



TEACHER
RETIREMENT
SYSTEM of
TEXAS

ROOTED IN TEXAS

2021 POPULAR ANNUAL FINANCIAL REPORT



TEACHER RETIREMENT SYSTEM OF TEXAS

TRSHAS BEEN SERVING THE NEEDS OF TEXAS PUBLIC EDUCATION EMPLOYEES FOR MORE THAN 80 YEARS. IN NOVEMBER 1936, VOTERS APPROVED AN AMENDMENT TO THE CONSTITUTION OF TEXAS CREATING A STATEWIDE TEACHER RETIREMENT SYSTEM. WITH THE PASSAGE OF ENABLING LEGISLATION IN 1937, TRS WAS OFFICIALLY FORMED.

TODAY, TRS IS THE LARGEST PUBLIC RETIREMENT SYSTEM IN TEXAS, IN BOTH MEMBERSHIP AND ASSETS. THE SYSTEM IS RESPONSIBLE FOR INVESTING FUNDS UNDER ITS STEWARDSHIP AND FOR DELIVERING BENEFITS TO MEMBERS AS AUTHORIZED BY THE TEXAS LEGISLATURE. THE TRUST FUND IS SUSTAINED BY FOUR SOURCES – CONTRIBUTIONS BY MEMBERS, EMPLOYERS, THE STATE AND INVESTMENT REVENUES.

A Component Unit of the State of Texas
Fiscal Year Ended August 31, 2021

TEACHER RETIREMENT SYSTEM of 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



ROOTED IN TEXAS

EVERY GENERATION HAS BEEN FACED WITH CHALLENGES. AS TRS PREPARES FOR THE FUTURE, WE'RE MORE THAN READY TO TAKE ON THE TESTS AHEAD. WITH AN INFORMED AND INVOLVED MEMBERSHIP AND THE SUPPORT OF TRULY DEDICATED TRUSTEES AND STAFF, TRS IS WELL POISED FOR TODAY AND TOMORROW.

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Brian K. Guthrie
Executive Director

For fiscal year 2021, TRS made pension benefit payments totaling \$11.7 billion to 458,133 retirees and their beneficiaries.

It is my pleasure to present the Teacher Retirement System of Texas' (TRS) Popular Annual Financial Report (PAFR) for fiscal year 2021, the System's 83rd year of operation. The PAFR summarizes our Annual Comprehensive Financial Report (ACFR), providing financial highlights of the past year for those wishing to learn more about TRS developments. The 2021 ACFR can be viewed in the Publications Section of the TRS website: trs.texas.gov.

Pension Trust Fund

During the past fiscal year, the System experienced growth as membership increased by 195,211, largely attributed to an increase in members with inactive accounts, ending the 2021 fiscal year with 1,877,919 participants. The Pension Trust Fund saw positive returns in the past year, ending the 2021 fiscal year with a net position of \$201.8 billion compared to \$165.4 billion at the close of the 2020 fiscal year. TRS investment earnings, combined with contribution increases and benefit changes approved by the 86th Texas Legislature, are continuing to enable TRS to provide secure benefits for current and future retirees.

For fiscal year 2021, TRS made pension benefit payments totaling \$11.7 billion to 458,133 retirees and their beneficiaries. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions.

Retiree Health Benefits Program

TRS administers TRS-Care, a health benefits program for eligible retired public education employees and their eligible dependents that was established in 1985. The 85th Legislature, in regular and special sessions, passed legislation that restructured TRS-Care and provided additional funding to address the solvency and affordability of TRS-Care. The 86th Texas Legislature also appropriated \$5.5 million to keep TRS-Care premiums consistent through fiscal year 2022.

Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2002, is a self-funded health benefits program that offers plan options that range from catastrophic coverage with reduced premiums to a comprehensive plan at higher premiums. TRS-ActiveCare covers active employees currently employed by public education employers that participate in the program, along with the employees' eligible dependents.

Investments

For the twelve-month period ending August 31, 2021, the total portfolio delivered investment returns of 24.98 percent, which is 4.03 percent above the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$201.2 billion, or \$36.6 billion more than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 12.11 percent, which is 0.64 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2021, were 11.43 percent and 9.69 percent, respectively, exceeding the Board's adopted long-term assumed rate of return of 7.25 percent.

