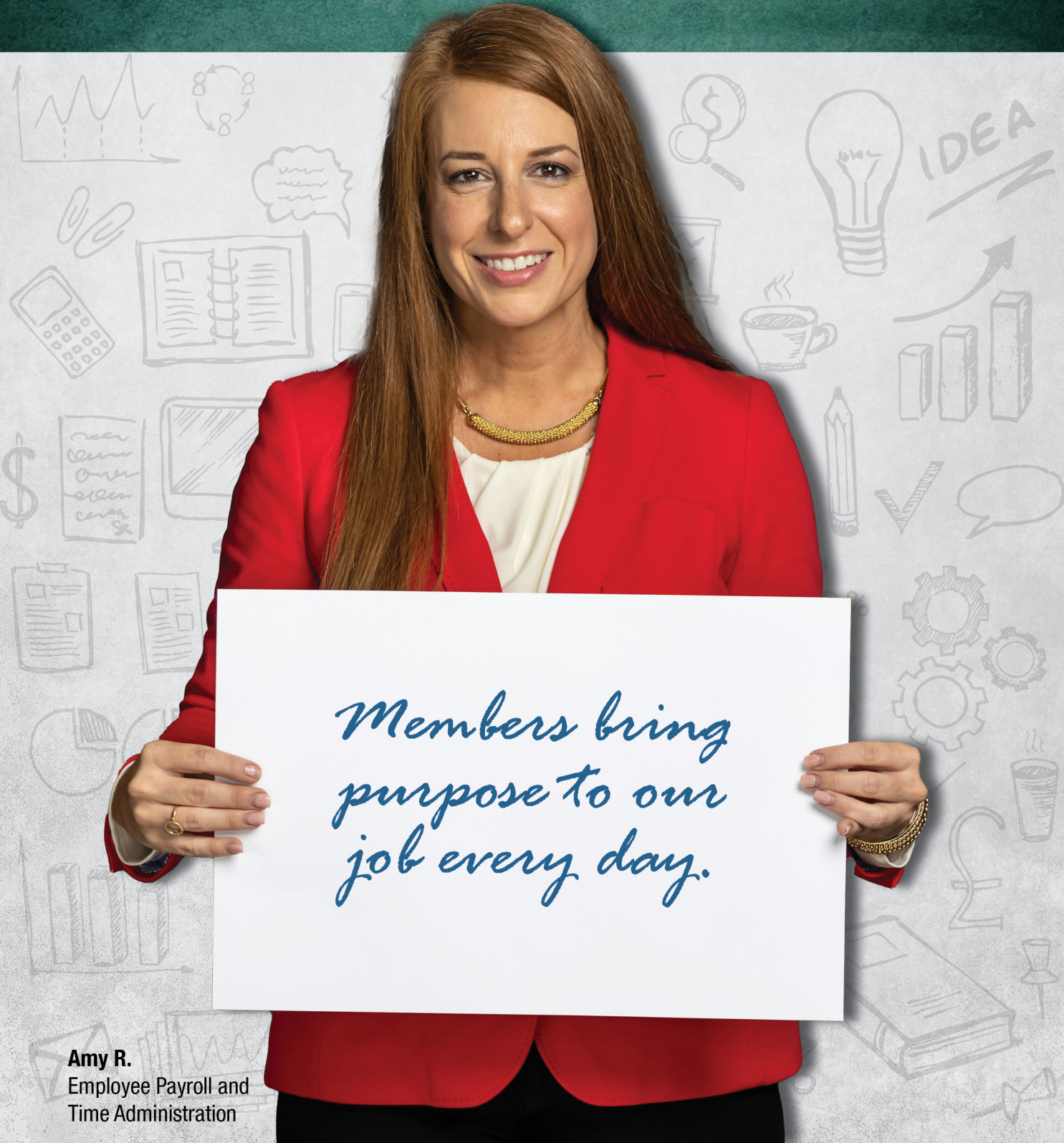
External Governing Bodies	Members	Board of Trustees (BOT)
Legislature, Legislative Budget Board, State Auditor's Office, Office of the Governor, Texas Comptroller's Office	Active and Retirees	The nine-member Board of Trustees, trustee of all plan assets
<p>Expectations include:</p> <ul style="list-style-type: none"> • Staff will abide by the General Appropriations Act (GAA) and all associated reporting requirements • Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets • TRS will be transparent with the public regarding its budget 	<p>Expectations include:</p> <ul style="list-style-type: none"> • TRS will be transparent regarding its budget and spending • TRS will be good fiduciaries of the trust funds on their behalf • TRS will ensure expenditures are aligned with the overall mission of the agency 	<p>Expectations include:</p> <ul style="list-style-type: none"> • Staff will abide by the GAA and all transparency requirements • Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets • BOT will be provided accurate and timely communications regarding expenses, risks, and other budgetary or FTE-related issues • Staff will be proactive and timely in identifying budgetary risks • BOT will be provided sufficient information and tools to enable them to make prudent decisions in their fiduciary roles regarding the TRS Budget or FTE needs



Executive Management	Internal Partners	Staff
Executive Director, Deputy Director, and related administrative staff	Department directors, managers, and budget liaisons	Budget Staff
<p>Expectations include:</p> <ul style="list-style-type: none"> • TRS will abide by all GAA and transparency requirements • Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets • Staff can swiftly provide accurate budget and FTE-related information and assist in preparing presentations, legislative responses, etc. as needed • Staff will provide guidance and assistance to business units regarding the budget development process • Staff will maintain good relationships with BOT, management, and business units • Staff will keep management up-to-date and provide accurate information to enable them to knowledgeably communicate budgetary and FTE-related issues or concerns 	<p>Expectations include:</p> <ul style="list-style-type: none"> • Necessary funds are available to meet the needs of business units • Staff maintains good relationships with business units and is available, knowledgeable, and responsive to their needs • Staff closely monitors budget reports and ensures expenditures are charged to the correct budgets • Staff is aware of critical activities that have to be performed at specific times of the year and is able to work with other business units to provide quick turnarounds and information as needed 	<p>Expectations include:</p> <ul style="list-style-type: none"> • Clear and prompt communication both up and down the chain • Manager and other staff are accessible and available to help each other as needed • Staff is willing to shift priorities and workloads in order to help each other or to accomplish specific tasks

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FUND STRUCTURE AND LONG-TERM FINANCIAL PLANNING



*Members bring
purpose to our
job every day.*

Amy R.
Employee Payroll and
Time Administration

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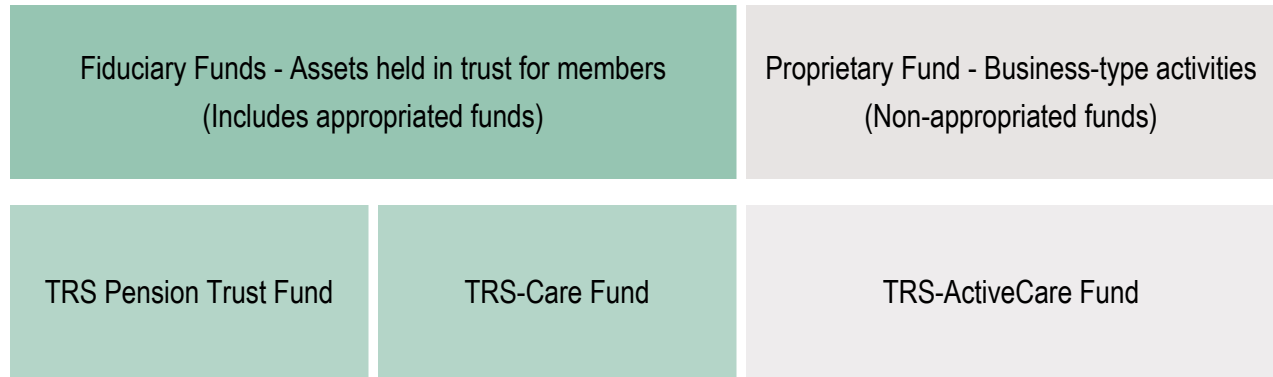
Overview of Fund Structure

TRS administers retirement and related benefits to employees and beneficiaries of employees of public, state-supported, educational institutions of Texas. The System also administers the Texas Public School Retired Employees Group Insurance Program (TRS-Care) as well as the Texas Active School Employees Uniform Group Benefits Program (TRS-ActiveCare).

- The Pension Trust Fund is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation that is a qualified pension trust under Section 401(a) of the Internal Revenue Code.
- TRS-Care is considered an employee benefit trust fund and provides health care coverage for certain persons, who retire under TRS, and their dependents. The statutory authority for the program is Texas Insurance Code, Title 8, Subtitle H, Chapter 1575 and Texas Administrative Code, Title 34, Part 3, Chapter 41.
- TRS-ActiveCare provides health care coverage to employees of participating public education entities and their dependents. Authority for the plan can be found in the Texas insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41.

The System's financial records are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, additions/revenues, and deductions/expenses. The administrative operating budgets for the Pension Trust Fund and TRS-Care represent less than 1% of the value of the Pension Trust Fund and TRS-Care Fund, respectively. The administrative operating budget for TRS-ActiveCare represents less than 3% of the value of the fund as of the end of FY 2023. The fund balance is defined as the difference between the assets and liabilities of the fund. TRS maintains three major funds in two categories: Fiduciary and Proprietary.

TRS Board of Trustees



Fiduciary Funds

Fiduciary funds, which have an appropriated component, include the Pension Trust Fund and TRS-Care (employee benefits trust fund). Fiduciary funds are used to report assets held in a trustee capacity on behalf of others. The reporting focus is on net position and changes in net position. The pension and other post-employment benefit trust funds are used to report resources held in trust for members and beneficiaries of the defined benefit pension plan and other post-employment benefit plan. Benefits are paid from the Pension Trust Fund. Health care claims are paid from TRS-Care. The agency's administrative operating budget is sourced from each fund respectively.

Proprietary Fund

The System's proprietary fund, TRS-ActiveCare which is an enterprise fund, does not include any appropriated funds. TRS-ActiveCare is considered a major fund. This fund is used to account for business-type activities or those for which a fee is charged to external users for goods and services. The reporting focus is on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating activities from non-operating activities. Operating revenues for the System's proprietary fund are derived from self-insurance premiums. Operating expenses include the costs of claims and related administrative expenses. Non-operating revenues and expenses are those items that do not meet any of the above definitions.

Long-Term Financial Plan

The foundation of TRS' long-term financial planning is to ensure sufficient assets are available to pay promised benefits to members. TRS strategic planning is a long-term and future-oriented process of assessment, goal setting, and decision-making for the next five years.

In keeping with the long-term strategic planning process, the Board adopted a funding policy in FY 2020 that states the funding goals of the System and sets the guidelines for which TRS may recommend changes to contributions and/or benefit levels to the legislature. Unlike other public pension plans, the legislature controls both the level of benefits received by members and the contributions paid to the pension fund, while the Board has primary control over the investment of trust assets. This structure limits the Board's ability to control the pension's long-term funding drivers. The Board will review the TRS Pension Funding Policy every four years, to coincide with future experience studies conducted by the TRS actuary. TRS is required by law to conduct an actuarial experience study at least once every five years. A video explaining how the actuarial valuation defines the health of the TRS Pension Trust Fund and the full results of the 2022 actuarial experience study can be found at the following links:

Video: https://www.youtube.com/watch?v=pe7Y_iIH8uk

Report: https://www.trs.texas.gov/TRS%20Documents/actuarial_experience_study_2022.pdf.pdf

The purpose of the actuarial experience study is to examine the changing patterns of retirement behaviors, plan provisions, and investment returns, and whether adjustments are needed. Based upon findings in the 2022 actuarial experience study and recommendations by TRS' independent actuary, TRS' Board of Trustees voted to approve lowering the investment return assumption from 7.25% to 7.00%.

During the 2019 86th Legislature, Senate Bill 12 was passed providing for increased contribution rates from all sources. The increases would be gradually implemented over the next few years and dramatically improves the projected health of the System. However, the main metrics are not expected to improve for some time. In addition, a mechanism for further adjustment, if deemed necessary, does not exist without legislation. The contribution rates are displayed below.

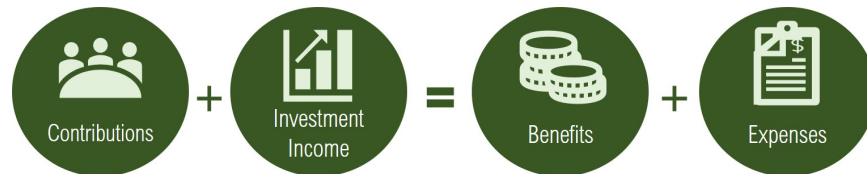
	FY 2017-19	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
State	6.80%	7.50%	7.50%	7.75%	8.00%	8.25%	8.25%
Members	7.70%	7.70%	7.70%	8.00%	8.00%	8.25%	8.25%
Public Education Employer	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%

On an annual basis, TRS' independent consulting actuary conducts an actuarial valuation of pension assets and liabilities. In even-numbered years, this analysis is combined with the goals included in the funding policy to determine the contribution level TRS should request from the legislature in its Legislative Appropriations Request (LAR). The funding objective outlined in the current funding policy is to achieve at least 100% funding of benefit costs. If after the phase-in of all contribution rates, the unfunded liability for the pension fund is not projected to begin to decline by the fifth year following a current valuation, TRS will request contribution rate increases in its LAR sufficient to begin to reduce the unfunded liability of the System.

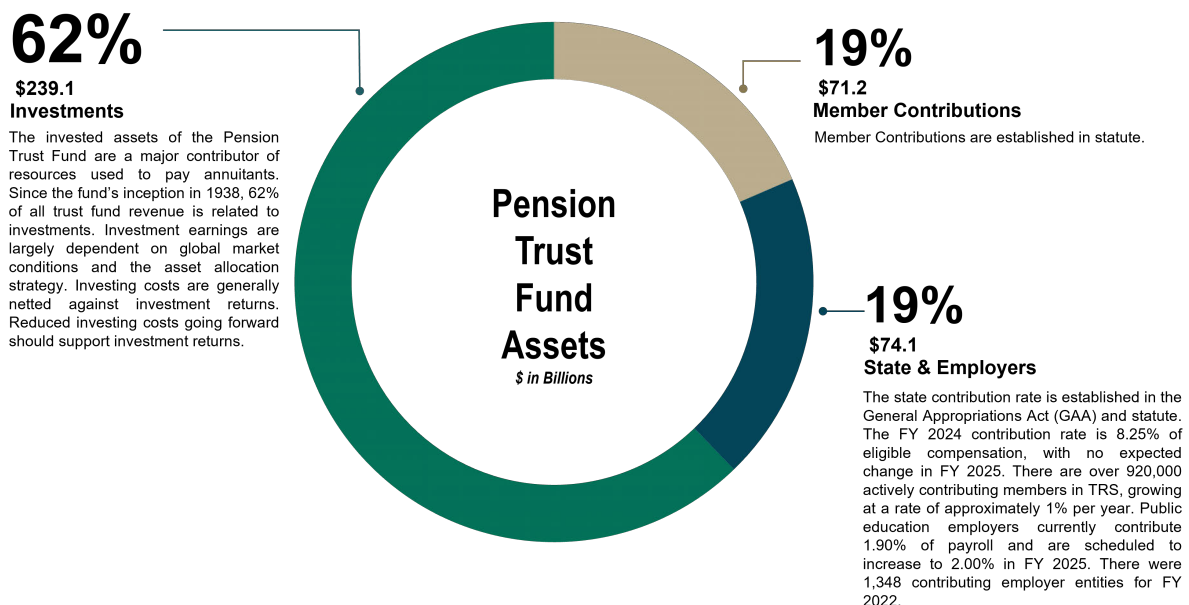
The funding policy adopted by the Board provides a strong step towards focusing on reducing the unfunded actuarial accrued liability (UAAL) over time. The plan finances benefits by investing funds seeking to achieve the assumed rate of return. For TRS, the assumed rate of return is 7.00%.

Pension Trust Fund

Long-term financial planning for the TRS Pension Trust Fund is driven by the funding policy and the strategic plan, which are both adopted by the TRS Board of Trustees. In the defined benefit plan, contributions are invested to generate income from which benefits are paid. Contributions are comprised of three sources – member, state, and employer. The financial health of the pension program is based on the following equation:



Sources of Pension Fund Revenue since inception (FY 1938 - 2022)



Benefits & Expenses

Benefits paid generally grow 6% per year. The standard annuity consists of a monthly benefit that is disbursed to retirees for the duration of their retirement years. This benefit is calculated based on the statutory benefit formula. Pension recipients encompass both retirees and beneficiaries. As of August 2022, the monthly annuity payroll has risen to \$1.1 billion. Administrative expenses for benefit operations are increasing due to an increased focus on customer service and meeting service levels.

Pension Trust Fund Projections

Pension Trust Fund	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Variance FY 2023 to FY 2024
Beginning Fund Balance	201,806,483,300	184,185,617,196	186,395,969,609	2,210,352,413
Revenues				
Member Contributions	4,264,887,874	4,549,592,865	4,724,752,190	175,159,325
State Contributions (Appropriated)	2,859,460,089	2,310,526,573	4,109,984,328	1,799,457,755
Employer Contributions	2,535,086,002	2,692,192,076	2,795,841,471	103,649,395
Investment Income & Other Revenue	(13,377,797,207)	7,718,923,452	19,133,211,527	11,414,288,075
Total Fund Revenues	(3,718,363,242)	17,271,234,966	30,763,789,516	13,492,554,550
Expenses				
Benefits Paid	13,840,450,082	14,992,982,059	17,537,560,983	2,544,578,924
Admin Expenses (excluding investing activity expenses)	62,052,780	158,353,160	178,510,660	20,157,500
(Gain)/Loss on Capital Assets	—	(90,452,666)	—	90,452,666
Total Fund Expenses	13,902,502,862	15,060,882,553	17,716,071,643	2,655,189,090
Ending Fund Balance	184,185,617,196	186,395,969,609	199,443,687,482	13,047,717,873
Percent Change				7%

- Member and employer contributions are growing at an anticipated rate of 4%. Contributions are based on the expected rate of covered payroll growth which aligns with long-term demographic trends.
- FY 2022 state contributions included \$701 million in direct funding from the state to fund a one-time supplemental payment for eligible retired members authorized by the Texas Legislature. State contributions in FY 2024 include \$1.645 billion authorized in Senate Bill 10 to provide a one-time stipend to certain annuitants to be paid in September 2023. Pending approval by Texas voters in the November 2023 election, House Joint Resolution 2 was passed by the 88th Texas Legislature which provides a cost of living adjustment (COLA) for annuitants who retired on or before Aug. 31, 2020 totaling an additional \$3.355 billion in funding.
- The FY 2023 net position balance includes the recognition of the gain on the sale of TRS' headquarters property on Red River Street in downtown Austin.
- The annual rate of return on investments for the pension fund for the year ended Aug. 31, 2022 was (6.72)%. In FY 2023, investment earnings were on the rise as the market remained fragile amid mixed economic signals. The returns were driven by the increasing interest of investments in the growing artificial intelligence market. The projected net position balance for FY 2024 reflects the assumed investment rate of return of 7.00%.
- The FY 2024 Administrative Operating Budget annualizes payroll for positions hired during FY 2023 and implements the state mandated salary increase for all FTEs and includes the costs related to developing internal technologies and infrastructure related to the Investment Data Modernization Program and the Fraud Prevention Tool as well as reducing our reliance on contract services by converting contract positions into FTEs.

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Health Care Trust Funds

The TRS Board is also the fiduciary for the TRS-Care and TRS-ActiveCare Trust Funds. For these programs, TRS works with its actuaries to forecast financial trends and estimate funding needs. This process entails significant analysis and coordination to ensure that plan design changes maintain and encourage the use of high-value care, revenues are sufficient to pay claims, Legislative changes and directives have been incorporated, and the Board has adequate information to make decisions.

The health care funds operate on a pay-as-you-go basis; collect revenue from members, employers, and the state; and use that funding to pay for claims and administrative operations.

Health Plan Premiums and Benefits

The TRS Board adopts changes to gross premiums and benefit levels for each program based on the long-term financial projections for each fund. Prior to adopting rates, TRS staff provide the Board with updated projections of fund balances for each trust fund that typically extend several years ahead. These projections identify the longer-term implications of current benefit and premium levels on the sustainability of each program. If projections reflect a shortfall, the Board may adopt changes to benefits and/or premiums or request additional funding from the legislature through the LAR to balance projected revenues and expenditures.

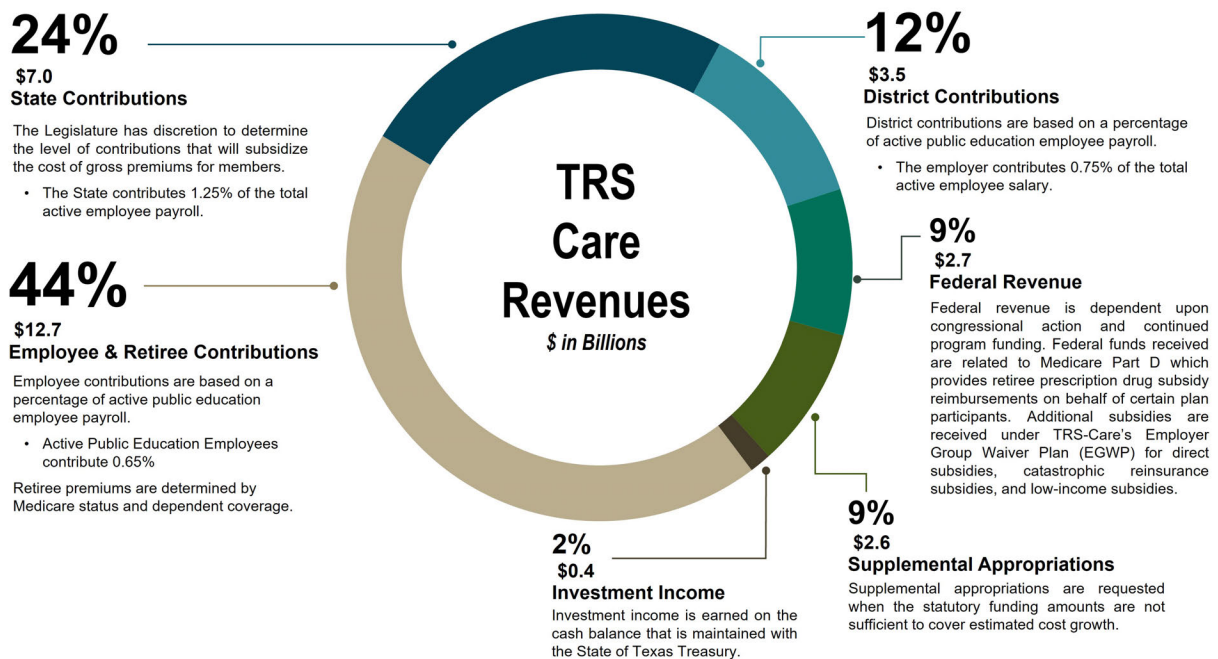
Projections for the health plans can be difficult to forecast for long periods due to high inflation and volatility in the health care market and the relatively low margins on which the plans have historically operated.

Following the enactment of Senate Bill 1682, 86th Legislature, 2019, TRS is required to maintain a balance estimated to equal 60 days of program claims and expenses to help reduce the impact of short-term volatility on the program.

TRS-Care Revenue Sources

The retiree health program, TRS-Care, is financed on a pay-as-you-go basis and benefits are contingent on funding availability. Revenue comes from six sources – state contributions, employee and retiree contributions, district contributions, federal programs, and investment income.

Sources of TRS-Care Revenue since inception (FY 1986 - 2022)



In FY 2022 the Office of the Governor and state legislative leadership provided TRS-Care with a one-time payment from the Coronavirus State Fiscal Recovery Fund under the American Rescue Plan Act in the amount of \$83 million which was distributed to eligible participants.

Benefits & Expenses

Health care claims expense, including pharmaceutical costs, is expected to increase primarily due to the projected trend in pharmacy claims. Savings from the procurement of the new pharmacy benefits manager is expected to generate savings in the future.

TRS-Care Projections

TRS-Care, Health Care Program for Retirees	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Variance FY 2023 to FY 2024
Beginning Fund Balance	2,539,242,470	3,117,937,218	3,676,271,462	558,334,244
Revenues				
State Contributions (Appropriated)	506,388,630	515,503,625	524,782,692	9,279,067
Employee & Retiree Contributions	663,116,709	752,558,295	761,724,626	9,166,331
District Contributions	315,688,282	309,302,175	314,869,614	5,567,439
Federal Revenue	288,568,845	338,915,057	419,742,748	80,827,691
Supplemental Appropriations	83,000,000	—	—	—
Investment Income	13,537,557	53,211,031	46,287,441	(6,923,590)
Total Fund Revenues	1,870,300,023	1,969,490,183	2,067,407,121	97,916,938
Expenses				
Health Care Claims Paid	1,273,139,673	1,393,842,392	1,536,671,121	142,828,729
Administrative Expenses	18,465,602	17,313,547	22,164,500	4,850,953
Total Fund Expenses	1,291,605,275	1,411,155,939	1,558,835,621	147,679,682
Ending Fund Balance	3,117,937,218	3,676,271,462	4,184,842,962	508,571,500
Percent Change				14%

The covered employee payroll that serves as a base for three of the six revenue sources is expected to grow along with the growth of active teachers. Payroll growth is projected to be 3.6%. The state's share of employer contributions is appropriated to TRS by the legislature. For FY 2024, the state's contribution rate remains at 1.25% and the district contribution rate remains at 0.75%. Due to the uncertainty of future interest rates, the fund balance model decreases current interest rates by 25% each year.

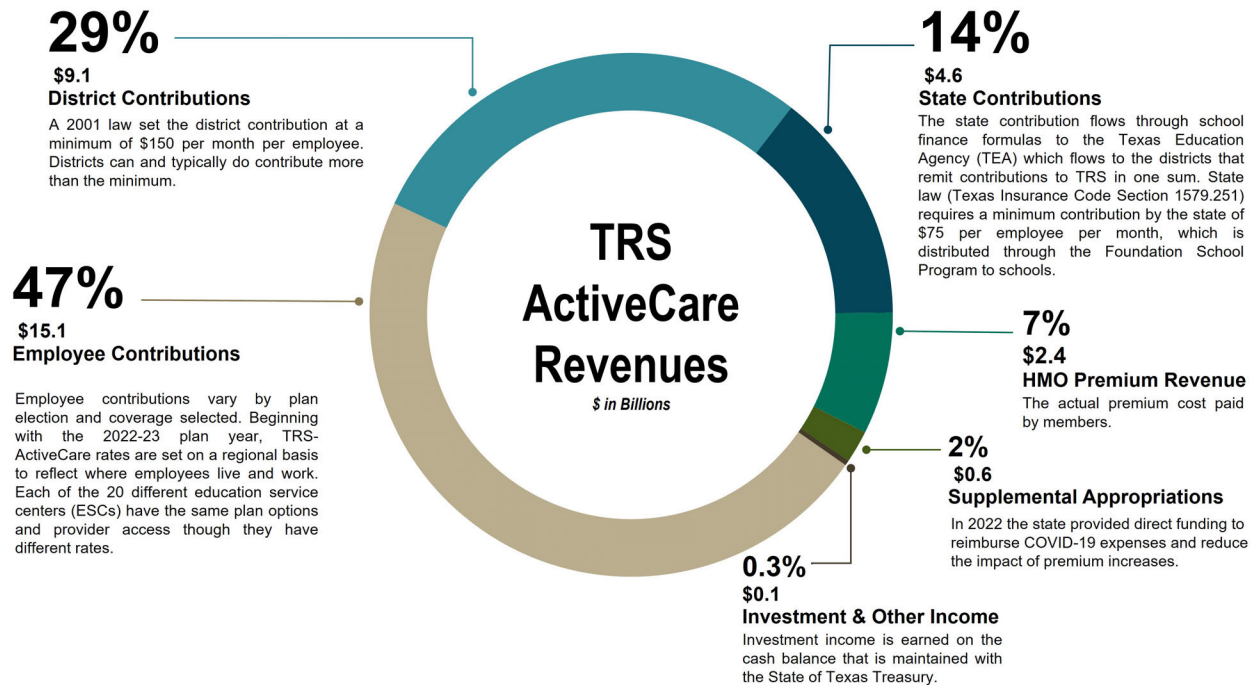
The increase in administrative expenses includes the annualization of payroll for positions hired during FY 2023 and the implementation of a state mandated salary increase for all FTEs. Additional resources and consulting services were approved to implement a new pharmacy benefits manager as well as optional group benefits for dental and vision care, to reduce reliance on external contractual support and to increase technological support for enhancements to the health line of business (HILOB).