Thank You

We are pleased to report on operational results for the year and to acknowledge the substantial support of state leadership, trustees, members, interested associations, and TRS staff.



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



John Elliott
Partner
Elliott Stratmann, PLLC
Austin
Direct appointment of the governor
Term expires 2021



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



Christopher Moss
President
Allendale, Inc.
DBA The Advanced Financial Group
Lufkin
Position nominated by the State Board
of Education
Term expires 2021



Michael Ball
Chief Financial Officer
Fort Worth ISD
Argyle
Active public education position
Term expires 2025



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



David Corpus
Bank Office President
Allegiance Bank
Humble
Position nominated by the State Board
of Education
Term expires 2025



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 Active Public Education Board position is currently vacant.



Government Finance Officers Association

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Popular Annual
Financial Reporting**

Presented to the

Teacher Retirement System of Texas

For its Annual Financial Report
for the Fiscal Year Ended
2020

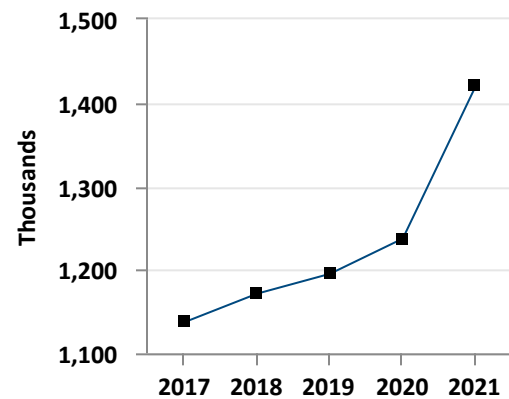
Christopher P. Morill

Executive Director/CEO

Membership of the Teacher Retirement System of Texas includes employees and retirees of state-supported educational institutions in Texas. The following tables represent TRS Pension Trust Fund participating employer and membership information for fiscal year 2021.

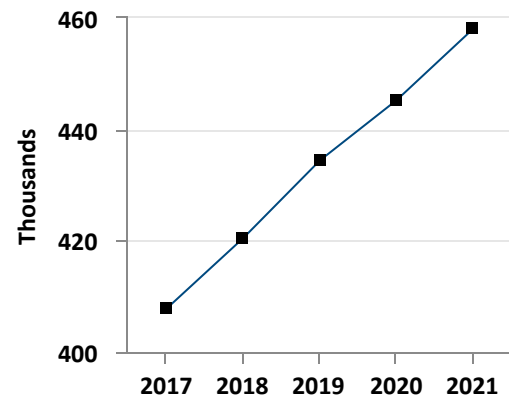
Number of Participating Employers	
Participating Employers	2021
Public School Districts	1,021
Charter Schools	192
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	3
State Agencies	1
Total Participating Employers	1,344

**Current Membership by Year
Pension Trust Fund**



Membership Numbers by Category		
Member Categories	As of August 31,	
	2021	2020
Current Members		
Active Contributing	918,545	914,752
Inactive Non-vested	384,340	209,956
Inactive Vested	116,901	112,726
Total Current Members	1,419,786	1,237,434
Retirement Recipients		
Service	427,995	415,696
Disability	11,892	11,926
Survivor	18,246	17,652
Total Retirement Recipients	458,133	445,274
Total Membership	1,877,919	1,682,708

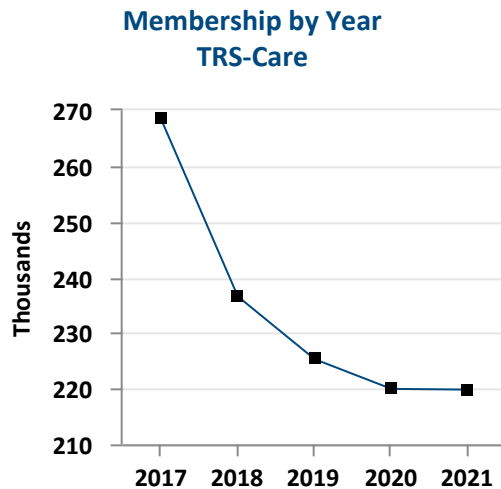
**Retirement Recipients by Year
Pension Trust Fund**



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

Membership of TRS-Care is eligible to TRS public school retirees. There were 1,235 participating employers during fiscal year 2021.