The TRS-Care fund remains strong and healthy thanks to diligent management and additional funding from the Legislature. The TRS-Care Fund is expected to remain solvent through FY 2025.

TRS-ActiveCare Revenue Sources

The active employee health program, TRS-ActiveCare, is financed on a pay-as-you go basis. Revenue for the program comes from state contributions, district contributions, employee contributions, investment and other income sources.

Sources of TRS-ActiveCare Revenue since inception (FY 2003 - 2022)



In FY 2022 the Office of the Governor and state legislative leadership provided TRS-ActiveCare with a one-time payment from the Coronavirus State Fiscal Recovery Fund in the amount of \$435 million. An additional \$203 million was authorized for TRS-ActiveCare in Senate Bill 8 during the 3rd Special Session of the 87th Legislature to offset health care costs related to COVID-19. In FY 2024, the state legislature provides a one-time contribution of \$588.5 million to keep the average premium rate increase in TRS-ActiveCare below 10 percent.

Benefits & Expenses

Health care claims expense, including pharmaceutical costs, have been declining over the last few years through FY 2021. That trend is expected to increase in the near term. Based on market trends, health care costs grow by over 5% each year.

TRS-ActiveCare Projections

TRS-ActiveCare, Health Care Program for Active Teachers	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Variance FY 2023 to FY 2024
Beginning Fund Balance	56,242,953	547,539,975	210,609,339	-336,930,636
Revenues				
Premiums*	2,052,546,354	1,850,217,847	1,905,678,356	55,460,509
Supplemental Appropriations	638,337,761	—	588,518,000	588,518,000
Investment Income	1,656,096	10,721,451	2,466,283	(8,255,168)
Total Fund Revenues	2,692,540,211	1,860,939,298	2,496,662,639	635,723,341
Expenses				
Health Care Claims Paid	2,197,254,875	2,194,258,715	2,335,628,277	141,369,562
Administrative Expenses	3,988,314	3,611,219	5,410,500	1,799,281
Total Fund Expenses	2,201,243,189	2,197,869,934	2,341,038,777	143,168,843
Ending Fund Balance	547,539,975	210,609,339	366,233,201	155,623,862
Percent Change				74 %

*Premiums include State, District, and Employee Contributions as well as HMO Premium Revenue.

Historically, the number of teachers is highly correlated to the state's population. Population growth has averaged 2% per year over the past 30 years. For the next few years (i.e. through FY 2024), that growth is expected to average 2 to 3% per year.

Employee contributions are highly dependent upon the coverage elections selected. The projections chart above includes state contributions, employee contributions, and district contributions in the premiums revenue category. Increased FY 2024 administrative expenses support the state mandated salary increase for all FTEs as well as consulting services related to the new pharmacy benefit manager.

The TRS-ActiveCare Fund balance is managed to prevent a deficit through premium and benefit adjustments. While TRS-ActiveCare offers a competitive premium for employers participating in the program, plan affordability for employees and their families is an ongoing concern due to the additional funding being a one-time appropriation.

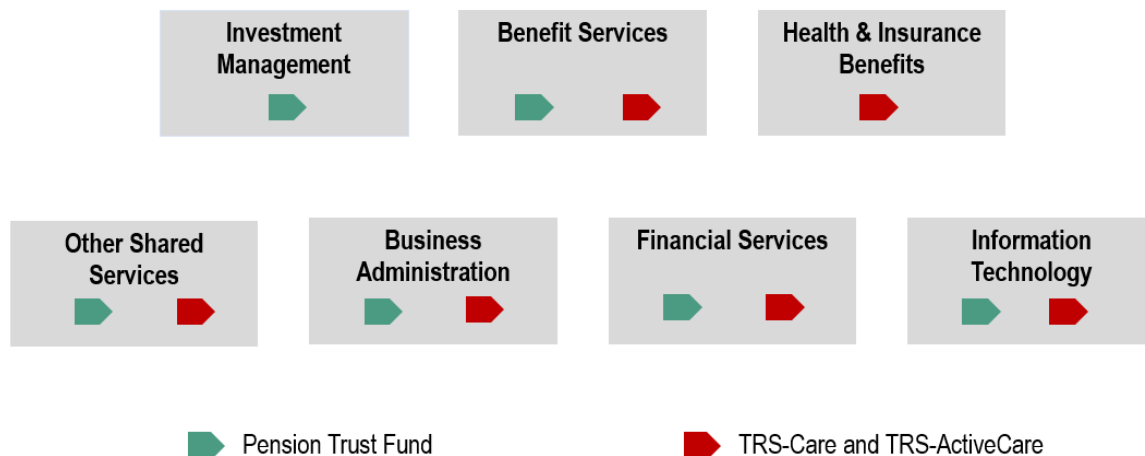
Administrative Operating Budget Structure

Budgets and Appropriations

The administrative costs and capital asset outlay for each of the System's funds and programs are controlled by annual budgets approved by the Board of Trustees. Only the fiduciary funds include an appropriated component. The Pension Trust Fund receives state contributions from the Texas Legislature's general revenue appropriations for retirement benefits for active members employed by a participating employer. Although appropriated by the legislature, expenses for the Pension Trust Fund administrative operations and capital expenditures are paid from the Pension Trust Fund and not from the state's general revenue fund. For TRS-Care, the state's contributions are appropriated from the state's general fund while administrative expenses are paid from the employee benefits trust fund.

Fund and Department

All of the divisions and departments within TRS are funded by the Pension Trust Fund with the exception of the Health Division. The Health Division is funded with health care funds which include both TRS-Care and TRS-ActiveCare. A cost allocation process is used to transfer support costs from the other divisions, including Other Shared Services, Information Technology, Business Administration, Financial Services, and Benefit Services divisions to the health care funds.



FY 2024 ADMINISTRATIVE OPERATING BUDGET

A smiling man with short dark hair and a goatee, wearing a light blue button-down shirt and dark trousers with a brown belt, holds a white rectangular sign. The background is a light gray pattern of various office supplies like pens, paperclips, and folders. The sign has the text "Always putting the needs of our members first." written in a blue cursive font.

*Always putting
the needs of
our members
first.*

Nathan W.
Internal Audit

PENSION TRUST FUND AND COMMISSION CREDITS

Administrative Operations

	Pension Trust Fund	Commission Credits	FY 2024 Budget	FY 2023 Budget
Sources of Funds				
Legislative Appropriations - Administrative Operations	211,909,209	—	211,909,209	203,289,600
Legislative Appropriations - Salary Adjustments	5,336,391	—	5,336,391	—
Fringe Benefits	36,776,900	—	36,776,900	32,598,000
Performance Incentive Compensation	—	—	—	—
Commission Credits	—	10,984,500	10,984,500	20,625,000
Total Sources	254,022,500	10,984,500	265,007,000	256,512,600
Uses of Funds				
Wages and Benefits	172,819,000	—	172,819,000	153,097,666
Professional Fees and Services	40,551,900	3,081,500	43,633,400	40,642,528
Support Costs	5,359,000	—	5,359,000	9,774,668
Travel	2,721,600	—	2,721,600	2,717,284
Operating Costs	30,271,000	7,903,000	38,174,000	48,770,910
Capitalized Equipment	2,300,000	—	2,300,000	1,509,544
Total Uses	254,022,500	10,984,500	265,007,000	256,512,600

Pension Trust Fund

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 Pension Trust Fund is the main source of funds for TRS operations and is appropriated by the legislature. When the TRS Board of Trustees adopts the administrative operating budget, the approved funding is transferred from the assets of the pension fund to an administrative fund to pay for operations in that fiscal year.

Commission Credits

The Commission Credits Program is budgeted and balanced in an addendum to the FY 2024 Administrative Operating Budget in accordance with budgetary accounting practices. Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") provides a "safe harbor" for investment advisers who incur higher commissions for discretionary client accounts they manage in order to receive brokerage and research services that may or may not benefit those clients. The revenue generated via Commission Credits is spent exclusively for investment management purposes. Commission Credit revenue is not appropriated by the legislature.

HEALTH CARE PROGRAMS

Administrative Operations

	TRS-Care	TRS-ActiveCare	FY 2024 Budget	FY 2023 Budget
Sources of Funds				
Reserved for Administrative Operations	22,164,500	5,410,500	27,575,000	22,296,000
Total Sources	22,164,500	5,410,500	27,575,000	22,296,000
Uses of Funds				
Wages and Benefits	16,535,500	2,256,500	18,792,000	14,973,000
Professional Fees and Services	5,068,000	3,030,000	8,098,000	6,638,000
Support Costs	15,000	4,500	19,500	19,500
Travel	205,000	60,000	265,000	265,000
Operating Costs	341,000	59,500	400,500	400,500
Total Uses	22,164,500	5,410,500	27,575,000	22,296,000

Health Division

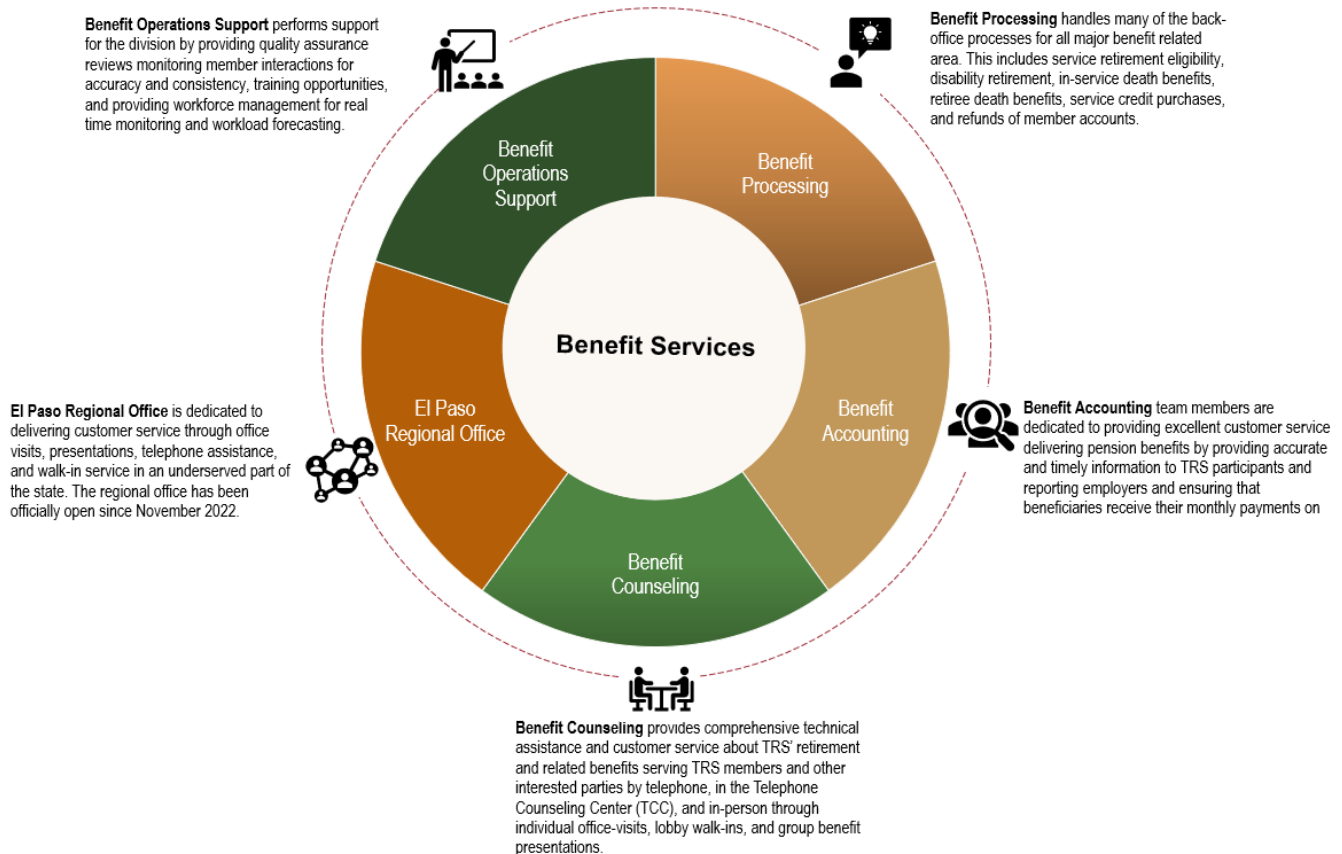
TRS is authorized by Chapter 1575, Texas Government Code (TRS-Care); Chapter 1579 (TRS-ActiveCare) to provide high-value and cost-effective health care and customer service for retired and active employees of Texas school districts, open enrollment charter schools and other eligible participating entities. The chart above is a summary of the FY 2024 Budget by fund for the Health Division. The health care funds operate on a pay-as-you-go basis; collect revenue from members, employers, and the state; and use that funding to pay for claims and administrative operations. The amounts above are for administrative operations only and do not include claims expenses. The health care administrative budget is not appropriated by the legislature.

DIVISION EXPENSES AND GOALS

Benefit Services

Purpose:

The Benefit Services Division assists members, retirees, and their beneficiaries by providing accurate and timely processing of benefits and the delivery of comprehensive information to help participants make better financial, retirement, and health care decisions. Benefit Services also coordinates and administers online resources for reporting entities to submit reports and to find information on topics such as eligibility, compensation, and legislative updates.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	18,966,958	27,764,600	29,883,260
Professional Fees and Services	1,446,981	1,894,000	1,436,500
Other Operating Expenses	70,660	281,500	308,600
Expense Category Total	20,484,599	29,940,100	31,628,360

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 2), Benefit Services continues to focus on improving the customer service experience. Benefit Services monitors key benefit services-delivery activities and allows management to reallocate resources as needed to ensure that key performance standards are being fulfilled. As membership continues to increase developing and maintaining a knowledge-based system is necessary for fostering a superior customer service experience.

In FY 2022, the Customer Service Improvement Initiative (CSII) was implemented to address challenges with maintaining customer service levels. The initiative includes a strong staff retention policy to maintain competitive salaries and reward excellent performance. Additionally, improving the delivery of member services to exceed expectations includes year-round training and expansion of quality assurance reviews to the back-office processing key activities. Since implementation, CSII has helped Benefit Services achieve or exceed service level targets in FY 2023.

Future process enhancements include adding chat functionality for members and employers, system adjustments to the automated telephone system, streamlining the menu options, and improving the member authentication process. Additional goals include increasing capacity to serve members, improving response time to reporting employers, enhancing the reporting employer portal, and building the operational support for Benefit Services.

Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
Number of TRS Benefit Applications Processed	105,412	123,974	100,000
Number of TRS Retirement Fund Member Accounts Serviced	14,187,722	14,918,440	14,429,949
Refunds validated within five business days of receiving final deposit and all paperwork	97%	94%	95%
Benefit estimates mailed within 31 days of request	30%	100%	90%
Retirees receiving first annuity payment within 31 days of TRS receiving required information or due date, whichever is later	81%	88%	98%
Claims acknowledged within 14 days of receipt of death notification	85%	99%	90%
Claims payments issued within 31 days of receipt of all required paperwork	37%	96%	95%
Calls answered within three minutes	19%	86%	80%
Available benefit counseling office visits - Headquarters (cumulative)	13,885	20,367	20,000
*Available benefit counseling office visits - Regional Offices (cumulative)	N/A	4,477	7,500
Regular payroll reports completed by the end of each quarter (cumulative for fiscal year)	99%	99%	90%
Perform quality assurance reviews for telephone counselors trained to take member calls (cumulative)	5,238	7,914	5,000
Provide pension benefits foundational classroom training for all new hires (cumulative)	98%	97%	100%

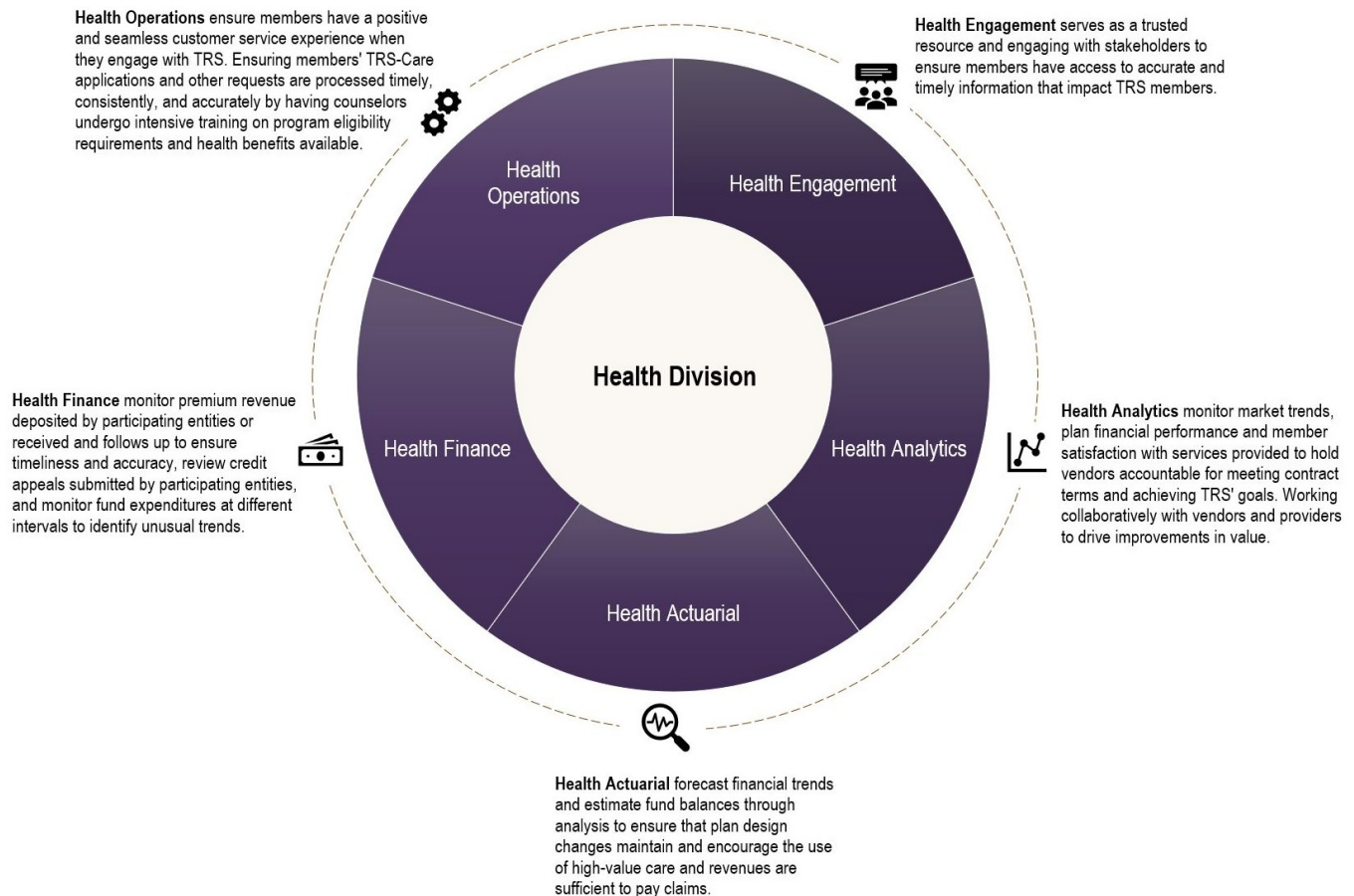
*New key performance indicators were added in FY 2023.

DIVISION EXPENSES AND GOALS

Health Care Programs

Purpose:

The Health Division works with outside contracted vendors to administer the health care plans offered under the TRS-Care and TRS-ActiveCare plans. The Health Division has a strong customer service interest in supporting TRS members and retirees with their health and insurance benefits needs.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	11,409,733	14,973,000	18,792,000
Professional Fees and Services	4,278,797	6,638,000	8,098,000
Other Operating Expenses	120,858	685,000	685,000
Expense Category Total	15,809,388	22,296,000	27,575,000

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 3), the Health Division focuses on improving communication efforts regarding health care funding needs, increasing the value of health care benefits, and improving the health of members. Health Division goals include:

- Serve as a trusted resource and engage with policymakers on health care funding.
- Engage the best health care vendors through competitive procurement to ensure our members have the highest value health care.
- Re-engineer TRS-ActiveCare to better meet employer needs.
- Use data analytics tools to provide assurance on health care claims compliance.
- Improve engagement of plan participants with an initial focus on population with high-impact conditions, such as diabetes.
- Optimize disease management for high-risk populations.

Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target*
Cost savings associated with relying less on external vendors	\$1.3M	\$1.7M	\$1.5M
Average annual increase in cost of claims experienced by TRS-Care and TRS-ActiveCare compared to S&P trend	4%	+4% between FY 2021 and FY 2022 (Annual Measure reported on lag)	<0%
Member engagement metrics as measured by percent of members who open the Pulse email and then click to read articles	34% email 4% articles	45% email 4% articles	25% email 3% articles
Number of TRS-Care participants engaged with a primary care provider	76%	76%	76%
Number of TRS-ActiveCare participants engaged with a primary care provider	70%	71%	71%
Calls answered within 3 minutes	96.86%	99.64%	80%
Calls answered internally vs. externally	28%	20.11%	50%
Participation Rate in Disease Management Program by Non-Medicare Enrollees	30%	5%	5%
Generic Substitution Rate for TRS-Care Prescription Drug Benefits	98%	98%	98%

*FY 2024 target is an estimate and is subject to change.

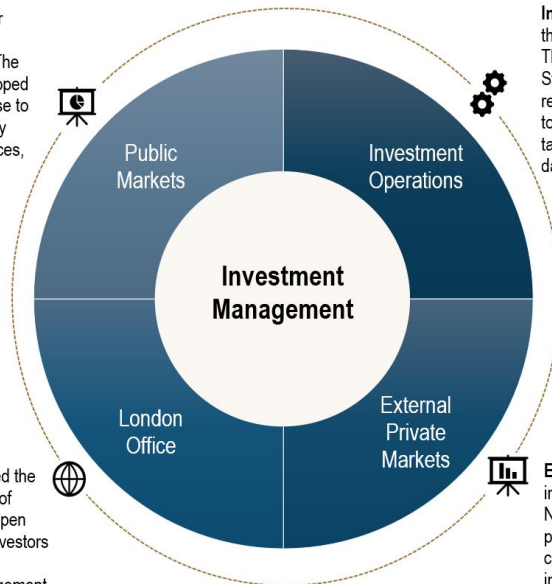
DIVISION EXPENSES AND GOALS

Investment Management

Purpose:

The Investment Management Division (IMD) focuses on achieving superior long-term returns to secure members' retirement futures and deliver benefits that enrich their lives. IMD strives to provide the highest possible risk-adjusted rate of return by using a diversified asset allocation and innovative investment strategies. IMD is responsible for implementing investment policies within approved guidelines, maximizing the effectiveness of resources provided, delivering transparent reporting and pre-notification of pending external investments, complying with relevant laws, collaborating with audit processes, and implementing Board objectives. As Texas' largest public retirement system, TRS ranks seventh largest in U.S. public pension plans and in the top 25 in the world.

Public Markets identify and invest in top tier external managers to provide superior risk-adjusted returns for the teachers of Texas. The team manages global equities across developed and emerging markets and offers its expertise to other IMD investment teams through industry analysis, participation in investment task forces, and hosting global industry investment symposia.



Investment Operations is responsible for managing the financial and information systems for the IMD. The team works closely with TRS custodian, State Street Bank, to ensure that the investment book of records is accurate. Activities include but not limited to performance return and attribution validation, talent management, asset and funds transfer, and daily position reconciliation to custodian.

Global Presence, in 2015, TRS established the Teacher Retirement Investment Company of Texas ("TRICOT") in London to further deepen relationships with leading private market investors which provides increased direct and co-investment deal flow, enhanced risk management from increased knowledge of the market, value-added due diligence capabilities by having an on-the-ground presence, and improved response time during our assessment of investment opportunities.

External Private Markets has a global mandate to invest in Private Equity, Real Estate and Energy, Natural Resources & Infrastructure. The team partners with best-in-class managers through commingled funds, separate accounts, co-investments and direct investments to enhance TRS's long-term risk-adjusted returns and provide diversification to the overall Trust.

Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	38,272,687	54,342,116	59,130,840
Performance Incentive Compensation	12,125,694	—	—
Professional Fees and Services	9,657,117	11,934,616	10,015,500
Other Operating Expenses	21,540,287	25,882,717	11,350,000
Expense Category Total	81,595,785	92,159,449	80,496,340

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 1), IMD maintains current competitive advantages, long-term sustainability, and total investment returns by prudently and transparently investing trust fund dollars using an asset allocation designed to achieve an efficient risk-adjusted return using key external partners and periodically comparing against peers. Investment Management goals include:

- Maintain an effective investment governance structure with full transparency to the Board of Trustees.
- Attract and retain superior talent.
- Increase the use of risk management to enhance authority, autonomy, and accountability.
- Implement the Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight.
- Maintain an effective investment governance structure.
- Enhance current competitive advantages and total returns.
- Manage cost structures to increase net alpha generated.

Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
# of Years-Amortize TRS Retirement Fund Unfunded Actuarial Accrued Liability	26.0	27.0	26.0
TRS Retirement Fund 5-yr Avg Time-weighted Rate of ROI Performance	7.3%	6.4%	7.0%
TRS Retirement Fund 20-yr Avg Time-weighted Rate of ROI Performance	7.8%	7.4%	7.0%
Investment Performance Relative to Board Approved Benchmark	-198 bp	+145 bp	+100 bp
TRS Retirement Fund Investment Expense as Basis Points of Net Assets	13.0	16.8	13.1
Return in excess of the benchmark return for the Total Trust (Three-Year Rolling)	+1 bp	+90 bp	+100 bp
Return in excess of the benchmark return for Private Markets investments (Three-Year Rolling)	-59 bp	N/A	N/A
Return in excess of the benchmark return for Active Public Markets investments (Three-Year Rolling)	+11 bp	N/A	N/A
Percent of portfolio capital plan in principal investments approved (cumulative year-to-date)	39%	N/A	N/A
Percent of internal public equity allocation	49%	N/A	N/A
External manager annual net fee savings	\$1.2B	N/A	N/A

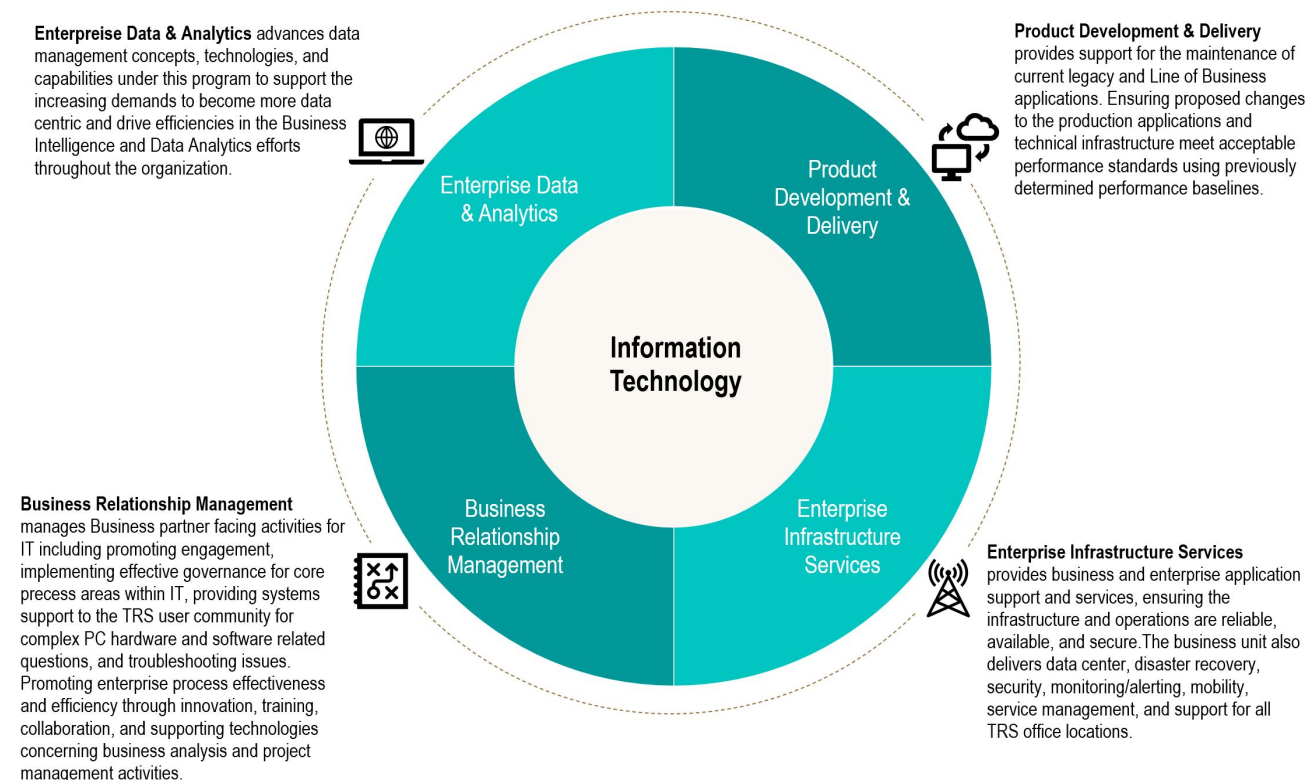
Notes: KPI's noted as N/A have concluded. Capital plan in principal investments and internal public equity allocation percentages are as of 12/31/2022. External manager annual net fee savings amount includes management fee and carried interest savings as reported.

DIVISION EXPENSES AND GOALS

Information Technology

Purpose:

The IT Division is responsible for all aspects of TRS' IT resources and systems implementation. IT seeks to be business enablers, providing technology and information solutions that enhance the efficiency and effectiveness of TRS benefit delivery and operations. IT focuses on the division's core values of excellence, accountability, and customer service, which complement the overall agency core values.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	11,040,591	17,073,400	18,762,016
Professional Fees and Services	4,927,703	7,958,266	7,937,000
Other Operating Expenses	14,976,172	21,399,334	22,947,700
Expense Category Total	30,944,466	46,431,000	49,646,716

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Information Technology ensures that people, processes, and technology align to achieve excellence in the delivery of services to members. Information Technology provides the foundation for business success. Technology, data, and automation are critical for TRS to meet key business objectives. Information Technology goals include:

- Develop, maintain, and enhance IT systems and infrastructure in support of TRS business needs.
- Expand and evolve from an office-centric design to a hybrid remote work environment that provides fluidity, flexibility, and security.
- Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making.
- Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation.
- Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.

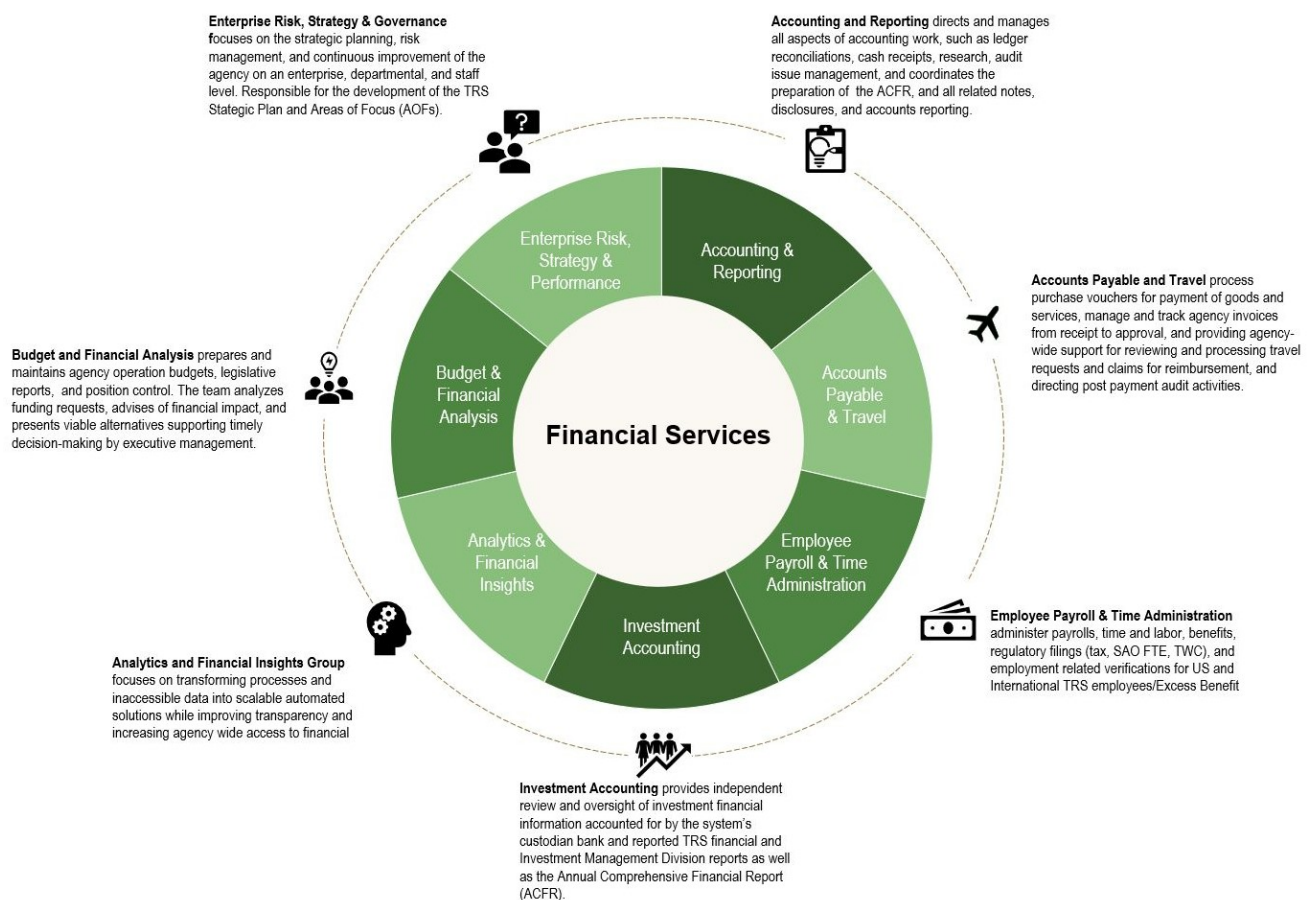
Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
Percent of network/systems uptime	99.98%	99.98%	99.9%
Percent of business-critical application uptime	99.84%	99.87%	99.5%
Percent of available system capacity	56.12%	45.98%	80.0%

DIVISION EXPENSES AND GOALS

Financial Services

Purpose:

The Financial Services Division supports the mission of TRS through customer-focused and fiscally responsible financial management that includes a variety of accounting support services. The division accomplishes that by developing and maintaining a sound, professional, and systematic risk management and capital allocation system; while maintaining strong, customer-focused relationships. These activities include investment accounting, accounts payable and travel, accounting and reporting, employee payroll and time administration, data analytics, budget and financial analysis, and enterprise risk, strategy, and performance.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	3,717,568	4,645,466	5,518,920
Professional Fees and Services	528,374	589,379	545,000
Other Operating Expenses	18,717	118,255	131,360
Expense Category Total	4,264,659	5,353,100	6,195,280

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 1), Financial Services continues to support the core services by sustaining a financially sound pension system and achieving excellence in the delivery of TRS goals. Financial Services goals include:

- Process employee compensation payments efficiently and ensure employee time records are in compliance with state, federal, and international statutes and requirements.
- Prepare and compile agency financial reports. Maintain the integrity of financial data and transactions.
- Provide timely and accurate expenditure of agency funds in a consistent manner while complying with certain provisions of the constitution, statutes, and rules of Texas related to expenditures.
- Ensure investment information reported by TRS is complete and free of material misstatements by using a risk-based oversight approach that relies on a combination of independent reconciliations, duplicate record keeping, cash flow oversight, subledger to general ledger reconciliations, and control reviews.
- Ensure TRS has appropriate budget to provide and sustain resources necessary to successfully carry out TRS' mission, goals, and objectives to serve members.

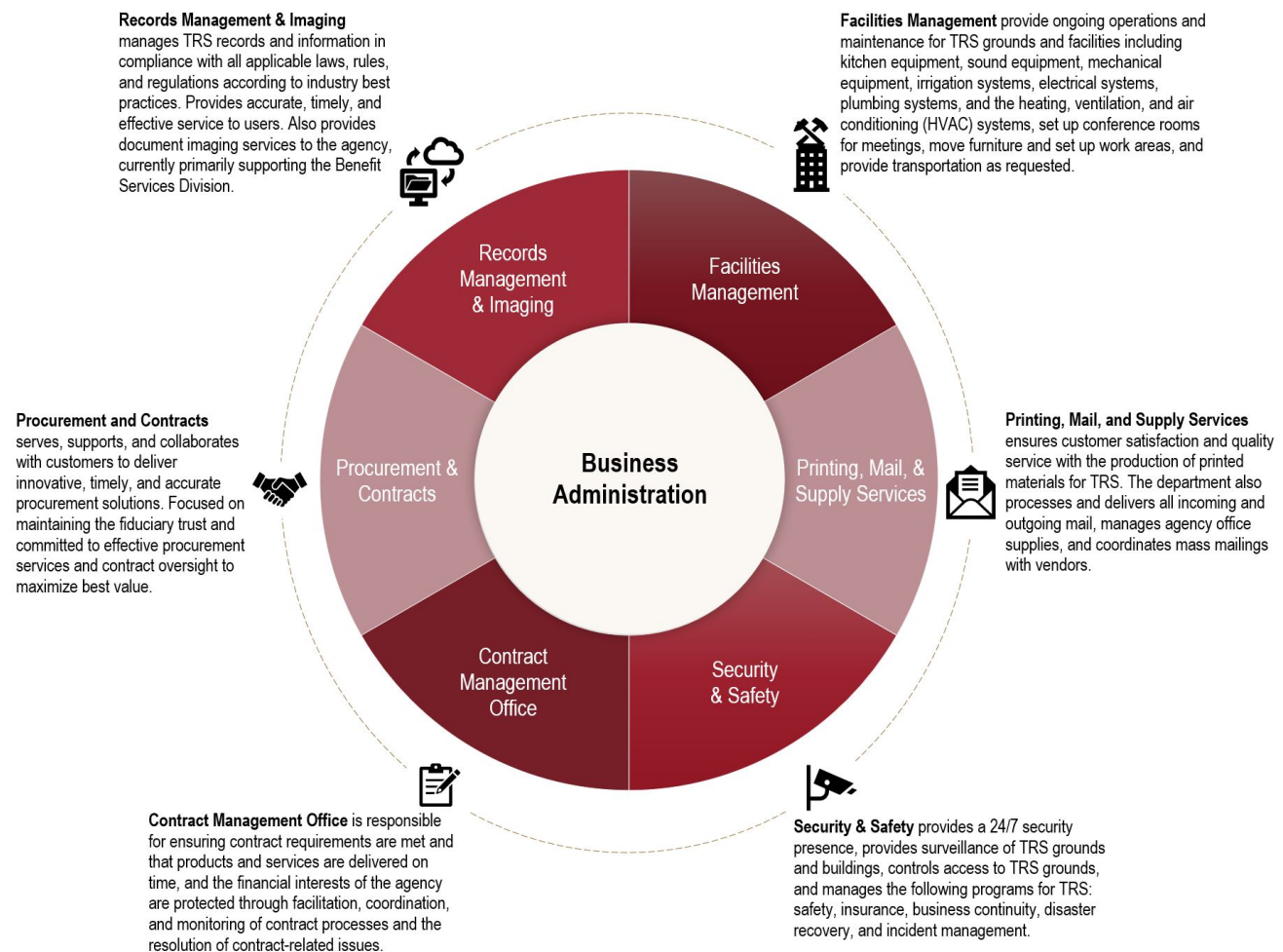
Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
Increase data analytics to identify reporting errors and missing information in TRUST	100%	100%	100%
Increase testing coverage of reporting employers	5	5	5

DIVISION EXPENSES AND GOALS

Business Administration

Purpose:

The Business Administration Division is responsible for supporting the mission of TRS through customer-focused business operations that include a variety of support services. These activities include purchasing and contracting, records management, print and mail services, security, safety and prevention, and facility operations and maintenance.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	4,625,503	6,338,460	7,244,040
Professional Fees and Services*	(1,426,621)	1,177,600	2,016,800
Other Operating Expenses	8,191,571	11,126,801	9,875,750
Expense Category Total	11,390,453	18,642,861	19,136,590

*FY 2022 Professional Fees and Services includes refund received for cancelled building renovations due to the sale of Red River location.

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Business Administration continues to support the core services by providing ongoing business operations focusing on a specific set of shared services to achieve excellence in the delivery of TRS goals. Business Administration goals include:

- Improve and maintain effective procurement and contract management practices with a focus on a three-year strategic improvement process. Deliver innovative, timely, and accurate procurement solutions while maintaining fiduciary trust. Promote purchasing selection practices that foster meaningful and substantive inclusion of historically underutilized businesses (HUBs).
- Develop and sustain a comprehensive records and information management program that governs all aspects of the information lifecycle (retention, management, storage, and disposition) built around industry best practices.
- Ensure customer satisfaction with the production of printed materials for TRS through coordination and communication with business units. Provide the distribution of office supplies and all incoming and outgoing mail efficiently and timely.
- Provide a clean, comfortable, and safe environment for all TRS personnel and visitors through the ongoing maintenance of TRS grounds and facilities and ensuring a 24/7 security presence is on-site providing surveillance and controlling access to TRS grounds and buildings.
- Advance the agency's short-term and long-term occupancy strategies for a generational solution for TRS headquarters. Manage and monitor major and minor improvement projects through all stages of construction and renovation to ensure the adherence to building codes, specifications, safety, and agency standards.
- Ensure TRS capabilities to operate continuously even under adverse conditions by managing the business continuity planning and disaster recovery programs.

Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
Increase number of HUBs utilized for Commodities	21%	29%	35%
Increase number of HUBs utilized for Other Services and Professional Services	31%	31%	35%
Increase number of HUBs utilized for Special Trade	69%	85%	50%
*Percent increase of HUBs that are solicited within the bi-annual and annual HUB reports	N/A	2%	3%
*Review high-dollar/high-risk contracts to determine vendor performance	N/A	54%	85%

*New key performance indicators were added in FY 2023.

DIVISION EXPENSES AND GOALS

Other Shared Services

Purpose:

Improving the retirement security of members by prudently investing and managing the trust assets and delivering benefits that make a positive difference in their lives. Other Shared Services provides direction to the agency by developing and implementing strategies and programs to promote effective and responsible operations.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	20,586,158	34,619,969	42,018,340
Professional Fees and Services	4,056,994	7,293,667	6,917,100
Other Operating Expenses	1,382,432	3,463,799	2,941,190
Expense Category Total	26,025,584	45,377,435	51,876,630

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Other Shared Services ensures that people, processes, and technology align to achieve excellence in the delivery of TRS goals. The objective is to foster a culture of fiduciary responsibility and ethical conduct. Other Shared Services goals include:

- Attract, retain, and develop a diverse and highly competent staff.
- Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.
- Foster a culture of fiduciary responsibility and ethical conduct.
- Improve strategic communications with a customer-centric focus.
- Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities.
- Work collaboratively with Legal & Compliance and appropriate business units to identify and implement options for enhancing detection of potential cyber-based fraud.
- Execute on the Member and Employer Outreach Plan to better help members and employers plan for retirement.
- Implement legislation.
- Embed/integrate a culture of ethics and compliance within the business process.
- Enhance visibility of and accessibility to Legal & Compliance throughout TRS.
- Develop a comprehensive governance, risk, and compliance (GRC) program to include security and privacy management, risk/fraud forecasting, and education.
- Address, manage and/or eliminate bias, harassment, and discrimination in demonstration of our equal opportunity policy and equitable access commitment.
- Build on the legacy of the TRS culture to ensure that the organization remains a welcoming and satisfying place to work for all TRS employees, contractors, and community partners.

Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
Employee satisfaction index score (Energage/Top Workplaces survey)	Overall engagement score - 4.45	4.0 or greater	4.0 or greater
TRS voluntary turnover rate vs. state turnover rate	TRS voluntary turnover as a % of state rate - 71.9%	48.3% or less of state average	A minimum of 25% below state average
Cultural intelligence training (cumulative)	6	4	4
Number of systems with completed security assessment validations (cumulative)*	N/A	12	20
Number of projects with Information Security involvement (cumulative)*	N/A	50	20
Number of systems built out in Information Security's risk management platform (cumulative)*	N/A	4	5
Click rate of people who failed at least two phishing exercises within one quarter*	N/A	1%	<12%
Short-Term Fraud Tool Solution – Implementation Progress*	N/A	10%	100%
Respond to 100% of customer inquiries received via social media within 4 hours on business days	100%	100%	100%
Produce all TRS/IMD publications by established deadlines	100%	100%	100%
Respond to 100% of media inquiries received within 1 business day	100%	100%	100%
Train 100% of staff on ethical standards annually	100% provided timely / 97.6% completed timely	100% provided timely / 95% completed timely	100%
Maintain current policies and procedures	100%	100%	100%
Perform 100% regular and random quarterly testing & reports	100%	100%	100%
Increase number of visits/views of outreach plan communications products (e.g., videos, web pages)*	N/A	48%	20%
Increase social media followers and email subscribers for real-time TRS updates/resources*	N/A	24%	15%

*New key performance indicators were added in FY 2023.

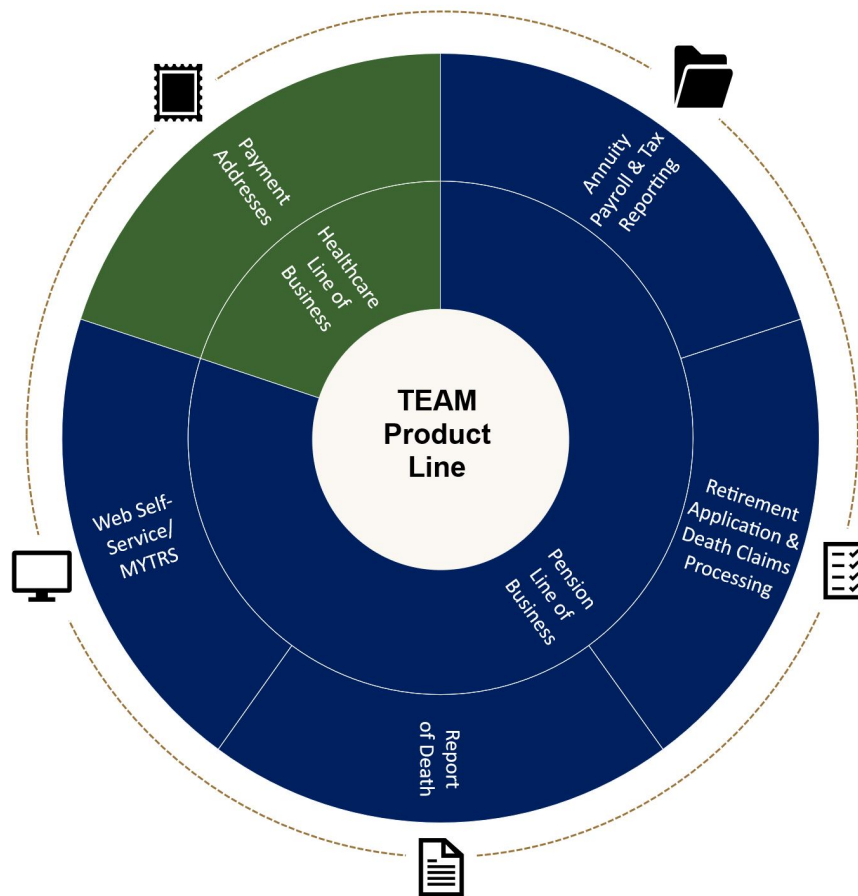
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DIVISION EXPENSES AND GOALS

TEAM Program

Purpose:

TEAM, a multiyear initiative, is the name for the related projects that will modernize TRS technologies and business processes, allowing greater flexibility in providing service to TRS membership and reducing the risks of obsolete technology. TEAM is a cohesive collection of components designed to meet the business and technology objectives of TRS over the next 10-20 years. It focuses on addressing the changing expectations of a growing membership, providing for the collection and maintenance of accurate and reliable data, expanding the number of automated processes, and incorporating modern technologies.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	6,537,560	8,271,455	9,477,684
Professional Fees and Services	5,136,220	6,795,000	5,665,500
Expense Category Total	11,673,780	15,066,455	15,143,184

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), the TEAM Program objective is to implement a modern pension and health care benefit information systems. As part of TEAM, TRS is implementing a new, modern pension administration system called Teacher Retirement Unified System for Technology (TRUST). The first phase of TRUST was implemented in October 2017 and consisted of employer reporting, active account management, refunds, retirement estimates, and customer relationship management (CRM). In April 2023, the Retirement Application and Death Claim Processing (RAP/DTH) release successfully launched to streamline and expedite the processing of retirement applications and death claims, enhancing efficiency and accuracy while reducing manual efforts for staff. TRS continues to work toward implementing the final release, the Annuity Payroll & Tax reporting product. The estimated completion date is June 2025.

- TEAM will improve TRS' ability to serve members by allowing TRS to be more responsive to member needs, mitigating risks associated with aging legacy systems, and providing greater flexibility to meet future technology and regulatory changes.
- TRS can be more responsive to the needs of a growing membership base by leveraging leading technology services and tools to deliver accurate and timely benefits, enhance external communications, and streamline internal work processes for greater efficiency.
- The TEAM Program will also deliver tools and techniques that offer greater flexibility for TRS to respond to future demands and regulatory changes, such as cost-of-living adjustments or benefit design changes. Building the foundation for future technology needs.
- Upon completion of TEAM, TRS will have upgraded pension and health insurance administration systems running on modern technology reducing agency risk by replacing aging legacy systems and implementing more modern and accurate data and system security.

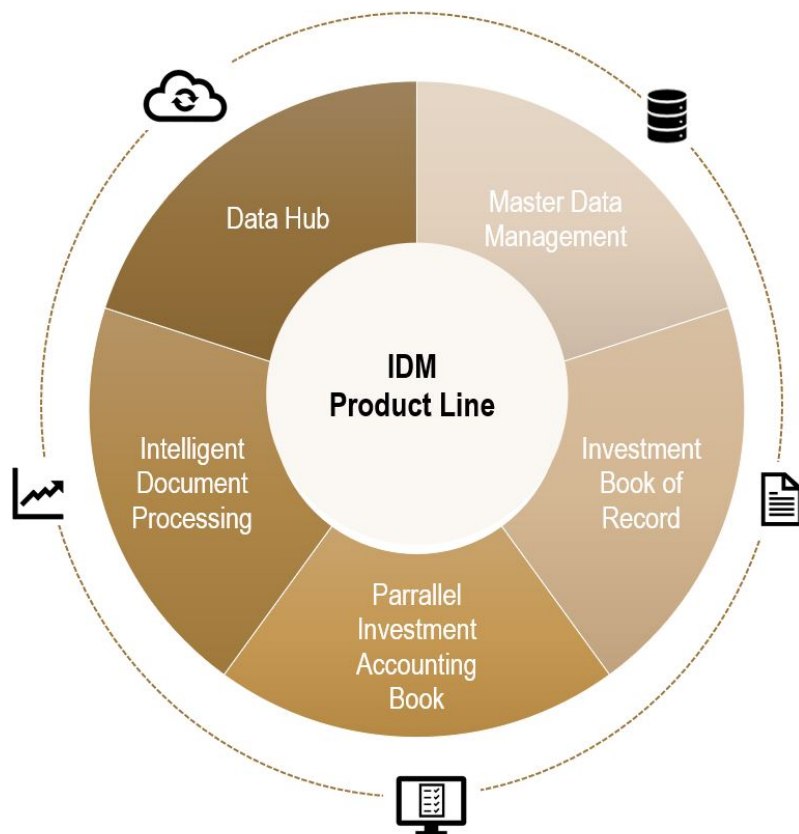
Key Performance Indicators (KPI)	2022 Actual	2023 Estimated	2024 Target
Percent complete - Design, build, and test HILOB system components (initial production release)	100%	—%	—%
Percent Complete - Design, build and test Pension LOB Payment Address Release	100%	—%	—%
Percent Complete - Design, build and test Pension LOB Web-Self Service Release	100%	—%	—%
Percent Complete - Design, build and test Pension LOB Retirement Application & Death Claims Processing Release	65%	100%	—%
Percent Complete - Design, build and test Pension LOB Payroll & Tax Release	29%	45%	79%

DIVISION EXPENSES AND GOALS

Investment Data Modernization

Purpose:

The Investment Data Modernization (IDM) Program was created in response to the growing demand for enhanced asset monitoring and a desire to develop a long-term data strategy to modernize investment data platforms and fiduciary oversight. The project will include five key products designed to deliver modern end-to-end investment data management capabilities at scale, to introduce business agility for the next decade, to optimize operational and financial risk across the agency, and to align with industry trends and peers.



Administrative Budget by Expense Category	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024
Salaries and Benefits	—	42,200	783,900
Professional Fees and Services	—	3,000,000	9,100,000
Other Operating Expenses	—	500,000	1,000,000
Expense Category Total	—	3,542,200	10,883,900

Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), the focus of the project is to modernize TRS' data management systems with industry standard solutions that provide reliable data in support of investment decision-making and enhance the ability to perform fiduciary oversight of the trust asset valuation and performance. This project will address the functional and technical gaps in the current legacy data architectures and systems. The estimated completion date is September 2027.