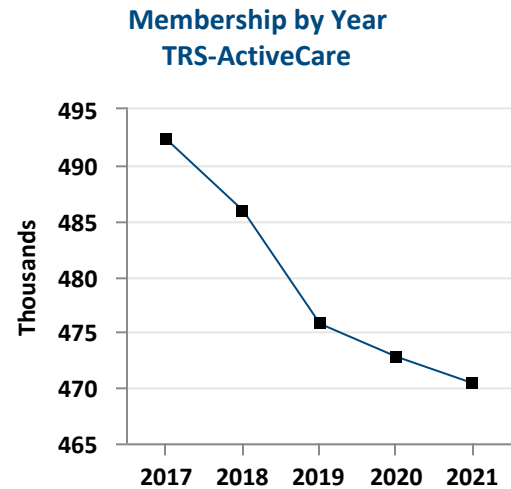
Membership Numbers by Category		
Member Categories	As of August 31,	
	2021	2020
Retirees	179,594	178,771
Surviving Spouses	6,005	6,047
Surviving Children	112	116
Dependent Spouses and Children	34,120	35,028
Total Membership	219,831	219,962



Texas Public School Employees Group Insurance Program (TRS-ActiveCare)

Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers, and other educational districts. There were 1,092 participating employers during fiscal year 2021.

Membership Numbers by Category		
Member Categories	As of August 31,	
	2021	2020
Employees	302,627	307,264
Dependents	167,752	165,507
Total Membership	470,379	472,771



Pension Trust Fund Overview

The Teacher Retirement System of Texas (TRS or System) is a separate legal entity and considered a discrete component unit of the State of Texas. The System is governed by a nine member board of trustees which has significant independence in the operation and management of the System under the provisions of the state constitution and laws.

TRS administers retirement and related benefits to employees and beneficiaries of employees of 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 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.

Funding Status

As of August 31, 2021, the System had a funded ratio of 79.1 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$47.6 billion. The UAAL decreased \$3.0 billion during the year largely due to favorable investment performance during this fiscal year. This is significant as it is the first year over year decrease in the UAAL since fiscal year 2008.

The 86th Legislature increased contribution rates for the State, employers, and members in a phase-in approach that concludes in fiscal year 2025. The State's base rate of 7.50 percent in fiscal year 2021 will increase to 8.00 percent in fiscal year 2023 and phase-in to 8.25 percent by fiscal year 2025. In addition, all public education employers will pay a supplemental contribution rate of 1.60 percent for fiscal year 2021 and will increase to 2.00 percent by fiscal year 2025. At the end of the phase-in period, these supplemental contributions will equal approximately 1.25 percent of total payroll. Combined, with additional contributions from retirees, these contributions are ultimately assumed to approximate 9.55 percent of total payroll. The member contribution rate will increase from the current 7.70 percent to 8.00 percent in fiscal year 2022 and ultimately 8.25 percent in fiscal year 2025.

If payroll grows as expected (3.0 percent per year), the contributions provided by the increased contribution rate pattern are sufficient to amortize the current UAAL of the System over a period of 23 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the System are expected to be met, assuming all assumptions are realized.

Statement of Fiduciary Net Position
Pension Trust Fund
As of August 31
(Dollars in Thousands)

Assets	2021	2020	Percentage Change
Cash and Receivables	\$ 4,420,746	\$ 3,532,268	25.2 %
Investments	210,460,436	173,602,714	21.2
Invested Securities Lending Collateral	8,239,393	7,167,588	15.0
Capital Assets	52,180	59,301	(12.0)
Total Assets	\$ 223,172,755	\$ 184,361,871	21.1 %
Total Deferred Outflow of Resources	\$ 45,752	\$ 42,079	8.7 %
Liabilities			
Benefits Payable	\$ 85,174	\$ 41,244	106.5 %
Net Other Post-Employment Benefit Liability	105,874	104,446	1.4
Investments Purchased Payable and Other Investment Liabilities	12,556,007	11,466,477	9.5
Collateral Obligations	8,324,434	7,288,848	14.2
Accounts Payable and Other	153,425	63,757	140.6
Total Liabilities	\$ 21,224,914	\$ 18,964,772	11.9 %
Total Deferred Inflow of Resources	\$ 186,591	\$ 22,933	713.6 %
Total Net Position	\$ 201,807,002	\$ 165,416,245	22.0 %

Statement of Changes in Fiduciary Net Position
Pension Trust Fund
For the Fiscal Years Ended August 31
(Dollars in Thousands)

Additions	2021	2020	Percentage Change
Member Contributions	\$ 3,839,244	\$ 3,736,877	2.7 %
Non-Employer Contributing Entity Contributions	1,879,553	1,844,999	1.9
Employers Contributions	2,124,028	2,016,482	5.3
Other Revenue	367,854	350,650	4.9
Investment Income	40,512,139	11,068,917	266.0
Total Additions	\$ 48,722,818	\$ 19,017,925	156.2 %
Deductions			
Retirement Benefits and Other	\$ 11,802,310	\$ 11,083,643	6.5 %
Refunds of Contributions	449,136	421,366	6.6
Other Post-Employment Benefit Expense	9,255	7,734	19.7
Administrative Expenses	71,360	67,136	6.3
Total Deductions	\$ 12,332,061	\$ 11,579,879	6.5 %
Change in Net Position	\$ 36,390,757	\$ 7,438,046	389.3 %

TRS-Care is the source of health benefits coverage upon which a substantial portion of retired public education employees rely. Funding is provided by premium payments from retiree participants and contributions from the state, public schools, and active public education employees. TRS-Care also receives additional revenue from the Medicare Part D subsidy program. Financial highlights for fiscal year 2021 with prior year comparisons are presented in the tables below.

Statement of Fiduciary Net Position				
TRS-Care				
As of August 31				
(Dollars in Thousands)				
Assets	2021	2020	Percentage Change	
Cash, Receivables and Capital Assets	\$ 2,733,911	\$ 2,146,681	27.4 %	
Total Assets	\$ 2,733,911	\$ 2,146,681	27.4 %	
Liabilities				
Accounts Payables and Other	\$ 8,177	\$ 3,740	118.6 %	
Health Care Fees Payable	8,137	30,657	(73.5)	
Health Care Claims Payables	163,935	115,966	41.4	
Total Liabilities	\$ 180,249	\$ 150,363	19.9 %	
Total Deferred Inflow of Resources	\$ 14,420	\$ —	— %	
Net Position	\$ 2,539,242	\$ 1,996,318	27.2 %	

Statement of Changes in Fiduciary Net Position				
TRS-Care				
For the Fiscal Years Ended August 31				
(Dollars in Thousands)				
Additions	2021	2020	Percentage Change	
Member Contributions	\$ 250,414	\$ 243,532	2.8 %	
Non-Employer Contributing Entity Contributions	447,338	435,769	2.7	
Participating Employers Contributions	334,028	324,973	2.8	
Rebates and Discount Income	416,754	423,426	(1.6)	
Federal Revenue	173,912	186,169	(6.6)	
Other Revenue	—	18	(100.0)	
Investment Income	9,227	25,537	(63.9)	
Supplemental Appropriation from State's General Fund - Non-Employer Contributing Entity	5,520	230,757	(97.6)	
Total Additions	\$ 1,637,193	\$ 1,870,181	(12.5)%	
Deductions				
Health Care Claims	\$ 1,553,439	\$ 1,538,212	1.0 %	
Less: Health Care Premiums Paid by Retirees	(533,596)	(499,058)	6.9	
Health Care Claims Processing	30,726	37,420	(17.9)	
Insurance Premium Payments	15,490	51,410	(69.9)	
Health Care Fees	20,303	30,833	(34.2)	
Administrative Expenses	7,906	7,068	11.9	
Total Deductions	\$ 1,094,268	\$ 1,165,885	(6.1)%	
Change in Net Position	\$ 542,925	\$ 704,296	(22.9)%	