- Master Data Management (MDM) centralizes management of all market data with robust mapping and data lineage capabilities. It enables rapid data ingestion and validation process to deliver consumption ready data to enterprise stakeholders when needed.
- Investment Book of Record (IBOR) serves as a source for real-time intra-day portfolio views to provide greater transparency, support investment decision-making, and better manage risk and exposure. IBOR also enables automation of Accounting and Custody functions leading to enhanced support to the front office.
- Parallel Investment Accounting Book was a recommendation from the Sunset Commission staff. IT serves as a valuation source from beginning of day IBOR and independent verification of Custodian and helps leverage intelligent data management and flow, to provide shadow net asset value (NAV) for private markets.
- Intelligent Document Processing (IDP) helps leverage automation for stronger governance and enforcement of digitized investment documents to gain new investment and risk insights. IDP also provides the ability to extract and store previously inaccessible investment data (i.e., meta data) and transform it into searchable and consumable formats.
- Data Hub is a platform that provides centralized secure access to tightly integrated, reliable, and aggregated investment data for enterprise consumption, utilizes a strong data management and governance foundation to improve data operations and provide fit-for-purpose data, and enables self-service capacities and provides for standardization of data delivery. The data hub will support future investment data solutions as a key element of the overall technology ecosystem strategy.

Key Performance Indicators (KPI)	2023 Estimated
Implement Investment Data Modernization to improve trust asset monitoring and fiduciary oversight	In progress
Core Data Hub capabilities ready for Investment Data Modernization implementation phases by end of fiscal year 2023	In progress

Expenses by Fund

Pension Trust Fund					
	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance from FY 2023 to FY 2024	
Salaries and Wages	87,123,147	118,424,266	133,793,280	15,369,014	13%
Longevity Pay	701,700	900,800	938,820	38,020	4%
Retirement Contributions	—	9,182,200	10,700,300	1,518,100	17%
Social Security Contributions	6,092,123	8,864,800	10,022,600	1,157,800	13%
Health Insurance Contributions	8,937,893	14,454,100	15,958,300	1,504,200	10%
Benefit Replacement Pay	23,309	36,900	35,700	(1,200)	(3)%
Other Employee Benefits	868,853	1,234,600	1,370,000	135,400	11%
Performance Incentive Comp	12,125,694	—	—	—	—%
Total Salaries and Benefits	115,872,719	153,097,666	172,819,000	19,721,334	13%
Professional Fees and Services	16,020,975	37,841,315	40,551,900	2,710,585	7%
Consumable Supplies, Fuels	326,192	701,750	579,900	(121,850)	(17)%
Utilities	800,883	1,902,850	1,731,000	(171,850)	(9)%
Travel	578,664	2,717,284	2,721,600	4,316	—%
Rentals	5,755,203	5,337,868	972,600	(4,365,268)	(82)%
Dues, Fees, Staff Development	417,503	956,211	1,089,400	133,189	14%
Subscriptions and Reference Information	68,679	180,259	165,400	(14,859)	(8)%
Printing and Reproduction	445,334	302,000	400,000	98,000	32%
Postage, Mailing, Delivery	4,138,095	4,765,483	3,498,000	(1,267,483)	(27)%
Software Purchases and Service	8,993,186	13,176,684	15,127,900	1,951,216	15%
Computer Hardware Service	1,227,198	1,197,000	650,000	(547,000)	(46)%
Miscellaneous Expenses	4,876,218	6,599,313	6,233,425	(365,888)	(6)%
Insurance Premiums	829,921	1,120,000	1,050,850	(69,150)	(6)%
Furniture and Equipment - Expensed	731,524	2,650,173	2,056,025	(594,148)	(22)%
Building/Equipment Maintenance	988,834	1,832,200	2,075,500	243,300	13%
Total Operating Expenses	30,177,434	43,439,075	38,351,600	(5,087,475)	(12)%
Furniture and Equipment - Capitalized	571,717	1,509,544	2,300,000	790,456	52%
Grand Total	162,642,845	235,887,600	254,022,500	18,134,900	8%

The FY 2024 Administrative Operating Budget funded by the Pension Trust Fund consists of a 8% increase. This budget aims to implement salary and benefit adjustments as part of the 88th Legislature, annualize costs related to customer service improvement initiatives, develop internal technologies and infrastructure related to the Investment Data Modernization Program and the Fraud Prevention Tool, reduce our reliance on more expensive contract services by converting contracted positions into FTEs, and address challenges related to remote work and tax regulations.

Salaries and Benefits have increased 13% going into the new fiscal year for the annualization of payroll for new FTEs. The increase includes the annualization of payroll funding for new positions added during FY 2023 per the Fiduciary Finding as approved by the Board of Trustees for the Customer Service Improvement Initiative, network and data infrastructure, and provide support to critical agency initiatives, including the Investment Data Modernization Program, Fraud Prevention Tool, Alpha and Bravo Headquarters, remote work, and tax regulations.

Professional Fees and Services are increasing 7% to support new projects, specifically the Investment Data Modernization Program and the Fraud Prevention Tool. The increase also accounts for reallocating the budget to support bulk print, mail, and digitization services through the state of Texas Data Center/Shared Technology Services, and leadership coaching services.

Operating Expenses have decreased by 12% mostly as a result of the opening of the Alpha building eliminating the need to pay rental costs for the lease at 816 Congress. The decrease in postage is attributed to the digitization of TRS publications. Largest increase in costs in this category consists of software costs related to Investment Data Modernization, the Fraud Prevention Tool, and Customer Service Improvement Initiative. Total operating expenses also include increased software licenses and equipment for FTEs added during FY23, along with building and equipment maintenance costs associated with the Alpha building, and staff development costs due to conferences returning to in-person as well as a larger headcount at TRS.

Furniture and Equipment Capitalized has increased 52% to support the implementation of the Investment Data Modernization Program and the Fraud Prevention Tool to modernize the necessary technological infrastructure to enhance fiduciary oversight, increase productivity with investment decision processes, and to protect pension funds and member data by enhancing the information security framework based on adaptive security architecture best practices to manage and mitigate cybersecurity threats.

Expenses by Fund

Commission Credits					
	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance from FY 2023 to FY 2024	
Professional Fees and Services	8,305,793	2,801,213	3,081,500	280,287	10%
Dues, Fees, Staff Development	53,700	20,000	7,000	(13,000)	(65)%
Subscriptions and Reference Information	169,130	175,000	91,500	(83,500)	(48)%
Software Purchases and Service	63,100	783,700	257,500	(526,200)	(67)%
Miscellaneous Expenses	15,135,169	16,845,087	7,547,000	(9,298,087)	(55)%
Furniture and Equipment	9,588	—	—	—	—%
Total Operating Expenses	15,430,687	17,823,787	7,903,000	(9,920,787)	(56)%
Total Expenses	23,736,480	20,625,000	10,984,500	(9,640,500)	(47)%
Revenue Sources					
State Street Bank Partnership Agreement	6,227,615	—	—	—	—%
Commission Sharing	17,342,478	20,595,000	10,974,500	(9,620,500)	(47)%
Commission Recapture	166,387	30,000	10,000	(20,000)	(67)%
Total Revenue	23,736,480	20,625,000	10,984,500	(9,640,500)	(47)%

Commission Credits refer to the use of a credited portion of brokerage commissions incurred during trade execution to obtain goods, services, or research. Under Board policy, Commission Credits are used to pay for research plus goods and services that support the investment decision-making function of TRS.

The FY 2024 Administrative Operating Budget funded by Commission Credits includes funding for broker research services for Internal Fundamental trades, and investment related conferences or seminars. The Commission Credits Administrative Operations budget has been decreased to scale down programs due to decreases in volume and the transition to using hard dollars for certain investment research services.

Expenses by Fund

TRC-Care Fund					
	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance from FY 2023 to FY 2024	
Salaries and Wages	8,226,543	10,297,300	13,027,600	2,730,300	27%
Longevity Pay	75,640	91,600	94,400	2,800	3%
Retirement Contributions	—	795,000	1,172,500	377,500	47%
Social Security Contributions	611,216	747,100	914,600	167,500	22%
Health Insurance Contributions	836,329	977,300	1,184,000	206,700	21%
Benefit Replacement Pay	2,063	2,200	2,200	—	—%
Other Employee Benefits	77,710	117,500	140,200	22,700	19%
Total Salaries and Benefits	9,829,501	13,028,000	16,535,500	3,507,500	27%
Professional Fees and Services	2,965,185	4,338,000	5,068,000	730,000	17%
Consumable Supplies, Fuels	573	7,500	7,500	—	—%
Utilities	—	7,500	7,500	—	—%
Travel	30,783	205,000	205,000	—	—%
Dues, Fees, Staff Development	13,390	32,000	32,000	—	—%
Subscriptions and Reference Information	874	6,500	6,500	—	—%
Printing and Reproduction	92	—	—	—	—%
Miscellaneous Expenses	36,628	295,000	295,000	—	—%
Furniture and Equipment	899	7,500	7,500	—	—%
Total Operating Expenses	83,239	561,000	561,000	—	—%
Grand Total	12,877,925	17,927,000	22,164,500	4,237,500	24%

The FY 2024 Administrative Operating Budget funded by the TRS-Care Fund includes administrative expenses supporting the costs associated with the TRS employees who operate TRS-Care. The FY 2024 Budget supports the annualization of payroll for positions hired during FY 2023 and the implementation of a state mandated salary increase for all FTEs. Additional resources and consulting services were approved to implement a new pharmacy benefits manager, optional group benefits for dental and vision care, reduce reliance on external contractual support, increase technological support for enhancements to the health line of business (HILOB).

Expenses by Fund

TRS-ActiveCare Fund					
	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance from FY 2023 to FY 2024	
Salaries and Wages	1,329,312	1,535,100	1,775,400	240,300	16%
Longevity Pay	19,840	20,600	16,400	(4,200)	(20)%
Retirement Contributions	—	114,600	140,500	25,900	23%
Social Security Contributions	93,315	110,800	131,800	21,000	19%
Health Insurance Contributions	124,906	142,700	169,700	27,000	19%
Benefit Replacement Pay	1,031	1,100	—	(1,100)	(100)%
Other Employee Benefits	11,828	20,100	22,700	2,600	13%
Total Salaries and Benefits	1,580,232	1,945,000	2,256,500	311,500	16%
Professional Fees and Services	1,313,611	2,300,000	3,030,000	730,000	32%
Consumable Supplies	—	3,000	3,000	—	—%
Utilities	—	1,500	1,500	—	—%
Travel	20,768	60,000	60,000	—	—%
Dues, Fees, Staff Development	8,553	30,000	30,000	—	—%
Subscriptions and Reference Information	150	1,000	1,000	—	—%
Miscellaneous Expenses	7,421	25,000	25,000	—	—%
Furniture and Equipment	728	3,500	3,500	—	—%
Total Operating Expenses	37,620	124,000	124,000	—	—%
Grand Total	2,931,463	4,369,000	5,410,500	1,041,500	24%

The FY 2024 Administrative Operating Budget funded by the TRS-ActiveCare Fund includes the administrative expenses supporting the costs associated with the TRS employees who operate TRS-ActiveCare. The FY 2024 Budget supports the annualization of payroll for positions hired during FY 2023 and the implementation of a state mandated salary increase for all FTEs. Additional consulting services were approved to implement a new pharmacy benefits manager.

Expenses by Department

Department/Division	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance from FY 2023 to FY 2024	
Board of Trustees	149,249	1,013,000	214,000	(799,000)	(79)%
Executive	909,729	1,441,640	1,485,000	43,360	3%
Internal Audit	2,840,209	4,016,600	4,785,100	768,500	19%
Legal & Compliance	8,027,556	12,310,773	12,464,500	153,727	1%
Governmental Relations	361,090	427,800	461,140	33,340	8%
Strategic Initiatives	1,562,163	2,248,200	2,397,880	149,680	7%
Communications	1,379,461	1,961,900	1,976,380	14,480	1%
Organizational Excellence	4,972,428	7,894,992	8,633,855	738,863	9%
Information Security Office	1,595,584	2,672,500	3,663,400	990,900	37%
Administrative Costs	4,228,115	11,390,030	15,795,375	4,405,345	39%
Other Shared Services Total	26,025,584	45,377,435	51,876,630	6,499,195	14%
Investment Operations	42,556,217	65,450,623	64,013,460	(1,437,163)	(2)%
London Office	3,177,394	6,083,826	5,498,380	(585,446)	(10)%
Commission Credits	23,736,480	20,625,000	10,984,500	(9,640,500)	(47)%
Incentive Compensation	12,125,694	—	—	—	—%
Investment Management Total	81,595,785	92,159,449	80,496,340	(11,663,109)	(13)%
Benefit Services	472,161	633,500	656,020	22,520	4%
Benefit Processing	8,936,772	10,919,100	11,186,740	267,640	2%
Benefit Counseling	7,363,018	12,141,179	13,190,260	1,049,081	9%
Benefit Accounting	2,280,234	3,790,321	3,903,200	112,879	3%
Benefit Operations Support	1,062,776	1,769,600	1,903,620	134,020	8%
El Paso Regional Office	369,638	686,400	788,520	102,120	15%
Benefit Services Total	20,484,599	29,940,100	31,628,360	1,688,260	6%
Chief Financial Officer	277,605	393,800	409,700	15,900	4%
Financial Services	3,442,322	4,348,666	5,197,580	848,914	20%
Accounting and Reporting	130,913	180,500	184,500	4,000	2%
Accounts Payable and Travel	3,775	5,600	7,500	1,900	34%
Employee Payroll and Time Administration	4,311	15,000	17,400	2,400	16%
Investment Accounting	7,304	111,300	91,900	(19,400)	(17)%
Analytics & Financial Insights	391,716	288,334	277,400	(10,934)	(4)%
Budget and Financial Analysis	6,713	9,900	9,300	(600)	(6)%
Financial Services Total	4,264,659	5,353,100	6,195,280	842,180	16%

Expenses By Department

Department/Division	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance from FY 2023 to FY 2024	
Business Administration	3,368,717	6,352,760	7,252,040	899,280	14%
Procurement and Contracts	9,849	52,500	52,500	—	—%
Contract Management Office	—	—	10,000	10,000	0%
Records Management	13,684	44,000	44,000	—	—%
Staff Services	467,379	976,945	1,197,300	220,355	23%
Facilities Services	506,293	2,853,801	3,171,300	317,499	11%
Printing, Mail & Supply	6,145,610	6,817,855	6,005,800	(812,055)	(12)%
Security	47,800	403,000	332,800	(70,200)	(17)%
Safety and Prevention	831,121	1,142,000	1,070,850	(71,150)	(6)%
Business Administration Total	11,390,453	18,642,861	19,136,590	493,729	3%
Information Technology	8,187,017	11,554,104	18,855,016	7,300,912	63%
Enabling Technologies	22,757,449	34,876,896	30,791,700	(4,085,196)	(12)%
Information Technology Total	30,944,466	46,431,000	49,646,716	3,215,716	7%
TEAM Program	11,673,780	15,066,455	15,143,184	76,729	1%
Investment Data Modernization Program	—	3,542,200	10,883,900	7,341,700	207%
TRS-Care Administrative	12,877,925	17,927,000	22,164,500	4,237,500	24%
TRS-ActiveCare Administrative	2,931,463	4,369,000	5,410,500	1,041,500	24%
Grand Total	202,188,714	278,808,600	292,582,000	13,773,400	4.9%

The FY 2024 Administrative Operating Budget represents an overall 4.9% increase from the FY 2023 budget. A common factor across all divisions is increased funding for the annualized cost of additional positions hired during FY 2023 as approved by the Board, and the state mandated salary adjustments for all employees. The operating budget includes additional funding for continued support for agency initiatives, high consumer prices, and increased rates for professional services.

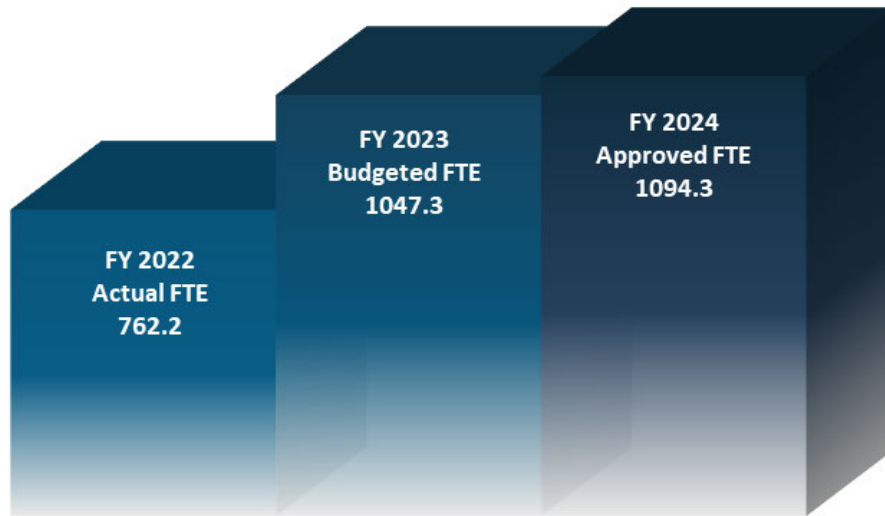
- **Other Shared Services** has an overall increase of 14% which includes funding for new positions and associated operating costs to support increased cybersecurity demands, to attract, retain, and develop a diverse and highly competent staff, to expand and evolve from an office-centric design to a hybrid remote work environment that provides greater fluidity, flexibility, and security. Additional changes to administrative costs includes decreased funding due to the Board elections taking place every other year, and increased funding for merit allocations and fringe benefits to support increased headcount at TRS. The FY 2024 Budget includes continued funding for retiree health insurance, unemployment compensation, and lump sum payments for employees who retire.
- **Investment Management's** budget is decreasing 13% due to the move to TRS' new building, eliminating the need to rent space from the 816 Congress location as well as scaling back the commission credits program.
- **Benefit Services** has an increase of 6% which includes annualized payroll and associated operating costs for the new El Paso Regional Office, and resources to continue meeting customer service metrics and member expectations through process and system enhancements.
- **Financial Services** has an increase of 16% which includes annualized payroll and associated operating costs for new positions hired during FY 2023 to support the Customer Service Improvement Initiative.
- **Information Technology (IT)** has an increase of 7% which includes funding for additional resources necessary to implement the strategic digital transformations across all lines of business to make business processes more efficient, and provide internal customer support to agency staff sustaining business continuity. The FY 2024 administrative budget includes increased funding for capital projects necessary to support the implementation and maintenance of IT infrastructure, the continued support for the TEAM Program, the Investment Data Modernization Program and the Fraud Prevention Tool.
- **Health (TRS-Care & TRS-ActiveCare)** each have a 24% increase due to new and annualized payroll, additional resources to implement optional group benefits for dental and vision care under the Texas Public School Employees Group Insurance Program, and increased technological support for health line of business (HILOB) enhancements.

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Full-Time Equivalent Positions

Division	Actual FY 2022	Budgeted FY 2023	Budgeted FY 2024	Variance FY 2023 to FY 2024
Pension Funded				
Benefit Services	245.1	352.0	374.0	22.0
Business Administration	58.9	73.8	78.8	5.0
Strategy Office	14.3	19.5	19.5	—
Executive	5.0	10.0	10.0	—
Financial Services	30.9	36.0	38.0	2.0
Governmental Relations	2.0	2.0	2.0	—
Information Security	9.3	14.0	16.0	2.0
Information Technology	84.8	129.0	136.0	7.0
Internal Audit	12.8	16.0	16.0	—
Investment Management	186.8	250.0	250.0	—
Legal & Compliance	35.8	45.0	45.0	—
Organizational Excellence	28.7	38.0	42.0	4.0
TEAM Program	47.8	56.0	58.0	2.0
Investment Data Modernization	—	6.0	9.0	3.0
Total Pension Funded FTEs	762.2	1,047.3	1,094.3	47.0
Health Care Funded				
TRS-Care Administrative	38.0	51.0	54.0	3.0
Agency Support to TRS-Care	39.1	46.0	48.0	2.0
HILOB Maintenance & Enhancements	25.3	27.5	32.5	5.0
TRS-ActiveCare Administrative	7.3	9.0	9.0	—
Agency Support to TRS-ActiveCare	7.6	8.0	8.0	—
Total Health Care Funded FTEs	117.3	141.5	151.5	10.0
Total FTEs, Pension & Health Care Funded	879.5	1,188.8	1,245.8	57.0
Fellows and Interns				
Fellows	2.7	9.0	18.0	9.0
Interns	6.6	5.9	5.9	—
Total Fellows and Interns	9.3	14.9	23.9	9.0
Grand Total	888.8	1,203.7	1,269.7	66.0

Authorized Full-Time Equivalent Positions



Pension Funded FTEs

Authorized Full-Time Equivalent (FTE) Positions are funded by the Pension Trust Fund and appropriated by the legislature. Article IX provisions of the 2024-25 General Appropriations Act authorizes an additional 50 FTEs to the authorized FTE limitation of 1,047.3 for FY 2024. In July 2023, the Board approved an additional 37 new FTEs, to be managed within the authorized FTE limitations, to help address the growing demands and requirements of the agency. Increased authority in FY 2024 is attributed to TRS' commitment to achieving the highest levels of customer satisfaction, implementing Legislative intent and Board mandates, and strengthening the trust funds.

Operational Efficiency

Additional resources approved for Benefit Services, Information Technology, and Information Security to sustain increasing workload volumes with contract management, the implementation of new legislative recommendations, and significant system enhancements for member payment processing and data security. Additionally, new positions were approved for Organizational Excellence to support talent acquisition and the organization's growth with workplace accommodations and remote work environment. Additional resources have also been approved for Financial Services to establish a new tax team to support the workload required from more complex tax and payroll regulations.

New Projects

Additional resources required to implement the new Investment Data Modernization Program and the Fraud Prevention Tool, support the growing technological footprint of the agency by providing audit coverage for cybersecurity controls, enterprise technological infrastructure, and data analytics.

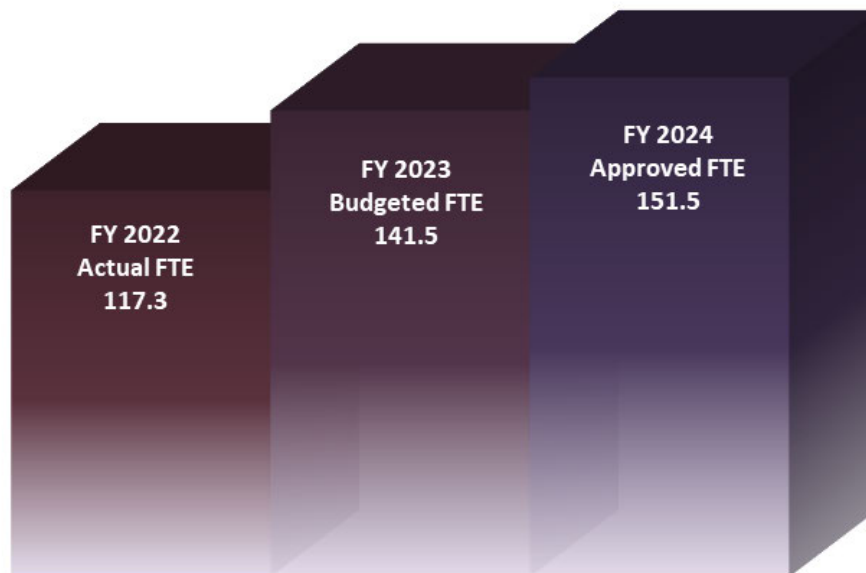
New Headquarters

Additional resources required to provide additional security and facility management with the ongoing construction and maintenance of the new buildings, both of which are substantially larger than the current TRS facilities.

Existing Resources Conversion

Additional resources for Benefit Services to bring telephone counseling services in-house as a way to reduce costs related to large contracts that outsource telephone counseling services for members.

Exempted Full-Time Equivalent Positions



Health Funded FTEs

Exempted Full-Time Equivalent (FTE) Positions are funded by the Health Care Trust Funds and are not appropriated by the legislature. The Board of Trustees approve the FTE levels for each fiscal year through the budget development process. New positions were approved in FY 2024 to reduce costs related to health care contract management, implement new dental and vision insurance plans, manage the increased workload related to health data analysis, and to support continued maintenance and enhancements for the Health Line of Business (HILOB).

Interns and Fellow Positions funded by the Pension Trust Fund are exempt from counting against the authorized FTE limitations established in House Bill 1, 88th Legislature, Regular Session, General Appropriations Act (GAA), TRS Rider 10.

Rider 10. 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, Section 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.

Capital Projects

Definition

Capital projects include expenditures for assets with a biennial project cost or unit cost in excess of \$500,000. These projects are selected based upon priorities established by the Board of Trustees via the strategic planning process and are generally long-term projects with fiscal impact beyond the upcoming budget year. Each project is subject to internal review and approval by a core management team and an executive project oversight committee. Once the projects are complete and assets are fully functional, there may be ongoing costs including staff augmentation, software and hardware maintenance.

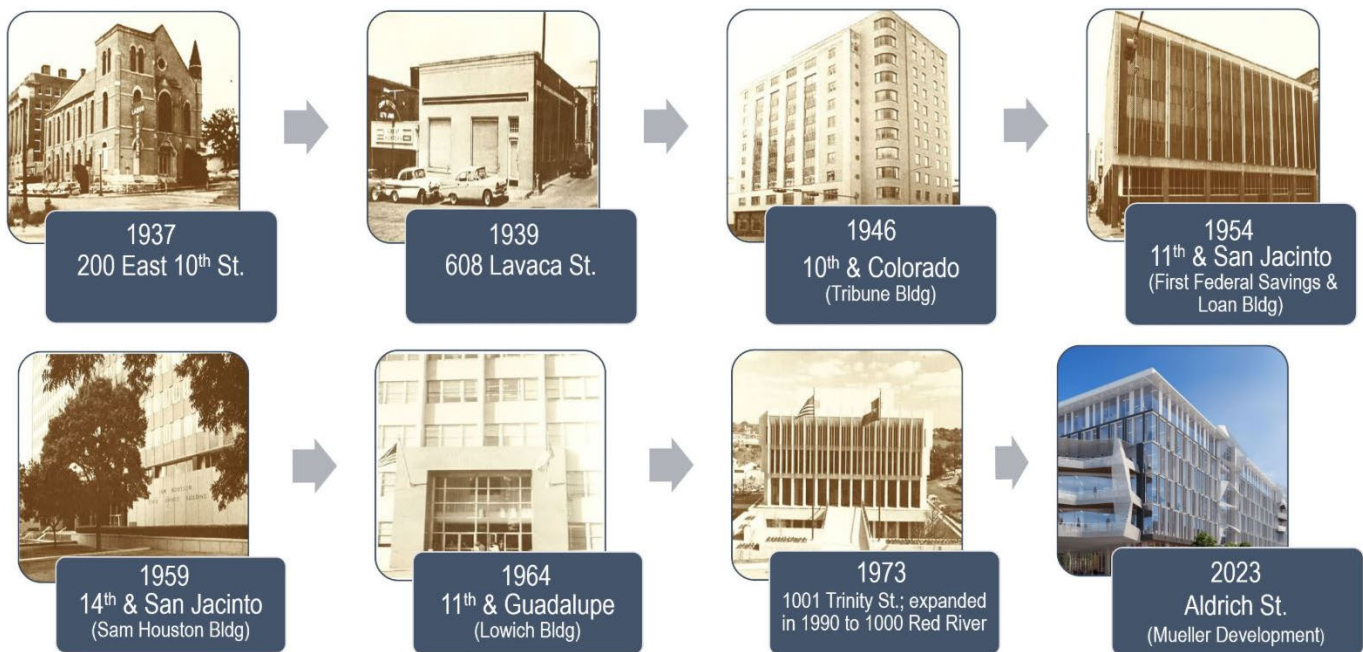
The budget for capital projects is requested through the Legislative Appropriation Request (LAR) process and financed on a pay-as-you-go basis with Pension Trust Fund assets. Pursuant to Article IX, Section 14.03 of the 88th General Appropriations Act (GAA), TRS may carry forward any unexpended balances for each project within a biennium. Additionally, without the approval from the Office of the Governor or LBB, agencies may transfer appropriation amounts not exceeding 25% as defined by Article IX provisions of the GAA. TRS capital projects are divided in three categories – repair or rehabilitation of buildings and facilities, acquisition of IT resources, and Data Center/Shared Technology Services.