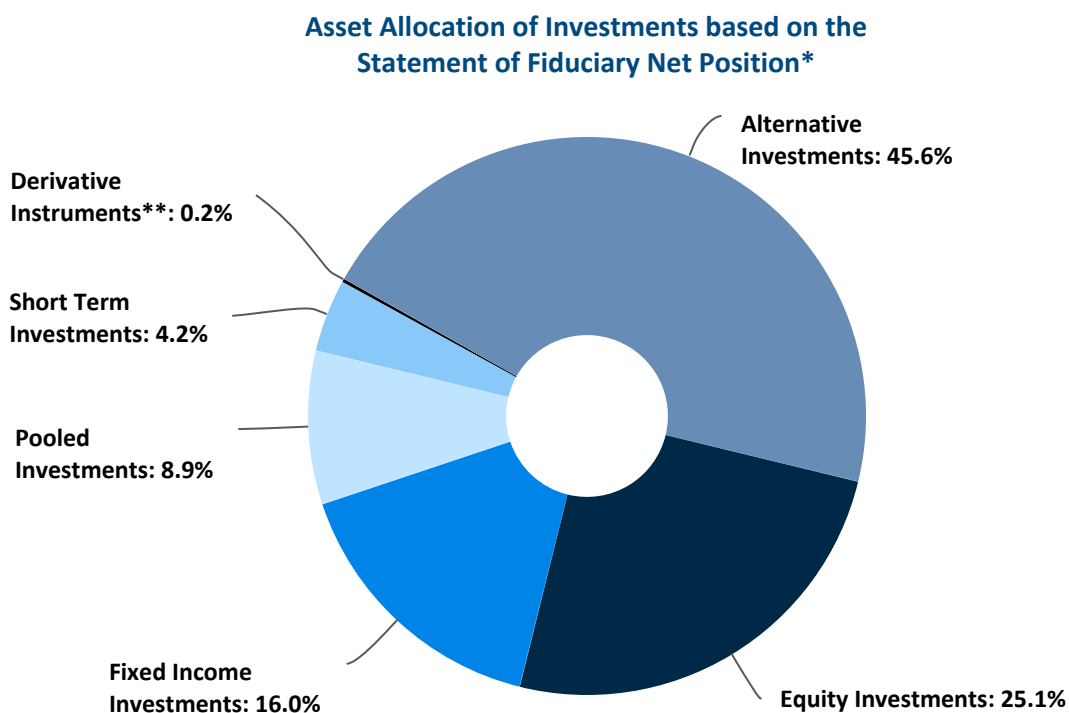
TRS-ActiveCare is funded by State, employer, and active employee contributions. Each plan year, the TRS Board of Trustees has made plan changes and increased premiums to sustain the program. Financial highlights for fiscal year 2021 with prior year comparisons are presented in the tables below.

Statement of Net Position				
TRS-ActiveCare				
As of August 31				
(Dollars in Thousands)				
Assets	2021	2020	Percentage Change	
Cash and Receivables	\$ 368,565	\$ 430,506	(14.4)%	
Total Assets	\$ 368,565	\$ 430,506	(14.4)%	
Liabilities				
Accounts Payable and Other	\$ 26,658	\$ 31,636	(15.7)%	
Premiums and Fees Payable	1,093	953	14.7	
Health Care Claims Payable	284,290	228,723	24.3	
Total Liabilities	\$ 312,041	\$ 261,312	19.4 %	
Total Deferred Inflow of Resources	\$ 281	\$ 895	(68.6)%	
Total Net Position	\$ 56,243	\$ 168,299	(66.6)%	

Statement of Revenues, Expenses, and Changes in Net Position				
TRS-ActiveCare				
For the Fiscal Years Ended August 31				
(Dollars in Thousands)				
Revenues (Operating and Non-Operating)	2021	2020	Percentage Change	
Health Care Premiums	2,178,733	\$ 2,304,205	(5.4)%	
Investment Income	2,122	\$ 7,854	(73.0)	
Other Revenue	143	\$ 413	(65.4)	
Total Revenue	\$ 2,180,998	\$ 2,312,472	(5.7)%	
Operating Expenses				
Health Care Claims	\$ 2,041,119	\$ 108,658	5.6 %	
Health Care Claims Processing	73,459	(41,768)	(36.2)	
Health Care Fees	1,088	247	29.4	
Premium Payments to HMOs	173,298	(83,553)	(32.5)	
Administrative Expenses	4,090	344	9.2	
Total Expenses	\$ 2,293,054	\$ (16,072)	(0.7)%	
Change in Net Position	\$ (112,056)	\$ 3,346	(3449.0)%	