Summary of Capital Budget by Project

	Expended FY 2022	Budgeted FY 2023	Budgeted FY 2024	Projected FY 2025	Projected FY 2026
Repair or Rehabilitation of Buildings and Facilities					
Building Renovations	1,465,206	1,500,000	2,000,000	1,000,000	2,000,000
Security Renovations	—	200,000	200,000	—	200,000
Acquisition of Information Resource Technologies					
Network Infrastructure	563,929	500,070	—	—	—
Data Center Upgrade	327,243	399,107	—	—	—
Investment System Modernization	311,175	595,830	—	—	—
PC Workstation Refresh	247,406	688,593	—	—	—
Pension Legislation	—	—	—	—	—
IT Infrastructure Upgrades	—	—	2,000,000	2,000,000	2,000,000
Investment Data Modernization	—	—	10,100,000	15,673,000	14,200,000
Fraud Prevention Tool	—	—	3,300,000	—	—
Data Center/Shared Technology Services					
Data Center Services	—	—	1,110,800	953,101	1,500,000
Grand Total	2,914,959	3,883,600	18,710,800	19,626,101	19,900,000

Repair or Rehabilitation of Buildings and Facilities

Although TRS is a state agency in Texas, TRS owns its facilities and related infrastructure which includes the new campus at the Mueller development in Austin, consisting of two six-story buildings, named Alpha and Bravo, with office space totaling 450,000 square feet. While some TRS staff began moving into the Alpha building in May 2023, the remainder of TRS staff will move into the member-facing Bravo building, now under construction, in late 2024. Until TRS can complete its move to the Mueller development, in-person TRS benefit counseling and other services will continue to be provided at 1000 Red River in Austin, making it necessary to lease back space at its former headquarters campus in downtown Austin which sold in October 2022. TRS also leases space at the Region 19 Education Service Center for its El Paso Regional Office. Repair and rehabilitation of buildings and facilities capital projects are associated with maintaining all of these facilities to ensure that they are safe for staff and visitors. The budget reflects a multiyear effort to execute on TRS facilities needs within the scope of the strategic plan.



Building Renovations

Project Description	TRS owns, operates, and maintains its headquarters facilities. This project provides funds for refreshing and updating facilities to provide a physical work environment that is safe and enhances productivity and to achieve more effective utilization of space. This includes enhancements at the new campus at the Mueller development to the base life safety and security systems in the buildings as well as additional building automation needs that are not part of the base building structure at Alpha/Bravo.
Project Guiding Principles	<ul style="list-style-type: none"> To refresh and update facilities to provide a physical work environment that is safe and enhances productivity and to achieve a more effective utilization of space.
Project Strategic Alignment	<p>Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.</p> <ul style="list-style-type: none"> Objective 4: Execute on TRS facilities needs. <ul style="list-style-type: none"> Strategy 1: Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). Strategy 2: Complete core and shell construction for Bravo by April 2023. Strategy 3: Execute sale of current headquarters by the end of calendar year 2022.
Project Location	Austin, Texas
Beneficiaries	TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.
Estimated Project Cost	\$14,000,000
Project Useful Life	Ongoing
Estimated Completion Date	Ongoing

Projected Cost

Building Renovations	Budgeted FY 2023	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Total
	\$ 1,500,000	\$ 2,000,000	\$ 1,000,000	\$ 2,000,000	\$ 1,000,000	\$ 7,500,000

Projected cost includes professional services, building and equipment maintenance. Any unexpended balances remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Security Renovations

Project Description	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 management systems to assist in this responsibility. This system is comprised of cameras and badge access readers located throughout TRS. This project is strategic and will be ongoing.
Project Guiding Principles	<ul style="list-style-type: none"> To maintain the technological infrastructure that supports the Security Division's ability to ensure continued safety and security at TRS.
Project Strategic Alignment	<p>Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.</p> <ul style="list-style-type: none"> Objective 4: Execute on TRS facilities needs. <ul style="list-style-type: none"> Strategy 1: Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). Strategy 2: Complete core and shell construction for Bravo by April 2023. Strategy 3: Execute sale of current headquarters by the end of calendar year 2022.
Project Location	Austin, Texas
Beneficiaries	TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.
Estimated Project Cost	\$200,000
Project Useful Life	Ongoing
Estimated Completion Date	Ongoing

Projected Cost




Security Renovations	Budgeted FY 2023	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Total
	\$ 200,000	\$ 200,000	\$ —	\$ 200,000	\$ —	\$ 600,000

Projected cost includes professional services, building and equipment maintenance. Any unexpended balances remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Acquisition of Information Resource Technologies

The Acquisition of Information Resource Technologies capital projects includes all TRS technology-related initiatives. These include Information Technology (IT) Infrastructure Upgrades, Investment Data Modernization Program, and the Fraud Prevention Tool. These projects provide the development, design, implementation, and maintenance of the IT infrastructure as relates to premise-based and cloud-based infrastructure applications and security requirements. 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.

Capital Projects List - Summary of Information Resources Projects

		
<p style="text-align: center;">IT Infrastructure Update</p> <p>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.</p>	<p style="text-align: center;">Fraud Prevention Tool</p> <p>Mitigating risks by adding a new layer to TRS' electronic threat prevention, detection and investigation toolkit, using artificial intelligence to help detect unusual patterns and activity.</p>	<p style="text-align: center;">Investment Data Modernization</p> <p>The technology and technical infrastructure that supports the TRS Investment Management Division's ability to achieve the TRS trust fund's actuarial rate of return strategy.</p>

Data Center/Shared Technology Services

This 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 which resulted in a shift of funding from operational to capital.

IT Infrastructure Upgrades

Project Description	This project provides the development, design, implementation, and maintenance of the IT infrastructure as it relates to premise-based and cloud-based infrastructure applications 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.
Project Guiding Principles	<ul style="list-style-type: none"> To support the implementation and maintenance of IT infrastructure to reduce capacity constraints and issues with compatibility and obsolescence.
Project Strategic Alignment	<p>Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.</p> <ul style="list-style-type: none"> Objective 2: Advance and enhance IT systems and services. <ul style="list-style-type: none"> Strategy 4: Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems.
Project Location	Austin, Texas
Beneficiaries	TRS membership and staff.
Estimated Project Cost	\$10,000,000
Project Useful Life	5 years
Estimated Completion Date	August 31, 2027

Projected Cost

IT Infrastructure Upgrades	Budgeted FY 2023	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Total
	\$ 2,183,600	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 10,183,600

Projected cost includes professional services, software, subscriptions, hardware and maintenance, furniture and equipment. Any unexpended balances remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Fraud Prevention Tool

Project Description	This project is to mitigate risks by adding a new layer to TRS' electronic threat prevention, detection and investigation toolkit, using artificial intelligence to help detect unusual patterns and activity.
Project Guiding Principles	<ul style="list-style-type: none"> To fulfill our fiduciary responsibility to protect pension funds and member data.
Project Strategic Alignment	<p>Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.</p> <ul style="list-style-type: none"> Objective 3: Enhance the information security program. <ul style="list-style-type: none"> Strategy 1: Provide a secure computing environment that supports a data privacy and integrity framework. Strategy 2: Develop an information security framework based on adaptive security architecture best practices to manage and mitigate cybersecurity threats.
Project Location	Austin, Texas
Beneficiaries	TRS membership and staff.
Estimated Project Cost	\$3,300,000
Project Useful Life	Ongoing
Estimated Completion Date	October 31, 2023

Projected Cost

Fraud Prevention Tool	Budgeted FY 2023	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Total
	\$ —	\$ 3,300,000	\$ 7,700	\$ 8,000	\$ 8,400	\$ 3,324,100

Projected cost includes consulting services for implementation and annual subscription costs for software. Any unexpended balances remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Project Deliverables

Fraud Prevention Tool

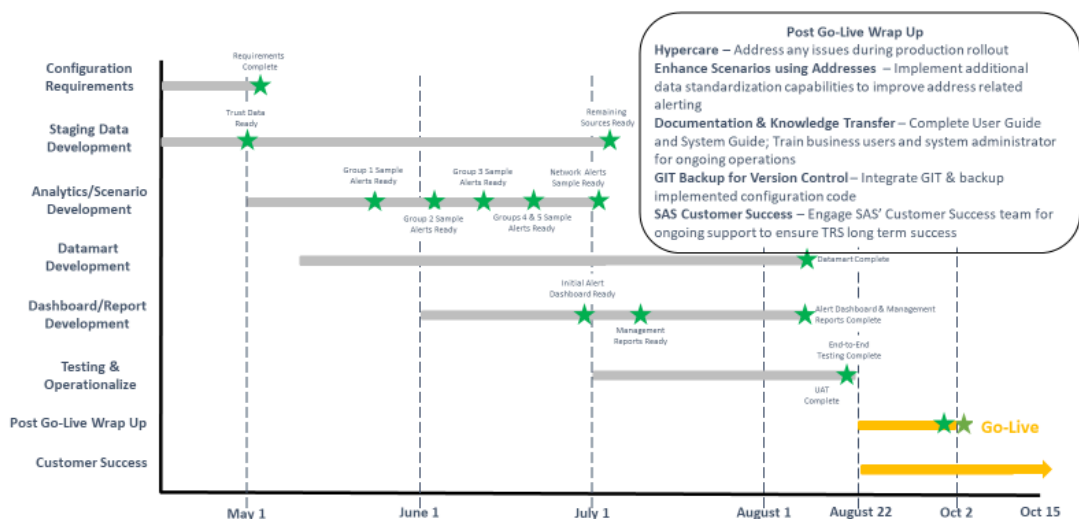
This project includes an integrated approach to fraud monitoring. In this holistic approach, each account is assessed a risk based on results from all scenarios and singular alerts are created and presented to the investigator within an interactive reporting environment that provides the full story in an intuitive display.

- **Fraud Analytics Data Mart** — a SQL data mart that will provide standardization, cleaning, and transformation that is centralized within a single process to ensure completeness, consistency, and efficiency.
- **Fraud Scenarios** — Results from all fraud scenarios will be consolidated to provide a holistic risk assessment of an alerted account preventing missed signals.
- **Network Analysis and Advanced Fraud Scenario** — advanced fraud scenarios incorporating a network analysis will look for more complex relationships and patterns across accounts and within an account's own history to identify anomalies and collusive fraud schemes.
- **Alert Dashboard** — Investigators can be more efficient by reviewing alert results in an interactive dashboard that provides all supporting data versus having to query source data on their own.
- **Alert Dispositioning** — Investigators can disposition alerts as true positives, providing a feedback loop back into the system and fraud scenarios.
- **Management Report** — The system can be easily expanded. Additional fraud scenarios can be added more easily since any new analysis can leverage the established fraud analytics data mart versus having to re-implement data query and cleaning logic each time.

Project Roadmap

Fraud Prevention Tool

TRS Fraud Analytics Solution – Deployment Plan on a Page



Investment Data Modernization

Project Description	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.
Project Guiding Principles	<ul style="list-style-type: none"> To provide the technology and technical infrastructure that supports the TRS Investment Management Division's ability to achieve the TRS trust fund's actuarial rate of return strategy.
Project Strategic Alignment	<p>Goal 1: Sustain a financially sound pension system.</p> <ul style="list-style-type: none"> Objective 3: Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. <ul style="list-style-type: none"> Strategy 2: Enhance current competitive advantages and total returns. <p>Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.</p> <ul style="list-style-type: none"> Objective 2: Advance and enhance IT systems and services. <ul style="list-style-type: none"> Strategy 1: Build, maintain and enhance a robust, highly available IT environment in support of applications and services.
Project Location	Austin, Texas
Beneficiaries	TRS membership and staff
Estimated Project Cost	\$66,429,000
Project Useful Life	5 years
Estimated Completion Date	August 31, 2027

Projected Cost

Investment Data Modernization	Budgeted FY 2023	Budgeted FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	Total
	\$ 3,553,700	\$ 10,883,900	\$ 20,841,000	\$ 16,564,000	\$ 14,586,400	\$ 66,429,000

Projected cost includes software subscriptions, vendor professional services, external consulting services for search, selection, and implementation, new FTEs and temporary staff augmentation (contractors). The FY 2024 Budget includes \$10.1 million in capital budget.

Project Deliverables

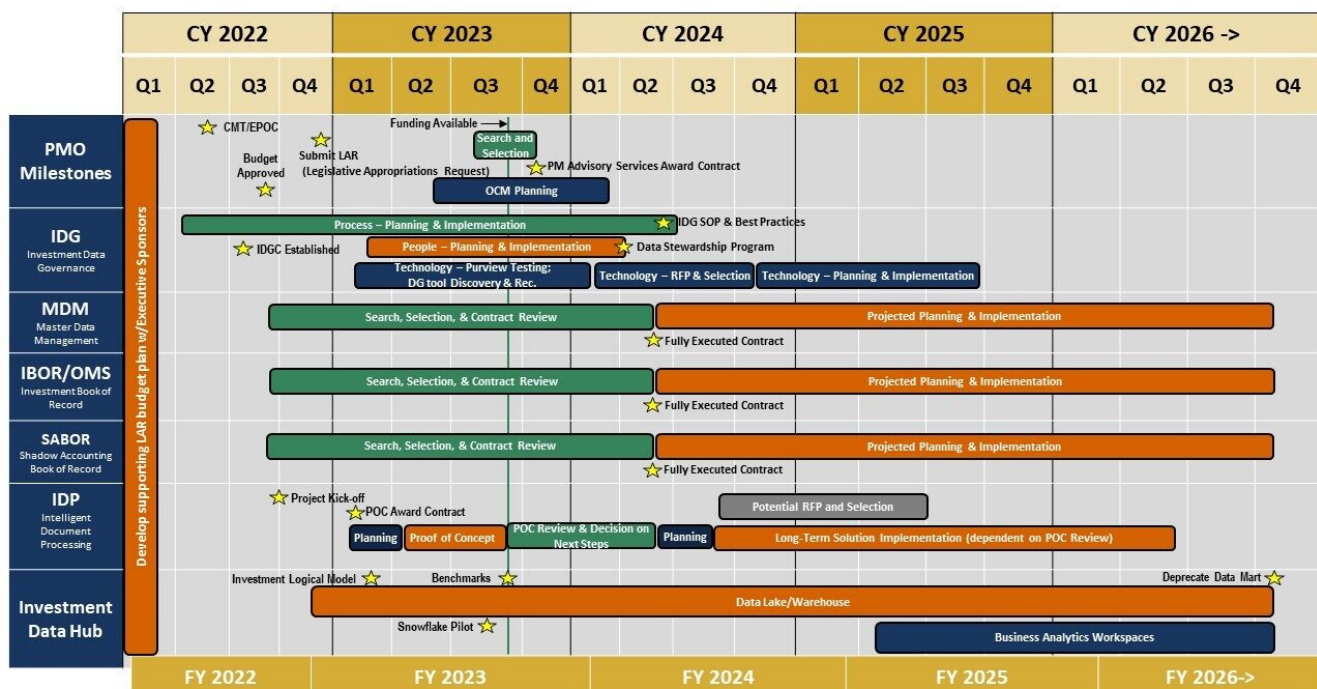
Investment Data Modernization

There are five key capabilities that are comprehensive and must be integrated in order to deliver on the overall goal.

- Master Data Management (MDM) – addresses the need to establish golden source data or a single version of the truth.
- An Investment Book of Record (IBOR) with an integrated Trade Order Management System (OMS) – this provides the source of real-time investment portfolio views.
- A Parallel Accounting Book (SABOR) – provides an independent valuation of the trust to ensure compliance and proper accounting treatment (recommended by the Sunset Commission in 2019).
- Intelligent Document Processing (IDP) – this will allow TRS to extract and store previously inaccessible document data and leverage the power of advance technologies to better manage the information.
- Investment Data Hub – a centralized architecture that allows timely access to investment data from the above systems and other data sources on a modern platform that is based on Microsoft's advanced cloud-based technologies.

Project Roadmap

Investment Data Modernization



Roadmap updated as of 8/31/2023

Headquarters Relocation

As an agency with a growing membership base and growing staff, TRS began formal discussions for a long-term facilities solution in 2014. In September of 2021, the Board proposed resolutions authorizing TRS to negotiate purchase and sale agreements with a developer, selection of a custodian bank, and transfer of trust funds necessary to purchase property for a new headquarters location. The proposal, known as One TRS: Moving Forward Together, is the result of a multi-year discussion and financial stewardship to identify a long-term facility solution for the agency. The discussion included consideration of many options, including staying at the current Red River location.

As part of its due diligence process, TRS reviewed more than 20 developer proposals over a 3-year period. The agency also consulted with an actuary who determined that proceeding with the new proposal would not negatively impact the funded status of the trust fund and would not interfere with a benefit enhancement if authorized by the legislature in the future. The cost of the new facility (projected not to exceed \$300 million) will be offset by the sale of the Red River property which was completed in October 2022 for \$108 million, the avoidance of deferred maintenance at Red River (estimated to be \$120 to \$140 million), and the need to lease facilities (\$120 to \$140 million over 20 years).



Headquarters Account	
Alpha Building	
Purchase Price	\$ 103,137,946
Furniture, Fixtures, and Equipment and Tenant Improvement Escrow	\$ 30,513,605
Other Charges and Fees	\$ 207,586
Bravo Building	
Deposit/Working Capital Amendment/Lease Commitment Fee	\$ 28,169,676
Estimated remaining cost	\$ 137,971,187
Grand Total	\$ 300,000,000

Contracts that Exceed \$1,000,000 in Value

The Procurement and Contracts Department is responsible for acquiring goods and services, including developing and advertising solicitations, evaluating responses, awarding purchase orders, contract negotiations, tracking and reviewing contracts, and reporting. The Contract Administration Policy is administered consistent with applicable federal and state laws and TRS policies and procedures, as well as with TRS' fiduciary responsibilities.

VENDOR	DESCRIPTION	START DATE	END DATE	CONTRACT AMOUNT
ACCENTURE	DATA MANAGEMENT CONSULTING	1/24/2020	2/27/2024	3,995,000
ADVANCED CALL CENTER TECHNOLOGIES LLC	CALL CENTER OVERFLOW SERVICES	1/1/2020	2/27/2024	3,500,000
ADVENT SOFTWARE, INC.	TAMALE DATA EXTRACT	8/28/2007	8/27/2024	2,602,865
ALBOURNE AMERICA, LLC	PM FEE MONITORING SERVICES	10/22/2020	10/31/2023	2,300,000
ALBOURNE AMERICA, LLC	INVESTMENT ADVISORY SERVICES	9/1/2018	8/31/2023	14,000,000
ALLIED CONSULTANTS	STAFFING: DEVELOPER/ANALYST 3	7/17/2014	8/31/2024	1,584,464
ALLIED CONSULTANTS	STAFFING: DATABASE ADMINISTRATOR II,	3/1/2016	8/31/2024	1,841,578
AON INVESTMENT USA INC	INVESTMENT ADVISORY SERVICES	9/1/2018	8/31/2025	6,295,000
APPRO, INC	JANITORIAL & CUSTODIAL SERVICE	9/1/2021	8/31/2024	1,200,000
AQUILA COMMERCIAL LLC	LEASING BROKER	3/3/2022	9/2/2024	2,275,000
AVI-SPL LLC	TRS ENTERPRISE AV CONTRACT	8/1/2019	11/29/2023	2,756,495
AXIOMA	PORTFOLIO MANAGEMENT SOLUTION	2/11/2023	2/10/2026	2,843,500
AXIOMA	ENTERPRISE RISK MANAGEMENT,	2/11/2013	2/10/2023	4,114,935
BLACKROCK FINANCIAL MANAGEMENT INC	ALADDIN RISK SERVICES	8/6/2018	3/14/2024	1,167,699
BLOOMBERG L P	BLOOMBERG EXCHANGES	9/1/2005	9/1/2023	3,699,809
BLOOMBERG L P	PORTFOLIO ORDER MANAGEMENT	3/2/2015	3/1/2024	4,459,509
BLOOMBERG L P	BLOOMBERG NEW TERMINAL LICENSE	9/1/2005	8/30/2023	23,500,000
BLOOMBERG L P	BLOOMBERG ANYWHERE SUBSCRIPTION LICENSE	9/1/2005	8/31/2024	28,616,303
BSWIFT LLC	HEALTHCARE ENROLLMENT	9/1/2020	8/31/2024	48,000,000
CARAHSOFT TECHNOLOGY CORPORATION	TECH - SERVICENOW SOFTWARE AND	8/31/2020	8/30/2023	1,431,544
CAREMARK INC	PHARMACY BENEFIT MANAGEMENT SERVICES	9/1/2017	12/31/2023	3,270,000
CAREMARK INC	PHARMACY BENEFIT MANAGEMENT SERVICES	9/1/2017	8/31/2023	145,500,000
CBRE INC	BROKER SERVICES FOR RED RIVER DISPOSITION	10/22/2020	8/31/2023	5,000,000
CHASESOURCE LP	TEMP-TO-HIRE SERVICES - HEALTH	6/14/2019	2/27/2024	1,900,000

Contracts that Exceed \$1,000,000 in Value (cont.)

VENDOR	DESCRIPTION	START DATE	END DATE	CONTRACT AMOUNT
CHICAGO CLEARING CORP	CONTINGENCY FEE	3/2/2018	3/1/2024	3,150,000
COBOS DESIGN & CONSTRUCTION INC	COMMERCIAL CONSTRUCTION &	10/12/2015	12/31/2024	10,663,421
COMPUTER TECHNOLOGIES USA LLC	MAINFRAME OFFSITE SERVICES	5/25/2020	8/31/2024	14,000,000
COSTAR REALTY INFORMATION INC.	REAL ESTATE ANALYTICS	3/31/2017	3/30/2024	1,041,384
DEALCLOUD INC	DEALCLOUD LICENSE SUBSCRIPTION	7/18/2018	7/31/2024	2,508,328
DLA PIPER LLP US	INVESTMENT OUTSIDE LEGAL COUNCIL	9/1/2021	8/31/2023	1,450,000
EFRONT FINANCIAL SOLUTIONS INC	FRONTINVEST ANALYTICS	8/25/2011	8/24/2024	6,005,981
ELECTION-AMERICA, INC.	TRUSTEE ELECTION SERVICES	6/3/2020	8/31/2023	2,005,831
ERNST & YOUNG LLP	FOREIGN TAX ADVISORY SERVICES	5/1/2023	4/30/2027	1,250,000
ERNST & YOUNG LLP	AUDITING SERVICES	4/21/2020	8/31/2024	2,500,000
ERNST & YOUNG LLP	INDEPENDENT ASSESSMENT PROGRAM	1/29/2021	12/31/2024	3,349,067
ERNST & YOUNG LLP	GLOBAL TAX ADVISOR SERVICES	5/1/2023	4/30/2027	4,000,000
ERNST & YOUNG LLP	FOREIGN TAX AGENT	5/1/2018	4/30/2023	7,500,000
EVESTMENT	DATA FEEDS AND ANALYTICS	11/1/2008	10/31/2023	1,430,166
EXPRESS SCRIPTS, INC.	PHARMACY BENEFIT MANAGER - TRS-ACTIVE	5/31/2023	8/31/2025	78,000,000
FACTSET RESEARCH SYSTEMS INC.	FINANCIAL MODELING	2/1/2005	12/31/2024	40,341,362
FINANCIAL RECOVERY TECHNOLOGIES LLC	INVESTMENT-RELATED LITIGATION	3/29/2018	3/28/2024	3,150,000
FOCUS CONSULTING GROUP INC	EXEC ASSESSMENT	9/26/2019	12/31/2023	1,117,667
FOSTER GARVEY PC	IMD INVESTMENT OUTSIDE LEGAL COUNCIL	9/1/2021	8/31/2023	2,350,000
FUNDAPPS	RAPPTR SOFTWARE	10/15/2014	10/14/2023	2,434,856
GABRIEL ROEDER SMITH & COMPANY HEALTH AND WELFARE	HEALTH CARE ACTUARIAL SERVICES	9/1/2017	8/31/2024	5,420,200
GABRIEL ROEDER SMITH AND COMPANY	ACTUARIAL SERVICES	1/1/2022	12/31/2025	1,500,000
GALLAGHER BENEFIT SERVICES INC	HEALTHCARE CONSULTING	11/21/2019	8/31/2024	2,800,000
GARTNER INC.	IT RESEARCH AND ADVISORY	2/1/2022	1/31/2024	1,649,979
GLOBALSCOPE COMMUNICATIONS	GLOBALSCOPE NICE-INCONTACT SERVICES	6/21/2023	8/31/2024	8,500,000
GLOCAP SEARCH LLC	EXECUTIVE SEARCH SERVICES	1/27/2023	1/26/2025	1,500,000
GREEN STREET TOPCO LLC	REIT RESEARCH	4/1/2021	3/31/2024	1,005,570
GTS TECHNOLOGY SOLUTIONS INC	STAFF SERVICES	11/2/2015	8/31/2024	1,495,660
HEALTH CARE SERVICES CORPORATION	HEALTH PLAN ADMINISTRATOR - TRS-	1/1/2021	12/31/2024	60,000,000

Contracts that Exceed \$1,000,000 in Value (cont.)

VENDOR	DESCRIPTION	START DATE	END DATE	CONTRACT AMOUNT
HEALTH CARE SERVICES CORPORATION	TRS-ACTIVECARE	9/1/2020	8/31/2024	360,000,000
HEALTH CARE SERVICES CORPORATION	HMO - SOUTH AND WEST TX	9/1/2020	8/31/2024	835,000,000
HEALTH MANAGEMENT SYSTEM INC	CLAIMS AUDIT SERVICES	9/17/2020	8/31/2024	2,950,000
ITG ANALYTICS, INC.	TRANSACTION COST ANALYSIS	2/14/2006	10/29/2023	1,002,104
JACKSON WALKER LLP	IMD INVESTMENT OUTSIDE LEGAL	9/1/2021	8/31/2023	3,000,000
JEFFERIES LLC	SECONDARY MARKET/ AGENT SERVICES	5/25/2022	5/24/2027	25,000,000
JONES LANG LASALLE SECURITIES LLC	REAL ESTATE ADVISOR	10/31/2022	10/30/2024	1,900,000
KPMG LLP	AUDITING SERVICES	12/17/2020	8/31/2024	2,500,000
KPMG LLP	CONTRACT MANAGEMENT	8/1/2020	8/31/2024	6,070,600
LEVEL 3 COMMUNICATIONS LLC	LUMEN CABLING/DATA CIRCUIT SERVICES	9/1/2021	8/31/2028	1,371,989
MILLIMAN INC	HEALTHCARE CONSULTING	12/21/2020	8/31/2024	3,500,000
MORGAN LEWIS & BOCKIUS LLP	OUTSIDE LEGAL COUNCIL - INVESTMENT	9/1/2021	8/31/2023	2,000,000
MSCI BARRA LLC	RISK METRICS	1/28/2016	1/27/2024	2,753,455
MSCI BARRA LLC	PORTFOLIO RISK MANAGEMENT	5/1/2019	4/30/2024	3,187,646
MSCI BARRA LLC	DATA LICENSE MANAGEMENT	12/1/2015	12/7/2023	6,649,400
MYERS AND STAUFFER LC	AUDITING SERVICES	6/1/2020	8/31/2024	1,400,000
NEOS CONSULTING GROUP LLC	STAFFING SERVICES: BUSINESS ANALYST III	3/30/2020	8/31/2024	1,002,706
NEOS CONSULTING GROUP LLC	STAFFING: PROGRAMMER/DEV.	5/1/2020	8/31/2024	1,015,360
NEOS CONSULTING GROUP LLC	STAFF AUGMENTATION	6/1/2020	2/29/2024	1,080,320
NEOS CONSULTING GROUP LLC	STAFFING SERVICES: PROJECT MANAGER III	3/25/2020	8/31/2024	1,123,200
NEOS CONSULTING GROUP LLC	STAFFING: BUSINESS ANALYST 3	11/12/2018	8/31/2024	1,246,600
NEOS CONSULTING GROUP LLC	STAFFING SERVICES	5/31/2016	8/31/2024	1,301,790
NORTON ROSE FULBRIGHT US LLP	IMD INVESTMENT OUTSIDE LEGAL	9/1/2021	8/31/2023	2,625,000
PCCP LLC	REAL ESTATE PORTFOLIO	10/20/2021	10/19/2024	1,680,000
PETROSYS SOLUTIONS INC DBA PSITECHNOLOGY	DATA CENTER SERVICES	6/1/2020	8/31/2024	4,782,497
PHARMACEUTICAL STRATEGIES GROUP, LLC	HEALTHCARE AND PHARMACY	2/16/2022	8/31/2024	2,450,000
PRINTMAILPRO LTD	PRINTING & MAILING SERVICES	9/1/2021	8/31/2024	1,200,000
QUISITIVE, LLC	CATAPULT MICROSOFT TECHNICAL SERVICES	10/19/2018	8/31/2023	5,000,000
RALA CONCEPTS LLC	PAPER, ENVELOPES, AND SUPPLIES	5/1/2023	8/31/2024	1,400,000

Contracts that Exceed \$1,000,000 in Value (cont.)

VENDOR	DESCRIPTION	START DATE	END DATE	CONTRACT AMOUNT
RISKVAL FINANCIAL SOLUTIONS, LLC	RISK VALUATION SERVICES	9/1/2012	8/31/2024	1,725,600
ROPES & GRAY LLP	IMD INVESTMENT OUTSIDE LEGAL	9/1/2021	8/31/2023	2,000,000
S&P GLOBAL MARKET INTELLIGENCE	MASTER AGREEMENT	9/1/2004	8/31/2024	1,286,356
S&P GLOBAL MARKET INTELLIGENCE	S&P BUNDLE	11/30/2016	11/29/2023	3,399,273
SCOTT & WHITE HEALTH PLAN	HMO - CENTRAL TX	9/1/2020	8/31/2024	860,000,000
SEGAL COMPANY (SOUTHEAST) INC	HEALTHCARE CONSULTING - SEGAL	10/7/2019	2/27/2024	6,050,000
SEYFARTH SHAW LLP	INVESTMENT OUTSIDE COUNSEL CONTRACT	9/1/2021	8/31/2023	2,300,000
SHORENSTEIN REALTY SERVICES, LP	ALPHA BUILDING	12/29/2021	8/31/2023	117,140,423
SILVERSCRIPT INSURANCE COMPANY	PHARMACY BENEFIT MANAGEMENT	1/1/2018	12/31/2023	21,000,000
SOAL TECHNOLOGIES LLC	STAFF AUGMENTATION	11/5/2018	8/31/2024	1,206,880
SOAL TECHNOLOGIES LLC	STAFF AUGMENTATION	5/8/2017	8/31/2024	1,305,047
SOAL TECHNOLOGIES LLC	STAFF SERVICES	12/11/2017	8/31/2024	1,375,600
SOFTWARE ONE, INC.	MICROSOFT ENTERPRISE	1/1/2023	12/31/2025	4,500,000
SQUARE ONE CONSULTANTS, INC.	OWNER'S REPRESENTATION	11/8/2019	8/31/2024	7,424,000
STATE STREET BANK AND TRUST COMPANY	MASTER CUSTODIAN AND SECURITIES	9/1/2023	8/31/2026	85,000,000
STATE STREET BANK AND TRUST COMPANY	SSB MASTER CUSTODIAN CONTRACT	8/1/2015	12/31/2023	188,000,000
TALEND USA INC.	ETL SOFTWARE SERVICES	3/29/2019	3/28/2024	2,434,388
TEACHER RETIREMENT INVESTMENT COMPANY OF TEGUS, INC.	TRICOT INTERCOMPANY AGREEMENT	1/1/2022	12/31/2023	16,000,000
	GLOBAL NETWORKS OF INDUSTRY EXPERTS	1/6/2023	1/5/2027	1,500,000
TEKSYSTEMS INC	STAFFING: DEVELOPER/ PROGRAMMER ANALYST	3/12/2018	8/31/2024	1,068,625
TEKSYSTEMS INC	STAFFING: SOFTWARE DEVELOPER 3	11/6/2017	8/31/2023	1,321,490
TEKSYSTEMS INC	STAFF AUGMENTATION	11/6/2017	8/31/2024	1,607,552
TELEPERFORMANCE USA CORP	CALL CENTER OVERFLOW BENEFITS	3/3/2020	8/31/2024	11,600,000
TEXAS DEPT OF INFORMATION RESOURCES	VOICE AND DATA SERVICES	9/1/2013	8/31/2024	2,197,950
TEXAS DEPT OF INFORMATION RESOURCES	DATA CENTER SERVICES	9/1/2017	8/31/2024	5,000,000
THOMSON REUTERS	DATASTREAM, EIKON, TASS, QA	8/1/2012	8/31/2026	9,303,166
UNITED HEALTHCARE	MEDICARE ADVANTAGE WITH PRESCRIPTION	9/1/1998	12/31/2024	1,140,000
VALUATION RESEARCH CORPORATION	LIMITED INVESTMENT VALUATION SERVICES	8/1/2022	7/31/2024	1,200,000
V-SOFT CONSULTING GROUP	STAFF AUGMENTATION	5/1/2018	8/31/2023	1,138,620
WOLFE RESEARCH, LLC	INVESTMENT RESEARCH	10/12/2021	12/31/2023	2,500,000

General Provisions

The Teacher Retirement System (TRS) uses as guidelines the provisions of Article IX (General Provisions) of the General Appropriations Act adopted by the 88th Texas Legislature (GAA) in administering the System to the extent that the Executive Director or a designee acting in the absence of the Executive Director determines that individual provisions of Article IX are in the best interests of TRS and are not in conflict with applicable TRS laws, fiduciary duties, or policies. In addition, it is the intent of the TRS Board of Trustees (board) that the General Provisions also apply to the TRS-Care Fund, and the TRS-ActiveCare Fund. The following provisions are also subject to this paragraph.

PENSION TRUST FUND ADMINISTRATIVE OPERATIONS – In adopting the related Budget Resolution, the board finds that authorizing expenditures from the Pension Trust Fund to pay for TRS' administrative operating expenses for the fiscal year is necessary to perform the fiduciary duties of the board. Further, the Legislature has not appropriated money from the State's general revenue fund for TRS to use in paying operating expenses for the fiscal year.

USE OF COMMISSION CREDITS – The board finds that the expenditure of commissions and credits, including soft dollars, commission sharing agreements, and cash recapture agreements (together, "Commission Credits") to obtain research, goods, and services supporting the investment function are necessary for the efficient and effective administration of pension trust fund assets and performance of the board's fiduciary duties. Uses of Commission Credits shall be administered in accordance with the board's Commission Credits Policy and applicable law.

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

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

PERSONNEL SERVICES:

- **Hiring and Personnel Actions** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to hire personnel, to transfer personnel within the agency, and to approve base salaries, salary changes, and other personnel actions, including but not limited to promotions, demotions, re-assignment, merits, and recruitment and retention bonuses. TRS will generally base its salary schedules, position classifications, and salary administration practices on the provisions of Article IX, Chapter 659 of the Government Code, and other relevant legislation to the extent the Executive Director determines a particular provision is in the best interest of the System and not in conflict with applicable law, fiduciary duty or TRS policy. The board will set the salary rate for the Executive Director. The Executive Director is authorized to set the base salaries for other exempt positions within the not-to-exceed amounts listed in the GAA or any amended limits adopted by the board from time to time.
- **Performance Pay Plans** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to implement performance pay plan(s) as approved from time to time by the board, including authorizing payment of the performance pay to the extent funds have been included in the approved board resolution for that purpose or are otherwise made available through the Budget Execution Authority in these General Provisions; in an amount not to exceed \$69.3 million.
- **Longevity Pay and Benefit Replacement Pay** – The board authorizes the payment of Longevity Pay and Benefit Replacement Pay in addition to base pay. The payment of Longevity Pay and Benefit Replacement Pay to eligible TRS employees shall be administered in a manner consistent with the provisions of Chapter 659 of the Government Code and other relevant legislation.

OTHER PERSONNEL COSTS – Other Personnel Costs, including Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay, as estimated in the GAA, are necessary for efficient TRS operations, and may be revised by the Executive Director, or Deputy Director in the absence of the Executive Director, if needed to pay operating expenses for the fiscal year.

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

COUNSELING SERVICES – In accordance with Texas Government Code, Chapter 825, Subchapter G, the board authorizes the Executive Director or his designees, to the extent feasible, to make individual retirement benefits counseling sessions available to members in conjunction with informational or educational presentations that TRS provides for groups throughout the state, in order to promote efficiency and minimize the cost of such services. TRS will determine the geographic regions most in need of retirement benefits counseling and will provide retirement benefits counseling services in these regions throughout Texas.

TRAVEL – In accordance with TRS policy, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to reimburse employee and trustee travel expenses at amounts that are reasonable and necessary to conduct official TRS business, including transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters. The board finds that such reasonable and necessary expenses are necessary for the performance of fiduciary duties. These expenses may include additional allowances above standard or state law rates for transportation and meals. Travel expense reports requesting reimbursement must be submitted timely, and with proper documentation as set forth in the TRS Travel Guide.

BUDGET EXECUTION AUTHORITY – As required for the efficient operation of TRS programs, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to transfer budgeted funds up to 25% of an expense category between different expense accounts and major expense categories, so long as the total approved budget for operating expenses and capital outlay is not exceeded. This provision applies separately to the Pension Trust Fund, the TRS-Care Fund, and the TRS-ActiveCare Fund.

CONTINGENCY FOR CATASTROPHIC OCCURRENCES – In the event of a catastrophic occurrence which destroys or incapacitates TRS' physical plant and/or primary operating resources, the Executive Director, Deputy Director, or Chief Financial Officer may exceed the total approved budget to the extent necessary to achieve recovery of operational capabilities. The Executive Director, Deputy Director, or Chief Financial Officer will notify the Budget Committee of the board, as soon as possible, of the extent of the situation and the budgetary impact.

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APPENDIX



*The teachers
of Texas always
deserve our
very best.*

Meaghan B.
TRS Health

APPENDIX A:

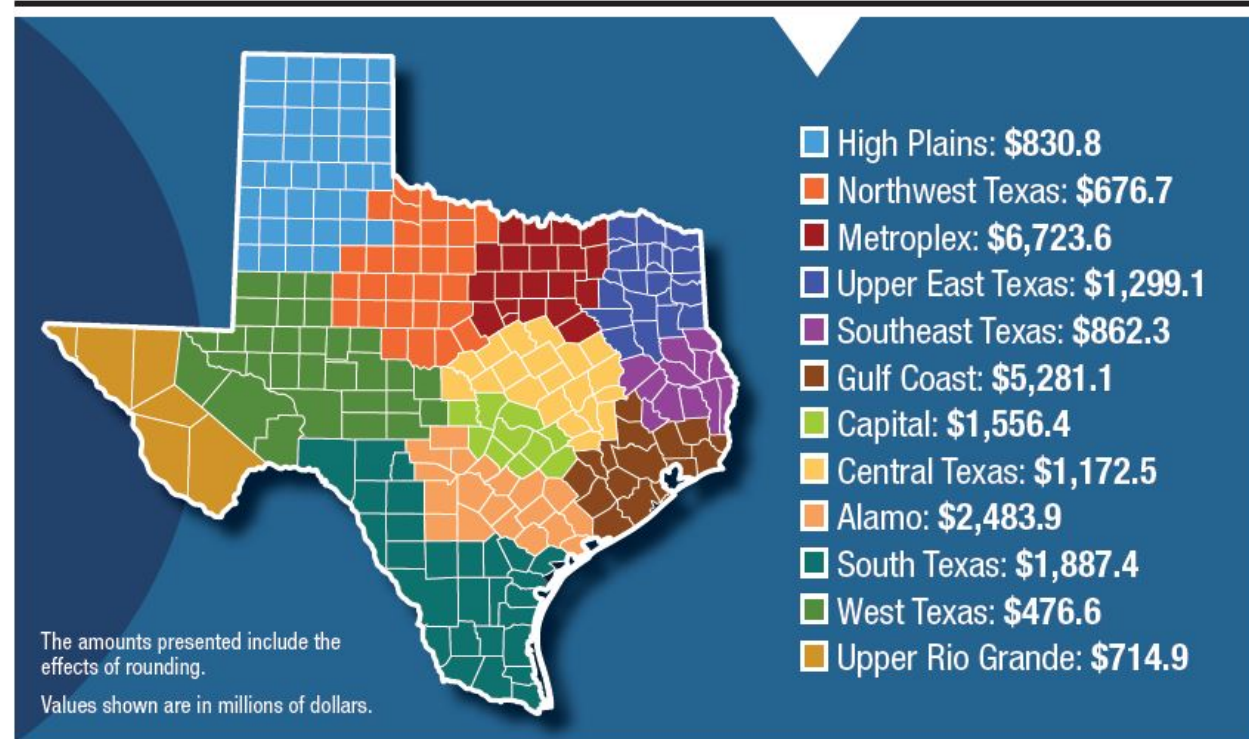
COST DRIVERS, STATISTICAL, AND SUPPLEMENTAL DATA

Economic Benefits of TRS Programs by Region

(2022 gross product in millions of dollars)

This map of Texas shows the total gross product of both the pension benefits and health care spending paid by TRS, along with how this is divided among 12 regions of the state. Gross product is the production of goods and services generated within an area.

TOTAL GROSS PRODUCT: \$23.9 BILLION



Source: "The Impact of Annuity Payments by the Teacher Retirement System on Texas and Local Areas Within the State" (The Perryman Group, September 2022) and "The Impact of the TRS-ActiveCare and TRS-Care Health Insurance Programs Maintained by the Teacher Retirement System of Texas on Texas and Local Areas Within the State" (The Perryman Group, September 2022)

TRS Spending Stays in Texas and Stimulates the Economy

In addition to providing pension benefits and health care plans to both active and retired public educators, spending from these programs generates economic stimulus to Texas communities. Annuity payments provide reliable income to spend. The billions of dollars paid into medical and prescription services by TRS health care programs supports Texas' growing economy. The total impact of these programs is significant.

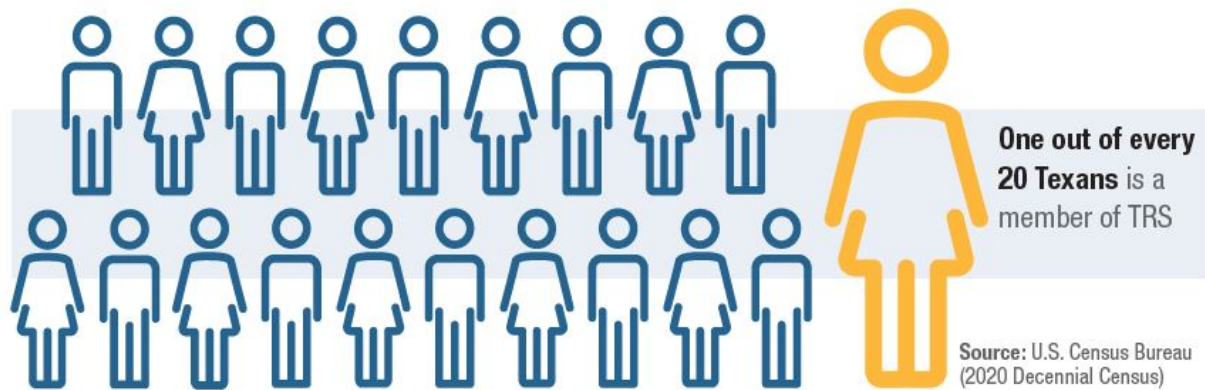
Source: TRS Value Brochure

https://www.trs.texas.gov/TRS%20Documents/trs_value_brochure.pdf

<https://www.youtube.com/watch?v=rtOTqG1GyY>

Value to Education

TRS provides financial security to members and their families. TRS serves a vital role to more than 1.9 million.



GROWTH

TRS has grown dramatically since its inception in 1937, **from a membership of 38,000 to more than 1.9 million.**

Membership of More Than
1.9M

38,000

Source: TRS Value Brochure

https://www.trs.texas.gov/TRS%20Documents/trs_value_brochure.pdf

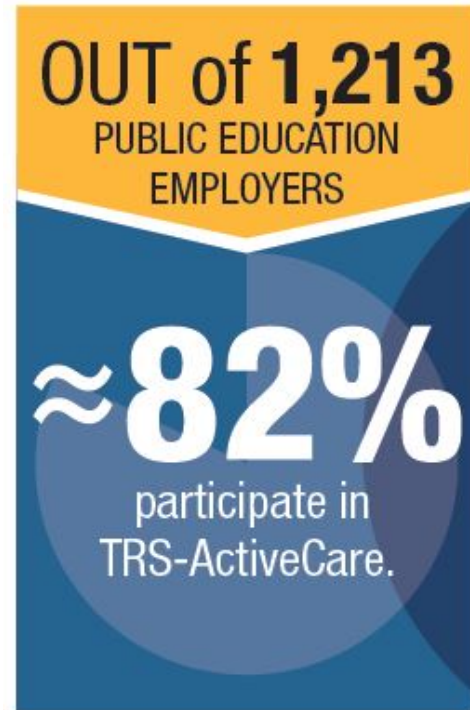
TRS Health Care Keeps Public Education Sector Jobs Competitive

Health benefits are crucial for school districts' ability to attract and retain talented educators and staff.

Nearly 1,000 public education employers participate in TRS-ActiveCare. New legislation passed in 2021 created the opportunity for districts to leave TRS-ActiveCare and choose a different health plan for the 2022-23 school year. In the first year of the new law, nine out of 10 participating employers chose to remain with TRS.

This scale allows TRS to offer plans at competitive prices. For example, TRS-ActiveCare's total cost is \$115 less per employee per month than comparable health plans at nonparticipating employers.

TRS-ActiveCare moved to regionally rated premiums in 2022. This and \$638 million in federal COVID-19 relief funding allowed TRS to offer employers premiums that were the same as or lower than previous years, despite costs increases in the larger health care market.

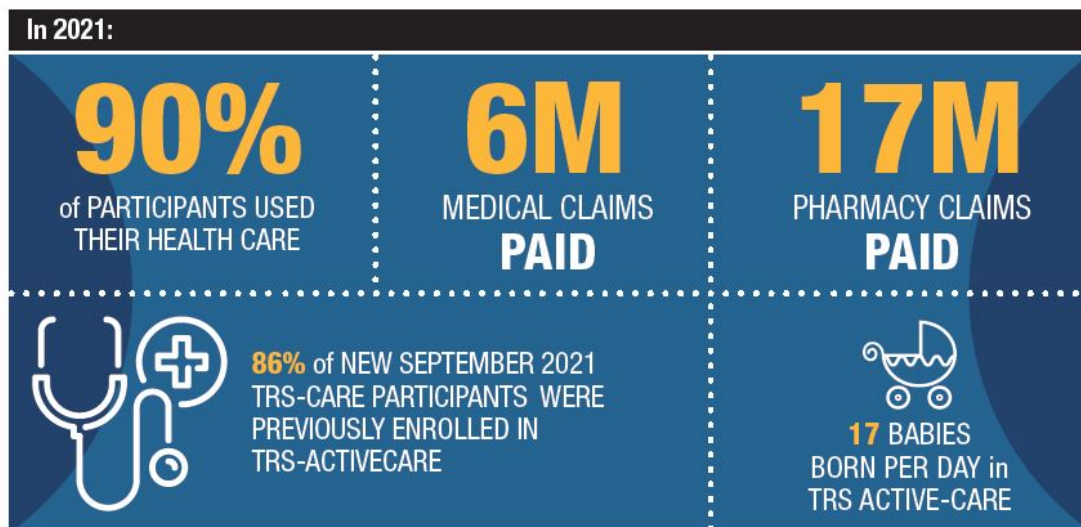


Source: "TRS Health Benefits Report 2021" (Teacher Retirement System of Texas, April 2022), and "The Impact of the TRS-ActiveCare and TRS-Care Health Insurance Programs Maintained by the Teacher Retirement System on Texas and Local Areas Within the State" (The Perryman Group, September 2022)

VALUE FROM HEALTH CARE PLANS

TRS Provides High-Value Health Care to Public Education Employees

TRS health plans bring high-quality care to over 650,000 participants. TRS is uniquely positioned to negotiate rates and provide stability in times of crisis. From March 2020 - July 2021 (latest available reporting), TRS covered out-of-pocket costs related to COVID-19 for active and retired educators.



Source: TRS Value Brochure

https://www.trs.texas.gov/TRS%20Documents/trs_value_brochure.pdf

Membership Overview and Funding Status

Membership

Membership Facts and Figures

Number of	August 31, 2022	August 31, 2021
Current Members		
Active Contributing	928,418	918,545
Inactive Non-vested	419,580	384,340
Inactive Vested	124,957	116,901
Total Current Members	1,472,955	1,419,786
Retirement Recipients		
Service	444,557	427,995
Disability	11,907	11,892
Survivor	19,488	18,246
Total Retirement Recipients	475,952	458,133
Total Membership	1,948,907	1,877,919

Members Retiring Fiscal Year Ended 8/31/2022

Members Retiring

Number Retiring	26,341
Average Age at Retirement	60.5
Average Service Credit	24.1
Average Monthly Annuities	
Life Annuities	\$ 2,174
Disability Annuities	\$ 1,256
Annuities Certain	\$ 1,185

Pension Fiduciary Net Assets

Pension Fiduciary Net Assets (as of 8/31)

	2022 (in Billions)	2021 (in Billions)
Net Position	\$ 184.186	\$ 201.807
Member Contributions	\$ 4.214	\$ 3.839
State Contributions – General Fund	\$ 2.153	\$ 1.880
Pension Payments to Retirees & Beneficiaries	\$ 13.243	\$ 11.799

Funding Status

TRS Pension Funding Status

	2022	2021
Statutory Contribution Rates		
State	7.75%	7.50%
Member	8.00%	7.70%
Actuarial Information		
Covered Payroll	\$54.2 billion	\$51.4 billion
Normal Cost %	12.09%	11.57%
Unfunded Actuarial Accrued Liability (UAAL)	\$51.7 billion	\$47.6 billion
UAAL as % of Pay	95.30%	92.80%
Funded Ratio	79.00%	79.10%

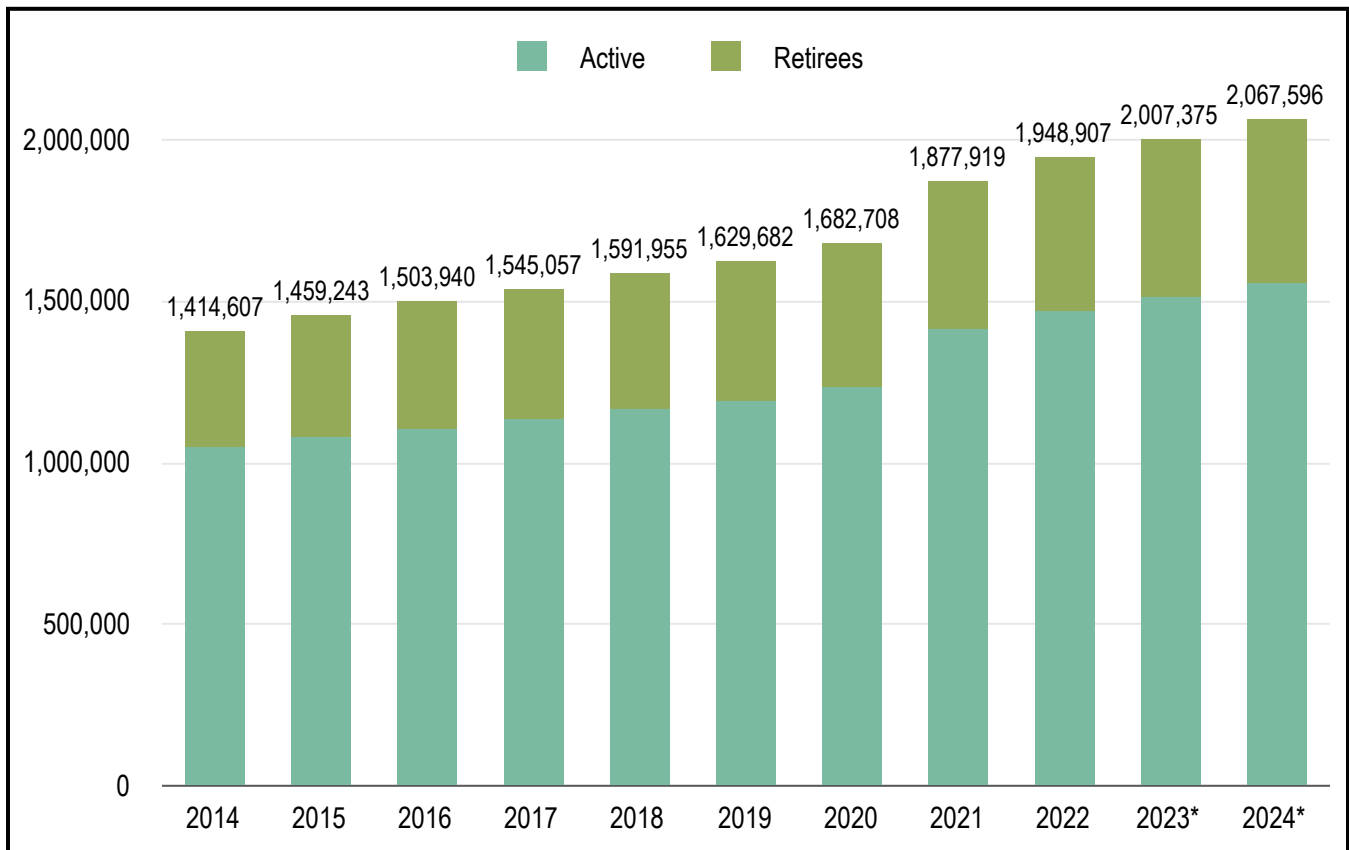
Investments

Investments (as of 8/31)

	Value (in Billions)	Annual Rate of Return
2013	\$116.705	9.00 %
2014	\$131.595	16.90 %
2015	\$127.042	(0.30)%
2016	\$132.762	7.40 %
2017	\$145.916	12.60 %
2018	\$154.700	8.20 %
2019	\$157.433	5.20 %
2020	\$164.642	7.24%
2021	\$201.163	24.98%
2022	\$183.509	(6.72)%

Source: 2022 Annual Comprehensive Financial Report
<https://www.trs.texas.gov/TRS%20Documents/acfr-2022.pdf>

PENSION MEMBERSHIP GROWTH

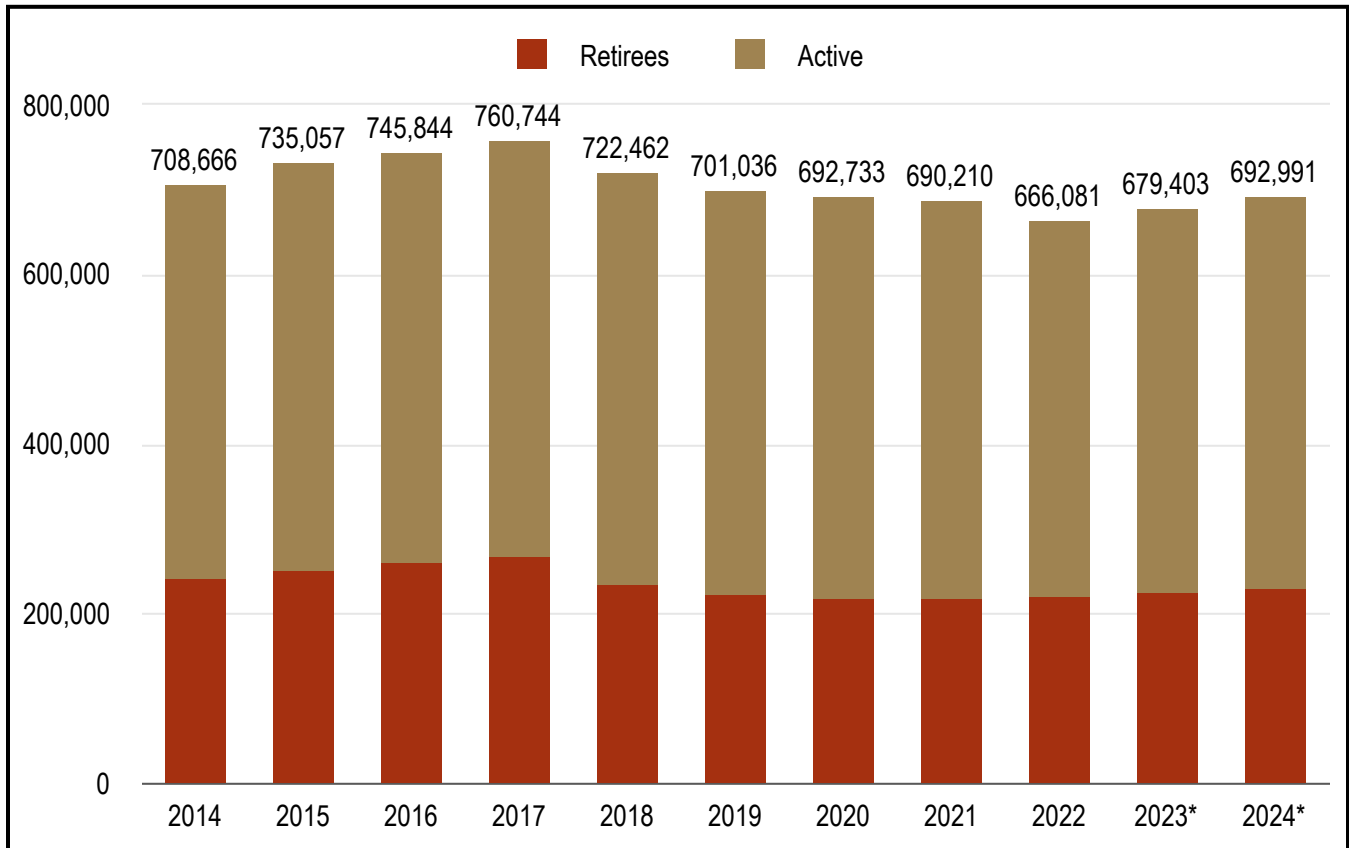


*Projected based on historical trending

Active members – 49% growth | Retired members – 39% growth

This chart shows the trend in the number of TRS members over time for both active members and retired members. The growth of active members has traditionally been correlated to state population growth, which is expected to grow an average of 1.6% per year through 2050 according to the Texas State Demographer. The growth in retired members depends on a number of factors and can be influenced by the number of teachers reaching retirement age, the change in benefits design, the change in state funding provided to local districts, and general economic conditions. The number of teachers reaching retirement age is expected to increase with the baby boomer population aging into retirement and will plateau as that generation fully engages in retirement.