This year presented both challenges and opportunities for the TRS Pension Fund (Trust) as it recovered from the impacts of the global COVID-19 pandemic. Although various economic and health uncertainties existed for much of the year, global financial markets rallied and continuously broke new records. While the majority of the TRS Investment Management Division (IMD) staff worked remotely throughout the year, the team nonetheless collaborated effectively and worked tirelessly to produce value for the Trust's members. The Trust returned 24.98% for the fiscal year ended August 31, 2021, which was over three times in excess of the fund's 7.25% investment return assumption and the highest Trust return over the last 10 years. Further, the total investment value of the fund broke a major milestone, closing the year at \$201.2 billion as of August 31, 2021, a \$36.6 billion increase over last year, net of benefit payments.

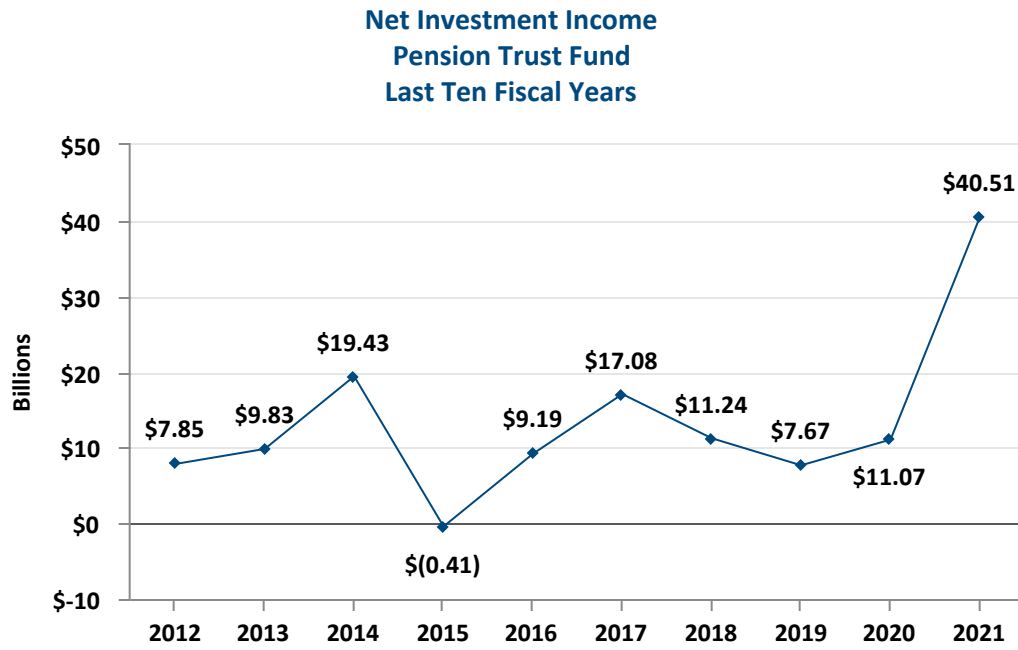
The chart below presents net investments of the System (excluding securities lending collateral and obligations) allocated based on investment classifications within the Statement of Fiduciary Net Position as of August 31, 2021.



*An overview of each investment type is provided in Note 3.C. of the Notes to the Financial Statements including the fair value of each component.

**Derivative instruments are reported on a net basis in the chart above. Please refer to Note 3.D. of the Notes to the Financial Statements for more information.

The chart below presents net investment income for the last ten fiscal years.



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THANK YOU

*We are extremely grateful to all of our
members who allow us the privilege of
earning their trust every day.*



Teacher Retirement System of Texas

1000 Red River St.

Austin, Texas

78701-2698

1-800-223-8778

www.trs.texas.gov