HEALTH CARE MEMBERSHIP GROWTH

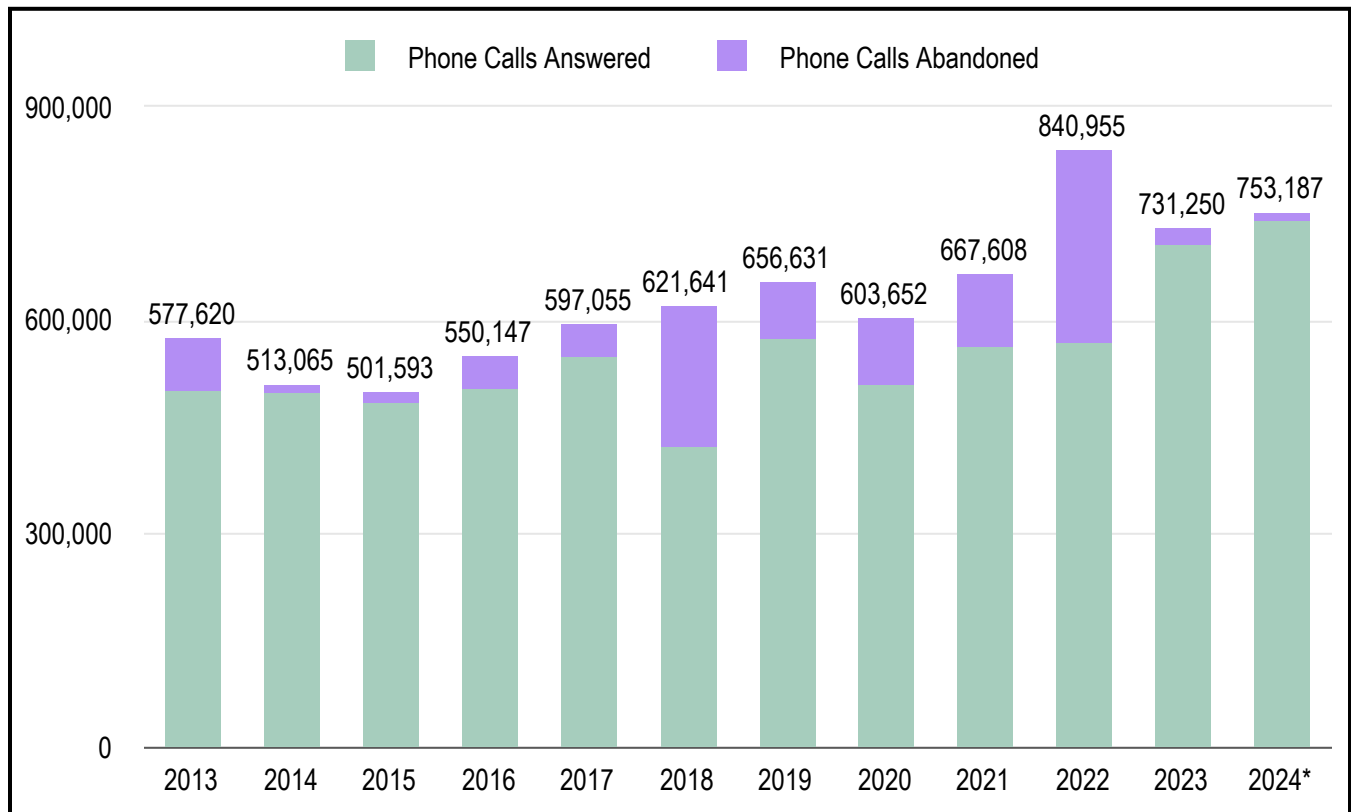


*Projected based on historical trending

TRS-Care Membership – (1%) growth | TRS-ActiveCare Membership – (1%) growth

This chart shows the historical growth in the membership of the health care programs. The growth in TRS-Care, the health care plan for retirees, is largely dependent upon the growth in the number of retired members. The growth in TRS-ActiveCare, the health care program for active TRS members, is dependent on a host of factors including the growth in active TRS members and the number of districts that choose to participate in the program.

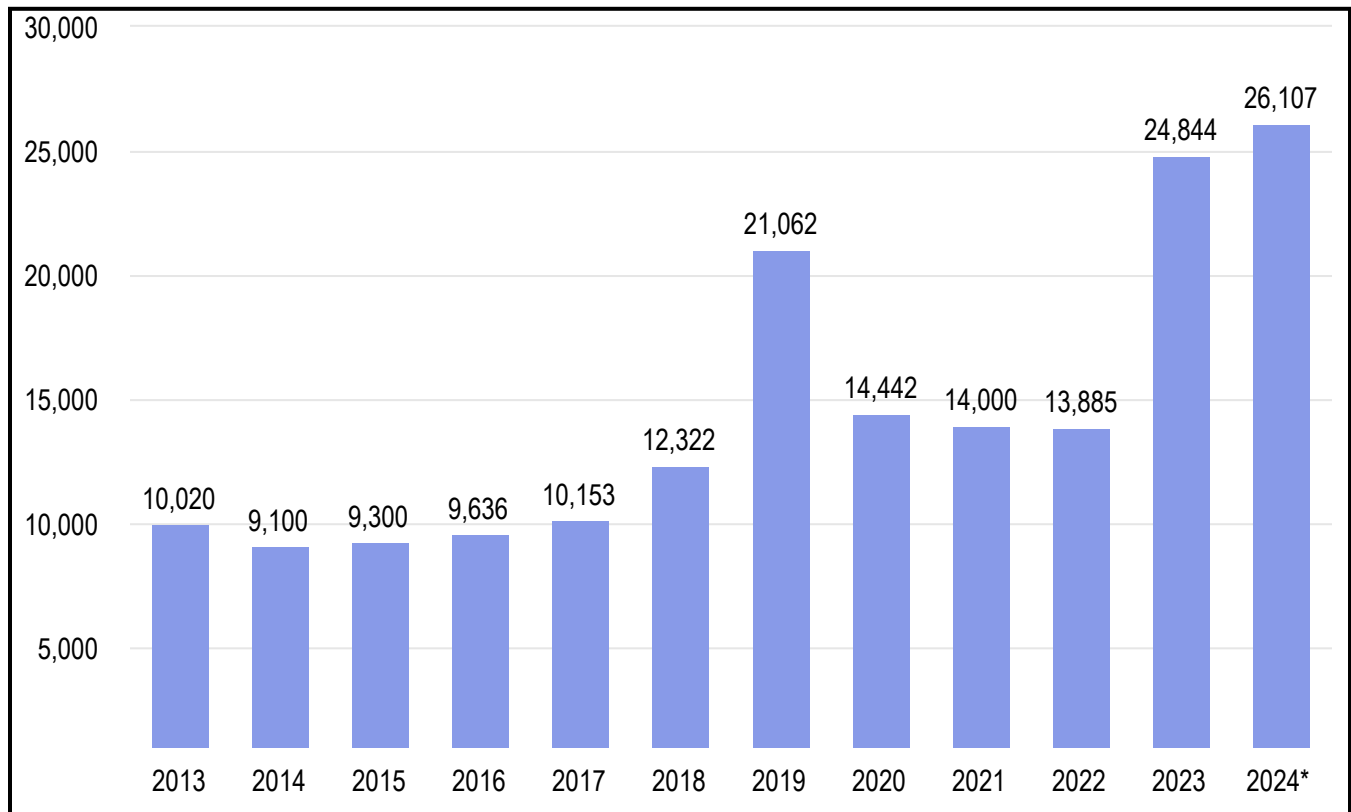
TELEPHONE COUNSELING CENTER CALL VOLUME



*Projected based on historical trending

This chart displays the call volume handled by the TRS' Telephone Counseling Center (TCC) over time. The call volume is dependent upon membership growth as well as the number of members choosing to retire in a given year. In future years, as web-based, self-service features are added to the TRS website, call volume may decrease. Call volume has a trickle-down effect on other areas of the Benefits Division in that calls can create processing actions which consume additional staff time.

OFFICE COUNSELING VISITS



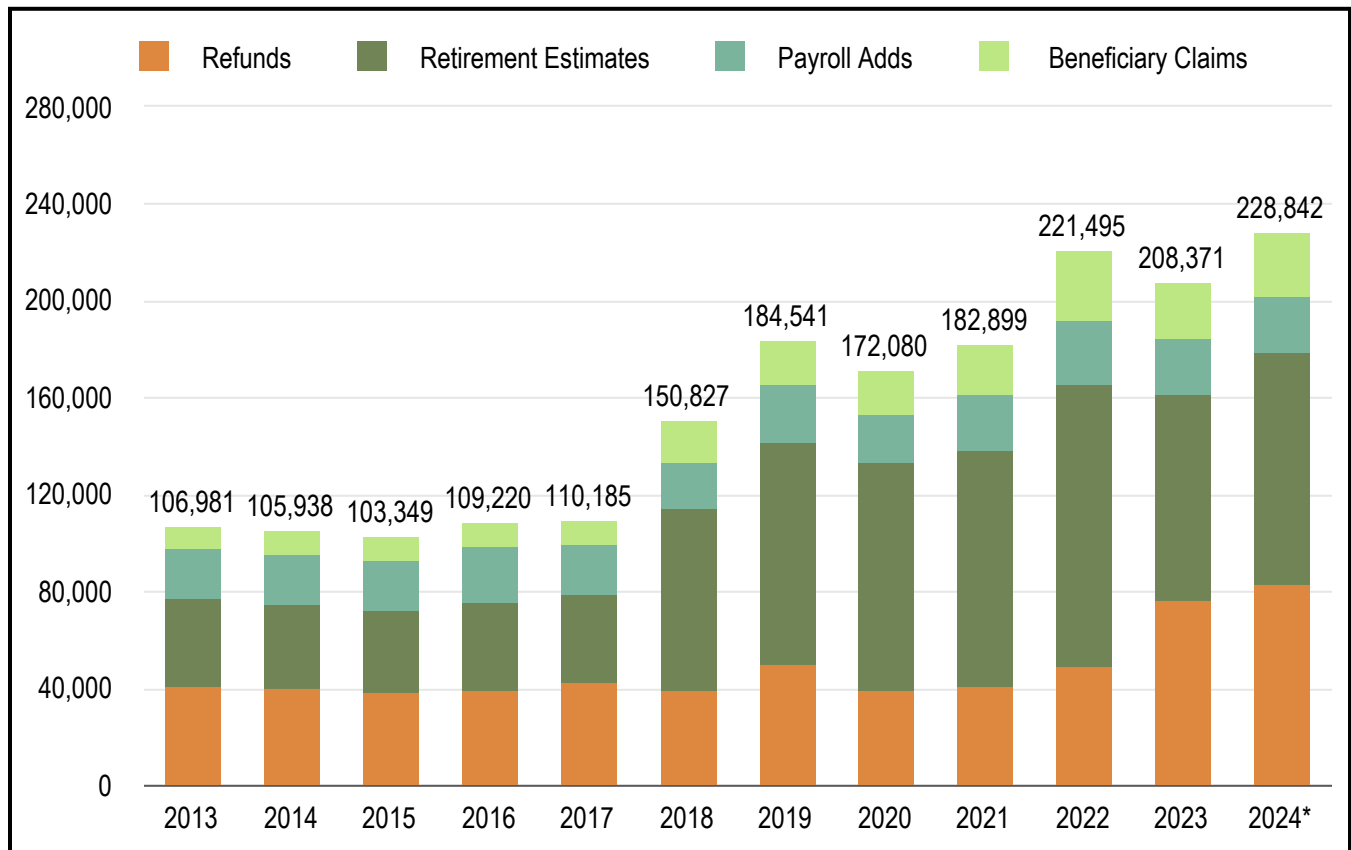
*Projected based on historical trending

This chart shows the office counseling visit volume over time. The office visit volume is dependent upon membership growth as well as the number of members choosing to retire in a given year. In future years, as web-based, self-service features are added to the TRS website, office visit volume may plateau and potentially decline as younger generations of members increasingly interact with web-based tools.

During the pandemic office counseling visits experienced a decrease in demand during FY 2020 through FY 2022. TRS is now fully open and accepting in-person appointments. In FY 2023 the El Paso Regional Office opened and began offering appointments which contributed to the increase in office visits.

TRS expects an increase in the number of office visits as the number of retirement-age active members increases.

BENEFIT PROCESSING ACTIVITY



*Projected based on historical trending

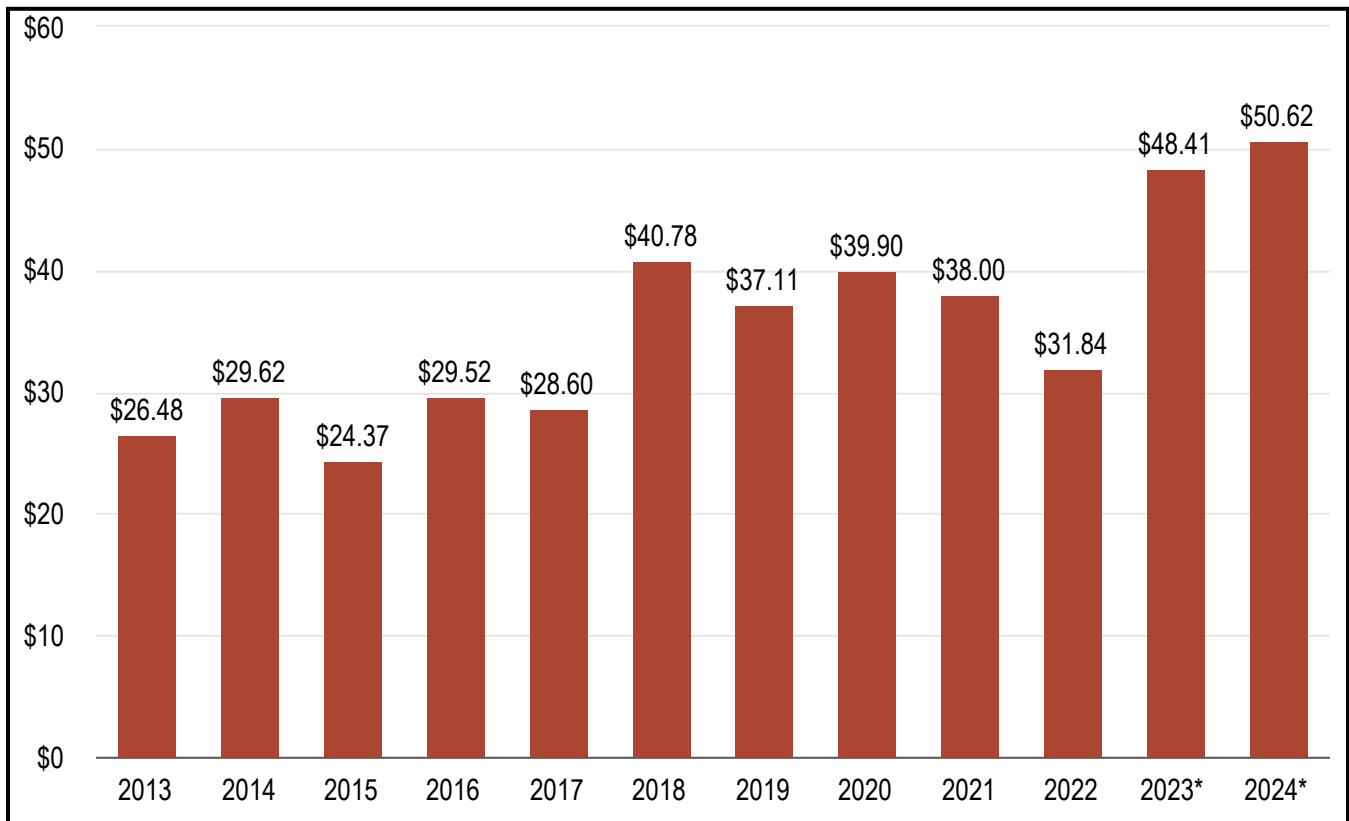
Overall 8% Growth

Refunds – 8% | Retirements – 13% | Payroll Adds - 2% | Beneficiary Claims – 12%

This chart shows the pension benefit processing volume over time for the main beneficiary activities. The processing volume is dependent upon membership growth as well as the number of members choosing to retire in a given year. In future years, as web-based, self-service features are added to the TRS website, processing volume may decrease.

For the near future, TRS expects an increase in volume as the number of retirement-age active members increase. This may be a trend for the next five-to-seven years or longer before the volume plateaus and potentially declines as younger generations of members increasingly interact with web-based tools.

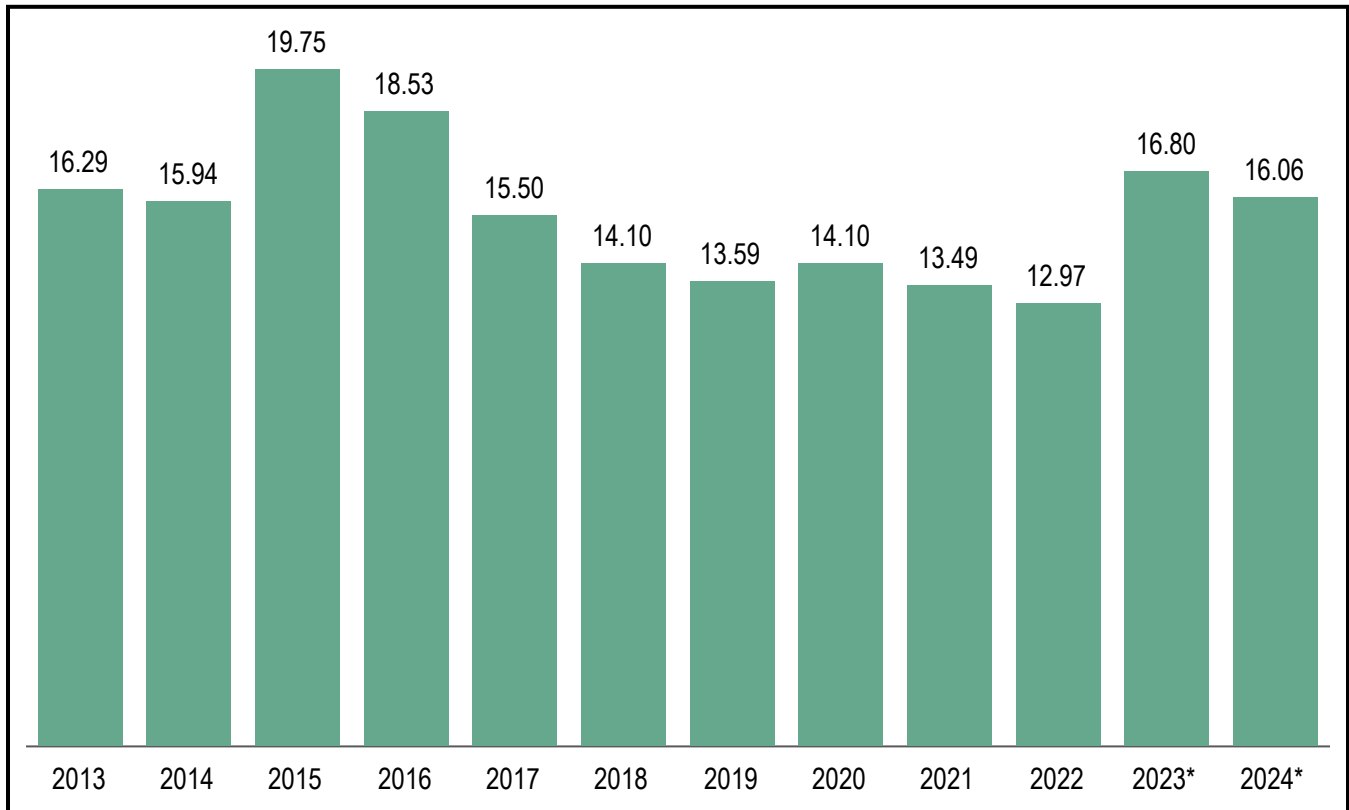
BENEFIT COST PER MEMBER



*Projected based on estimated growth trends

The benefit cost per member is defined by the total benefit cost divided by the number of members. The cost per member number is exclusive of investment costs and includes all administrative expenses related to running the pension plan. Costs related to running the health care programs are excluded as well. The expectation going forward is that costs will continue to increase due to inflationary pressure on normal operating costs as well as inflationary pressure in the local job market. TRS anticipates that its talent pool may fluctuate with the Austin economy.

INVESTMENT EXPENSES AS BASIS POINTS OF NET ASSETS

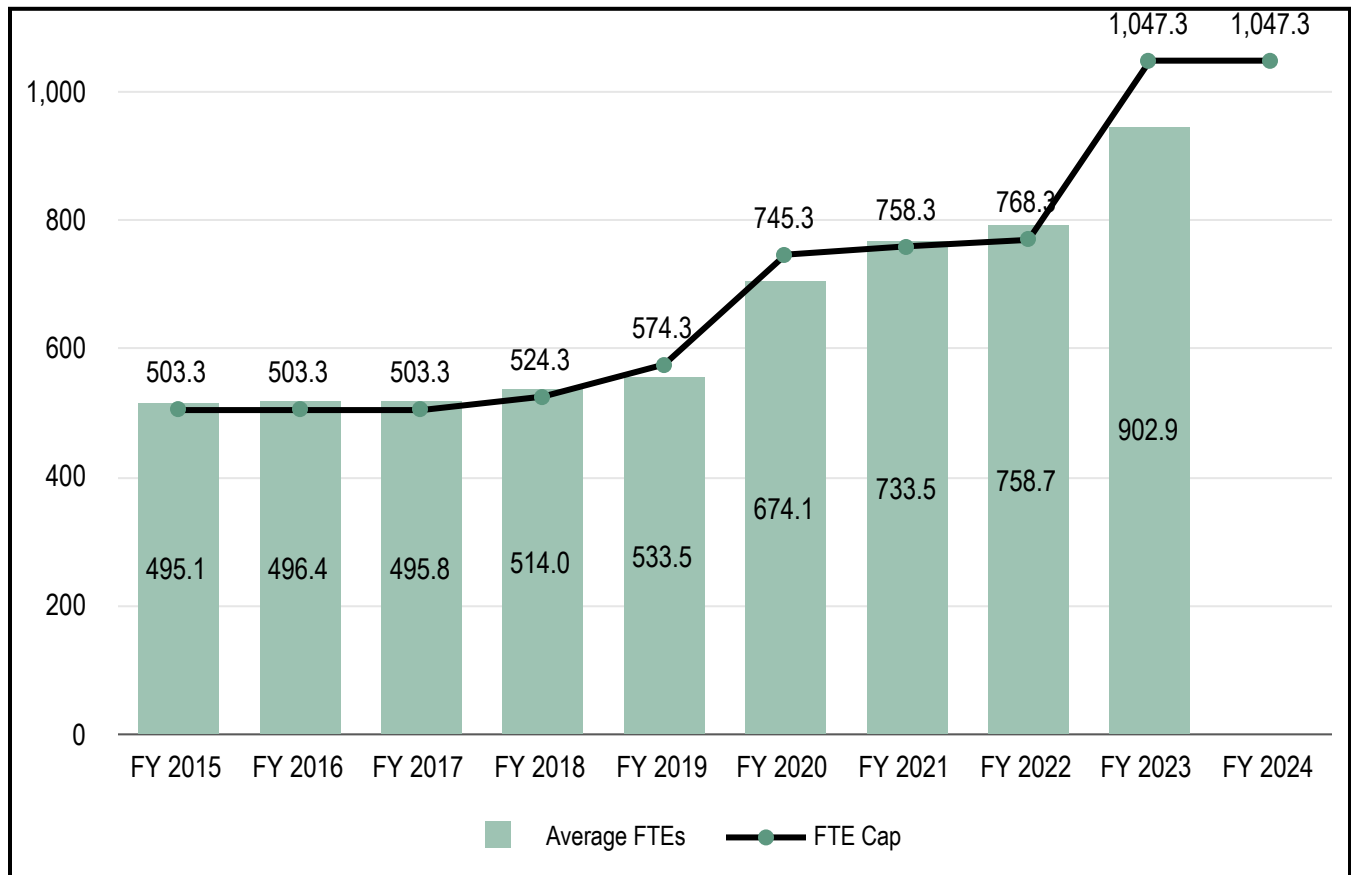


*Projected based on historical trending

This investment expense table measures how much TRS spends to generate investment gains. This measure is defined in terms of basis points relative to the net pension assets. A basis point is one-hundredth of a percentage point.

This data is used to measure the performance of the investment management function. Measuring performance in terms of basis points is a standard investment industry metric. TRS costs have increased over time as investment returns are increasingly harder to come by due to current economic and stock market conditions. Investment Management has increased staffing to more effectively position the pension fund for growth and to mitigate risk.

FULL-TIME EQUIVALENT (FTE) EMPLOYEES

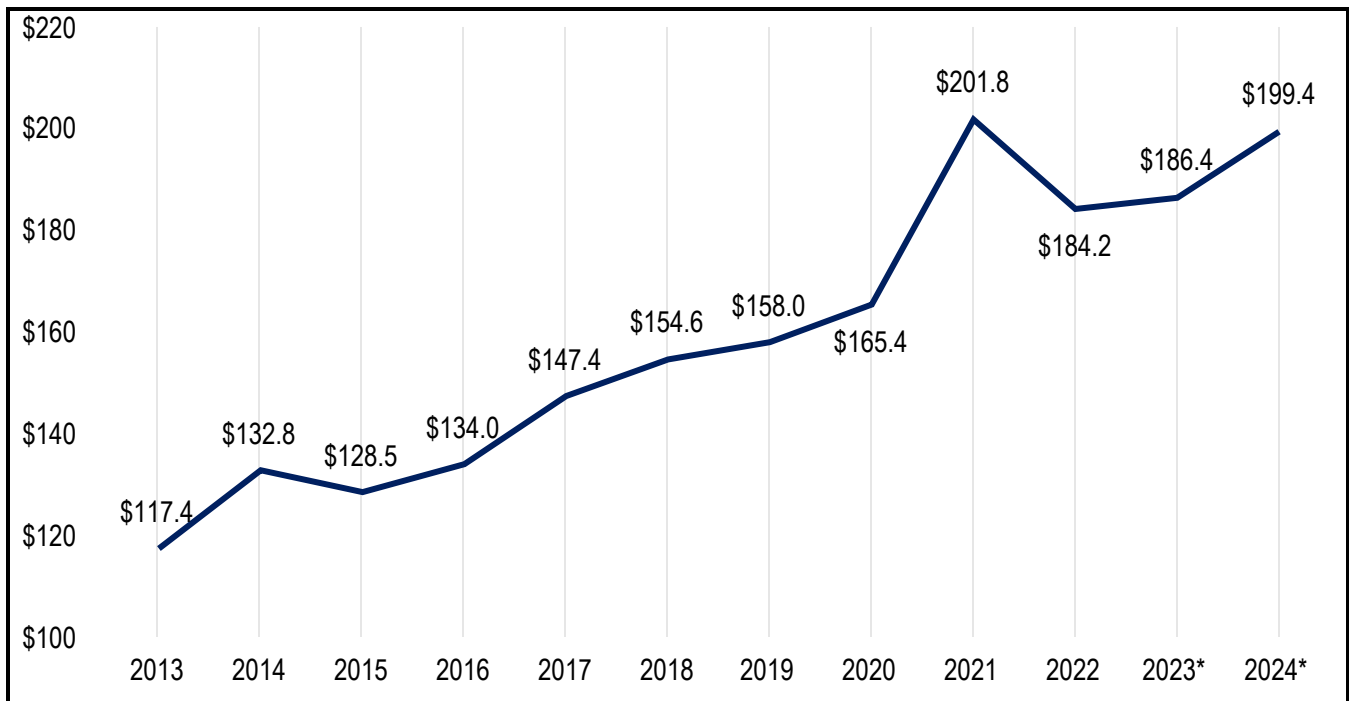


TRS participates in the biennial legislative appropriations process in requesting funds for administrative operations. In the General Appropriations Act (GAA), the legislature establishes state employment levels for FTEs. The agency reports quarterly to the State Auditor's Office (SAO) the actual FTEs. Through legislative intent, TRS is exempt from including health care and intern FTEs in the calculation relative to the authorized FTE cap.

The chart above displays the average number of FTEs by fiscal year measured against the FTE cap. In FY 2023 pursuant to Rider 20 Exception to FTE Limitation for Board Fiduciary Finding of the TRS bill pattern in the GAA, the Board found that additional resources are required to address the customer service needs of our growing membership, continue to enhance competitive advantages for a nearly \$200 billion institutional investor, and improve operational efficiencies for the current biennium.

PENSION TRUST FUND BALANCE

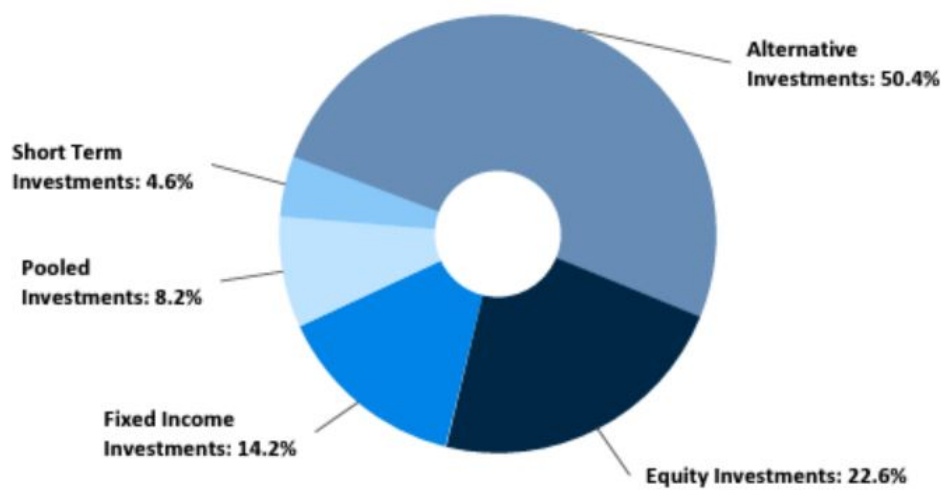
(In Billions)



*Projected based on a rate of return of 1.2% for FY 2023 and 7% for FY 2024.

The annual rate of return on investments for the pension fund for the year ended Aug. 31st, 2022 was (6.72)%.

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



*Source: 2022 Annual Comprehensive Financial Report

APPENDIX B:

GLOSSARY

Accrual basis – Under the accrual basis, revenues are recognized when they become available and measurable. Expenditures are recognized when the liability is incurred regardless of related cash flows.

Annual Operating Budget – A detailed, one-year financial plan supporting the agency's business operations. The one-year period is from Sept. 1 through Aug. 31. The agency's operating budget communicates resource needs and allocates those resources to the appropriate functional parties charged with executing the strategic vision of the agency.

Appropriated – Refers to the dollars or associated full-time equivalent positions authorized for specific fiscal years and to the provisions for spending authority.

Appropriation Year (AY) – Refers to the specific fiscal year for which an appropriation is made. The appropriation year dictates the year to which the expenditure is authorized/charged.

Audit – An unbiased examination and evaluation of an organization's financial statements to ensure that these records are a fair, accurate, and transparent representation of the transactions that these records claim to present.

Balanced Budget – A balanced budget is one in which the total revenues equal total estimated expenditures.

Base Request – The base request represents the basis for the agency's biennial budget. The base request cannot exceed the appropriated amount established by the legislature through the prior biennial GAA, adjusted for Article IX appropriation reductions.

Biennium – Two-year funding cycle for legislative appropriations.

Board of Trustee (BOT) – The trustee of all plan assets, is responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board.

Budgeted – Refers to the planned level of expenditures, performance, or number of full-time equivalent positions for a particular fiscal year.

Capital Budget – The portion of an agency's appropriation that is restricted to expenditures for designated capital construction projects or capital acquisitions.

Centralized Accounting and Payroll/Personnel System (CAPPS) – The state of Texas' Enterprise Resource Planning (ERP) solution.

Commission Credits – Include soft dollars, commission sharing agreements, and cash recapture agreements (together known as “Commission Credits”). “Soft dollars” refer to the use of a credited portion of brokerage commissions incurred for securities or futures trade execution to obtain goods, services, or research through a securities or futures broker or futures commission merchant (each, a “broker”), commission recapture arrangements (“CRAs”) refer to an institutional brokerage discount resulting from a negotiated rebate of commissions; and “commission sharing arrangements” (“CSAs”) are a category of soft dollars that refers to the use of a cash account administered by a TRS custodian or broker which is funded from a portion of its brokerage commissions so that such custodian or broker may obtain, at TRS’ instruction, investment research services from such broker or custodian, an executing broker or other third parties.

Coronavirus disease (COVID-19) – An infectious disease caused by the SARS-CoV-2 virus.

Coronavirus Relief Funds (CRF) – The CARES Act provides payments to State, Local, and Tribal governments navigating the impact of the COVID-19 outbreak.

Coronavirus State Fiscal Recovery Fund – A Program, part of the American Rescue Plan, delivers \$350 billion to state, local, and Tribal governments across the country to support their response to and recovery from the COVID-19 public health emergency.

Cost-of-Living Adjustment (COLA) – A change in income or benefits that correspond with the current cost of living

Customer Service Improvement Initiative (CSII) – A comprehensive approach to addressing customer service levels that involves multiple business units from across TRS including Information Technology, Finance, Legal & Compliance, and Organizational Excellence in addition to Benefit Services. The CSII includes policy and procedure changes, process improvements, system enhancements, and enhanced staffing as key areas of opportunity.

eLearning – a structured learning experience, which allows employees or members to learn new content or refresh their knowledge of existing content at their own pace and in their own time. This allows for personalized performance support without the resources of traditional training.

Expended – Refers to the actual dollars or positions used by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

Fiduciary Fund – contains resources held by a government, but belonging to individuals or entities other than the government. A prime example is a trust fund for a public employee pension plan.

Fiscal Year (FY) – Sept. 1 through Aug. 31 and specified by the calendar year in which the fiscal year end, e.g. FY 2024 runs from Sept. 1, 2023 through Aug. 31, 2024.

Full-Time Equivalents (FTEs) – Units of measure that represent the monthly average number of state personnel working 40 hours per week.

Fund Balance – The difference between assets and liabilities in a governmental fund. TRS follows the guidelines as outlined in GASB 54.

General Appropriations Act (GAA) – The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

Generally Accepted Accounting Principles (GAAP) – A broad collection of rules, standards, and concepts for financial reporting and accounting standards adopted by the U.S. Securities and Exchange Commission (SEC).

Government Finance Officers Association (GFOA) – An association founded in 1906 that represents public finance officials throughout the United States and Canada with more than 20,000 members working in federal, state/provincial, and local governmental operations. GFOA's mission is to advance excellence in public finance.

Governmental Accounting Standards Board (GASB) – An independent, private-sector organization that establishes the accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Standards (GAAP).

Health Insurance Line of Business (HILOB) – Originally part of the TEAM program to create and maintain software intended to support the administration of TRS-Care. HILOB is now operational and has transitioned into the maintenance and enhancement phase.

Historically Underutilized Business (HUB) – A corporation, sole proprietorship, partnership or a joint venture formed for the purpose of making a profit in which at least 51 percent ownership of the business is by a woman, minority and/or service-disabled veteran.

Investment Data Modernization Program (IDM) – A 5-year project approved by the Board to modernize TRS' investment data platform and systems to improve trust asset monitoring and fiduciary oversight.

Investment Return Assumption – Represents expected return after payment of investment expenses and is one of the principal assumptions used in an actuarial valuation of a retirement plan.

Key Performance Indicators (KPI) – A quantifiable measurement used to evaluate the success of an organization or of a particular activity in which it engages.

Key Performance Measure – A measure that indicates the extent to which an agency is achieving its goals or objectives and that is identified in the GAA, along with targeted performance objectives for each year of the biennium. These can be outcome, output, efficiency, or input/explanatory measures.

Lapsed Funds – The unobligated balance in an item of appropriation that has not been encumbered at the end of a fiscal year or at the end of the biennium. Appropriations expire if they are not (1) obligated by Aug. 31 of the appropriation year in which they were made, or (2) expended within two years following the last day of the annual year.

Legislative Appropriations Request (LAR) – A formal request for funding made by each state agency and institution. This request is in accordance with instructions developed by the Legislative Budget Board and Office of the Governor, Budget and Policy Division. The agency request is prepared according to the approved strategic planning and budget structure for that agency.

Legislative Budget Board (LBB) – A legislative agency consisting of the Lieutenant Governor, Speaker of the House, and eight members of the legislature who initiate state budget policy and who have specific charges to direct the expenditure and appropriation of state funds.

Line of Business (LOB) – A set of related products that serve a particular customer transaction or business need.

Major Fund – A fund whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Measure – An indicator of agency effort and accomplishments. Measures indicate agency accomplishments already achieved, planned, or required by legislative directive.

Method of Finance – This term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the GAA. A source is either a “fund” or “account” established by the comptroller, or a category of revenues or receipts (e.g. federal funds).

MyTRS – An online resource available to eligible TRS members and annuitants. MyTRS offers a number of enhancements and self-service options to assist with planning for retirement or keeping track of your respective personal account.

Office of the Governor (OOG) – Governmental appointment consisting of state officials and members of state boards, commissions, and councils that carry out the laws and direct the policies of state government activities.

Pension Trust Fund (960) – TRS administers retirement and related benefits to employees and beneficiaries of employees of the public, state-supported, educational institutions of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The Pension Trust Fund is a defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

Position Control – A process to monitor headcount by carefully reviewing all proposals to temporarily or permanently fill an FTE, track hiring, monitor costs to ensure TRS operates efficiently, and to ensure our resources align to achieve excellence in the delivery of services to members.

Programs – The FY 2024 Operating Budget request covers funding for each division. Amounts identified in the approved budget estimates reflect the most appropriate strategy for core activities and continuing programs.

Proprietary Fund – Proprietary funds are employed to report on activities financed primarily by revenues generated by the activities themselves, such as a municipal utility.

Retirement Application and Death Claim Processing (RAP/DTH) – A project under the TEAM program to streamline and expedite the processing of retirement applications and death claims.

Sunset Commission – A 12-member legislative commission tasked with identifying and eliminating waste, duplication and inefficiency for more than 130 Texas state agencies.

TRS-ActiveCare Fund (855) – Provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance, which are provided to active members and retirees, are also accounted for in the fund. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on Sept. 1, 2002.

TRS-Care Fund (989) – An employee benefit trust fund that provides health care coverage for certain persons (and their dependents) who retire under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575 and Texas Administrative Code, Title 34, Part 3, Chapter 41. The inception of the plan was in fiscal year 1986.

TRS Enterprise Application Modernization (TEAM) – A multiyear initiative that seeks to modernize TRS technologies and business processes, giving the agency greater flexibility in providing services to TRS members and reducing the risks associated with obsolete technology.

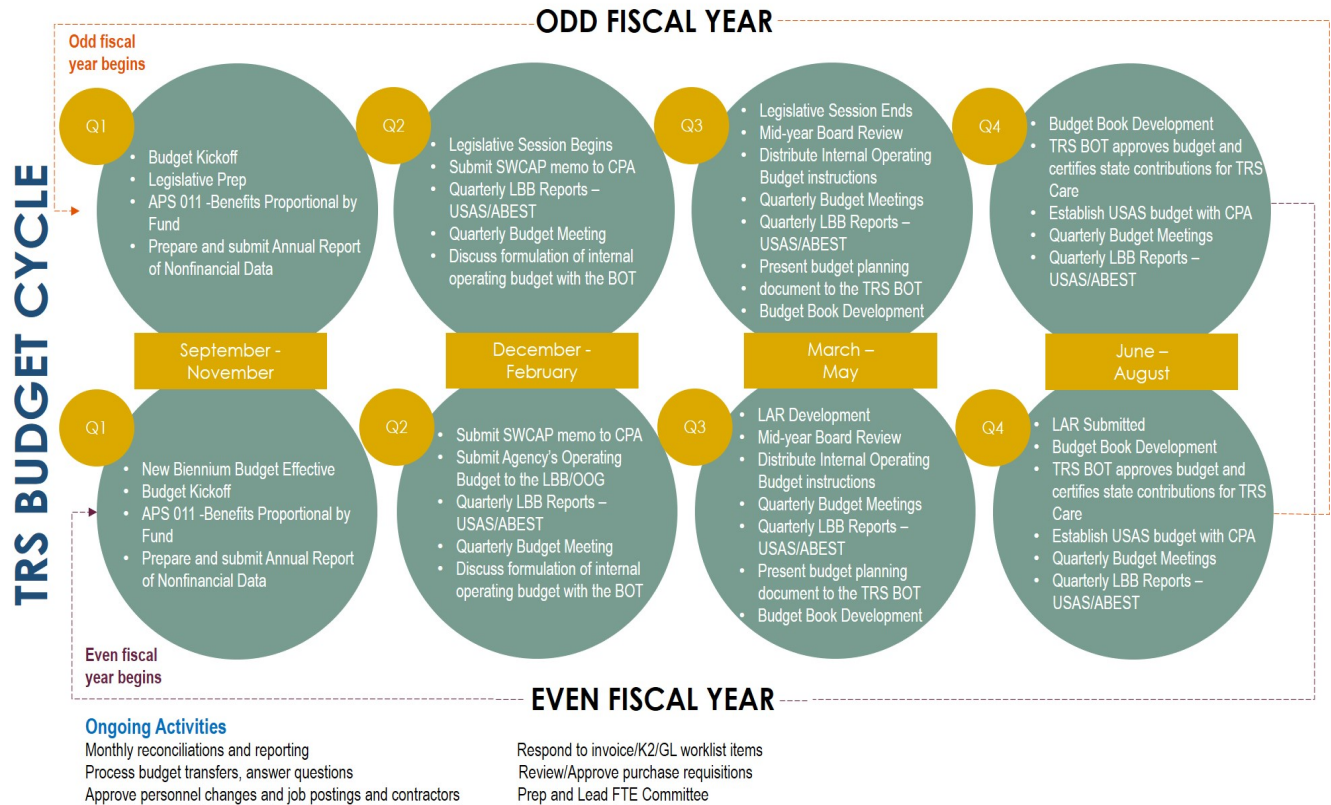
Unexpended Balance (UB) or Carry-Forward – The unobligated amount left in an item of appropriation at the end of an appropriation period. The term also refers to the amount of an appropriation, a fund, or a category of revenue which is brought forward (appropriated) to the subsequent fiscal year. Agencies must have legislative authority to move funds from one year to the next and/or from one biennium to the next biennium.

Unfunded Actuarial Accrued Liability (UAAL) – The UAAL represents the difference between the retirement system's assets and the benefits owed to current and future retirees.

User acceptance testing (UAT) – The last phase of the software testing process that verifies whether a product or software is fit for the purpose it was built for.

APPENDIX C:

Teacher Retirement System of Texas Budget Cycle



APPENDIX D:

GENERAL APPROPRIATIONS ACT FY 2024-25 TEACHER RETIREMENT SYSTEM

	For the Years Ending	
	August 31, 2024	August 31, 2025
Method of Financing:		
General Revenue Fund	\$3,803,278,494	\$3,448,459,510
GR Dedicated – Estimated Other Educational and General Income Account No. 770	\$36,196,028	\$37,535,281
Teacher Retirement System Trust Account Fund No. 960	\$242,834,404	\$237,257,639
Total, Method of Financing	\$4,082,308,926	\$3,723,252,430
This bill pattern represents an estimated 2.8% of this agency's estimated total available funds for the biennium.		
Number of Full-Time-Equivalents (FTE):	1,047.3	1,047.3
Schedule of Exempt Positions:		
Executive Director	\$400,000	\$400,000
Chief Investment Officer	551,250	551,250
Deputy Chief Investment Officer	410,000	410,000
Items of Appropriation:		
A. Goal: TEACHER RETIREMENT SYSTEM To Administer the System as an Employee Benefit Trust.		
A.1.1. Strategy: TRS - PUBLIC EDUCATION RETIREMENT Retirement Contributions for Public Education Employees. Estimated	\$2,460,565,824	\$2,668,969,876
A.1.2. Strategy: TRS - HIGHER EDUCATION RETIREMENT Retirement Contributions for Higher Education Employees. Estimated.	323,115,862	338,241,098
A.1.3. Strategy: ADMINISTRATIVE OPERATIONS	230,582,400	219,096,500
A.2.1. Strategy: RETIREE HEALTH – STATUTORY FUNDS Healthcare for Public Ed Retirees Funded by Statute. Estimated.	474,190,449	486,045,210
A.3.1 Strategy: ACTIVE EMPLOYEE HEALTHCARE Healthcare for Public Ed Active Employees.	588,518,000	0
Total, Goal A: TEACHER RETIREMENT SYSTEM	\$4,076,972,535	\$3,712,352,684
B. Goal: SALARY ADJUSTMENTS		
B.1.1 Strategy: SALARY ADJUSTMENTS	\$5,336,391	\$10,899,746
Grand Total, TEACHER RETIREMENT SYSTEM	\$4,082,308,926	\$3,723,252,430
Object-of-Expense Informational Listing:		
Salaries and Wages	\$132,868,391	\$153,036,746
Other Personnel Costs	3,849,174,135	3,496,204,184
Professional Fees and Services	50,919,000	34,769,000
Fuels and Lubricants	4,000	4,000
Consumable Supplies	676,000	677,000
Utilities	2,488,000	2,488,000
Travel	2,964,000	3,094,000
Rent - Building	165,100	164,300
Rent - Machine and Other	795,000	795,000
Other Operating Expense	35,865,300	32,020,200
Capital Expenditures	6,390,000	0
Total, Object-of-Expense Informational Listing	\$4,082,308,926	\$3,723,252,430

TEACHER RETIREMENT SYSTEM
(Continued)

**Estimated Allocations for Employee Benefits and Debt Service
Appropriations Made Elsewhere in this Act:**

Employee Benefits

Group Insurance	\$ 10,901,627	\$ 11,389,147
Social Security	8,576,188	9,058,434
Benefits Replacement	<u>14,880</u>	<u>11,890</u>
Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act	<u>\$ 19,492,695</u>	<u>\$ 20,459,471</u>

1. **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.

A. Goal: TEACHER RETIREMENT SYSTEM	<u>2024</u>	<u>2025</u>
Outcome (Results/Impact):		
TRs Retirement Fund Annual Operating Expense Per Member in Dollars (Excluding Investment Expenses)	60.64	60.83
TRs Retirement Fund Investment Expense as Basis Points of Net Assets	13.14	12.32
Service Level Percentage of Calls Answered in Specified Time Interval	80%	80%
A.1.3. Strategy: ADMINISTRATIVE OPERATIONS Output (Volume):		
Number of TRs Benefit Applications Processed	100,000	100,000

2. **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.

	<u>2024</u>	<u>2025</u>
a. Repair or Rehabilitation of Buildings and Facilities		
(1) Building Renovations	\$ 3,000,000	\$ UB
(2) Security Renovations	<u>200,000</u>	<u>UB</u>
Total, Repair or Rehabilitation of Buildings and Facilities	\$ 3,200,000	\$ UB
b. Acquisition of Information Resource Technologies		
(1) IT Infrastructure Upgrades	\$ 7,300,000	\$ UB
(2) Investment Data Modernization	<u>25,773,000</u>	<u>UB</u>
Total, Acquisition of Information Resource Technologies	\$ 33,073,000	\$ UB
c. Data Center/Shared Technology Services		
(1) Data Center Services	\$ 1,110,805	\$ 953,101
Total, Capital Budget	<u>\$ 37,383,805</u>	<u>\$ 953,101</u>
Method of Financing (Capital Budget):		
Teacher Retirement System Trust Account Fund No. 960	\$ 37,383,805	\$ 953,101
Total, Method of Financing	<u>\$ 37,383,805</u>	<u>\$ 953,101</u>

TEACHER RETIREMENT SYSTEM
(Continued)

3. **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.
4. **State Contribution to Teacher Retirement Program.** The amounts specified above in Strategy A.1.1, TRS-Public Education Retirement, \$2,460,565,824 in fiscal year 2024 and \$2,668,969,876 in fiscal year 2025, and A.1.2, TRS- Higher Education Retirement, \$323,115,862 in fiscal year 2024 and \$338,241,098 in fiscal year 2025 are based on a state contribution of 8.25 percent of payroll in year 2024 and 8.25 percent in year 2025 of the biennium, estimated.
5. **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 in fiscal year 2024 and \$486,045,210 in fiscal year 2025 are based on a state contribution of 1.25 percent of payroll for each fiscal year, estimated.

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.

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 biennium without providing 60 days notice to the Legislative Budget Board.

6. **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.
7. **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.
8. **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.
9. **Annual School District Contribution Rate to TRS-Care.** The annual contribution rate for school districts for fiscal years 2024 and 2025 shall be 0.75 percent of total payroll.
10. **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 colleg 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.
11. **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 and 8.25 percent in fiscal year 2025 of the total covered payroll for Public Community and Junior Colleges, in accordance with Government Code Section 825.4071.
12. **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.

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.

TEACHER RETIREMENT SYSTEM
(Continued)

13. **Settle-Up Dollars Directed to TRS-Care.** Any settle-up payments made in the fiscal year ending August 31, 2025, 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 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.

14. **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 to fiscal year 2024 and such funds are appropriated for fiscal year 2024. Such transfers may only be made subject to the following:
 - a. Transfers under this section may be requested only upon a finding by the TRS Board of Trustees that the fiscal year 2024 costs associated with providing retiree health benefits will exceed the funds appropriated for these services for fiscal year 2024.
 - 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.

15. **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.
 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.

16. **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.

17. **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.

18. **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 579.052, 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.

TEACHER RETIREMENT SYSTEM
(Continued)

19. Exception to FTE Limitation for Board Fiduciary Finding.

- (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 Section 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:
 - (1) A statement of the justifications and objectives for the additional funding and staff;
 - (2) The current operating budget, as approved by the Board, for each fiscal year of the 2024-25 biennium that is amended by the Fiduciary Finding described in subsection (a);
 - (3) Performance metrics proposed by TRS to evaluate the impact of additional staff on the Board's objectives in approving the additional staff; and
 - (4) Any additional information requested by the LBB or the Governor regarding the Fiduciary Finding described in subsection (a).
- (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:
 - (1) The actual number of additional FTEs and contract workers hired during the preceding fiscal year pursuant to subsection (a);
 - (2) The actual total expenditures for the preceding fiscal year related to additional FTEs and contract workers described in subsection (c) (1); and
 - (3) A report on the agency's actual performance on metrics described in subsection (b)(3) for the preceding fiscal year.

20. Analysis of High-Cost Hospital Claims.

- (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.

21. Contingent Appropriation for Teacher Retirement System (TRS) 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 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.

22. 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 and fiscal year 2024 for healthcare related claims and litigation. This provision does not apply to settlements sought by TRS for subrogation cases or other case 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.

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At Your Service

The employees of TRS are
proud to dedicate their time
and hard work to provide
members with the services
they've earned serving Texas.

Our Mission

IMPROVING the retirement security
of our members by prudently investing
and managing the trust assets and
delivering benefits that make a **POSITIVE**
DIFFERENCE in their lives.



Teacher Retirement System of Texas

1000 Red River Street Austin, Texas 78701-2698 • 1-800-223-8778

www.trs.texas.gov