

Financial Highlights - For Year Ended August 31, 2013

Pension And Other Employee Benefit Trust Funds

STATEMENT OF FIDUCIARY NET POSITION

	Pension Trust Fund	TRS-Care
ASSETS		
Cash	\$ 1,317,323,833	\$ 576,832,125
Receivables	1,672,883,274	108,551,366
Investments	116,704,735,058	
Invested Securities Lending		
Collateral	21,921,125,536	
Capital Assets	32,314,884	
TOTAL ASSETS	\$ 141,648,382,585	\$ 685,383,491
LIABILITIES		
Benefits/Health Care Claims Payable	\$ 715,444,886	\$ 127,302,352
Collateral Obligations	21,914,338,510	
Investment Related Payables	1,442,813,307	
Other Payables	187,642,023	7,032,858
TOTAL LIABILITIES	\$ 24,260,238,726	\$ 134,335,210
NET POSITION	\$ 117,388,143,859	\$ 551,048,281

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

	Pension Trust Fund	TRS-Care
ADDITIONS		
Member	\$ 2,252,094,934	\$ 180,824,523
State and Federal/Private Funding Sources	1,757,956,314	241,577,260
Reporting Entities	494,416,712	152,874,976
Contributions From Other Sources	177,822,411	8,077,420
Health Care Premiums		355,685,504
Federal Revenue		74,511,473
Rebate and Discount Income		82,074,803
Interest, Dividends and Securities Lending Income (Net of Investing Activity Expenses of \$188,925,272)	1,779,069,580	3,041,001
Net Appreciation in Fair Value of Investments	8,055,066,425	
Other Additions	2,629,383	
TOTAL ADDITIONS	\$ 14,519,055,759	\$ 1,098,666,960
DEDUCTIONS		
Benefits/Health Care Claims Refunds of Contributions	\$ 8,153,242,460	\$ 1,241,656,374
Health Care Processing	391,292,412	43,577,852
Administrative Expenses (Excludes Investing Activity Expenses)	36,264,062	3,398,109
TOTAL DEDUCTIONS	\$ 8,580,798,934	\$ 1,288,632,335
CHANGE IN NET POSITION	\$ 5,938,256,825	\$ (189,965,375)
NET POSITION - BEGINNING	\$ 111,449,887,034	\$ 741,013,656
NET POSITION - ENDING	\$ 117,388,143,859	\$ 551,048,281

ANNUAL FINANCIAL REPORT

The Teacher Retirement System of Texas (TRS) has completed its Comprehensive Annual Financial Report (CAFR) for fiscal year 2013, which is intended to provide a complete review of the year's operations. Included in the report is the unqualified opinion of the State Auditor's Office and the independent actuarial valuations. The Pension Trust Fund's actuarial valuation indicates the funded ratio to be 80.8%. The TRS-Care Trust Fund, which is funded by the legislature on a pay-as-you-go basis, had a balance of \$551 million as of August 31, 2013, which is a funded ratio of 1.8%.

Additionally, the Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to TRS for the CAFR for the year ended August 31, 2012. This is TRS' 23rd consecutive year to receive the award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

BENEFIT PAYMENTS

During fiscal year 2013, benefit payments totaled \$8.1 billion. By August 2013, the monthly annuity payroll had grown to \$644 million with approximately 327,000 service retirees receiving payments. Annuities, including multiple payments to one person and payments deferred to a later date, totaled 348,228. The number of retiree accounts increased by 16,481.

Financial Highlights - For Year Ended August 31, 2013

Enterprise Funds

STATEMENT OF NET POSITION

	TRS- ActiveCare	403(b) Administrative Program
ASSETS		
Cash	\$ 47,199,732	\$ 356,242
Receivables	92,097,501	95
TOTAL ASSETS	\$ 139,297,233	\$ 356,337
LIABILITIES		
Health Care Related Payables	\$ 256,829,980	\$
Other Liabilities	438,376	
TOTAL LIABILITIES	\$ 257,268,356	\$
NET POSITION	\$ (117,971,123)	\$ 356,337

STATEMENT OF CHANGES IN NET POSITION

	TRS- ActiveCare	403(b) Administrative Program
REVENUES		
Health Care Premiums	\$ 1,808,521,683	\$
Fees	137,630	141,000
Investment Income	746,936	1,333
Other	75,664	2,890
TOTAL REVENUES	\$ 1,809,481,913	\$ 145,223
EXPENSES		
Health Care Claims	\$ 1,785,069,768	\$
Health Care Claims Processing	84,903,101	
Premium Payments to HMOs	100,905,702	
Administrative Expenses	2,351,802	40,194
TOTAL EXPENSES	\$ 1,973,230,373	\$ 40,194
CHANGE IN NET POSITION	\$ (163,748,460)	\$ 105,029
NET POSITION - BEGINNING	\$ 45,777,337	\$ 251,308
NET POSITION - ENDING	\$ (117,971,123)	\$ 356,337

INVESTMENT PERFORMANCE

The market value of investments at August 31, 2013 was \$117 billion on a Generally Accepted Accounting Principles (GAAP) basis. For the one-year performance period ended August 31, 2013, the total fund return was 9%. Three-, five- and 10-year returns for the total fund for the period ended August 31, 2013, were 10.6%, 5.4% and 7.2%, respectively.

In June, 2013 TRS established a dedicated unit within the Investment Management Division (IMD) which will focus on energy and natural resources. These investment types will provide a differentiated source of investment returns and increase the overall diversification of the fund, particularly in inflationary environments when these types of investments tend to outperform.

TRS celebrated the fifth anniversary of its Strategic Partnership Network. TRS gains valuable insight from the positioning of each Strategic Partner and incorporates that information into its own Tactical Asset Allocation models. Expectations are for muted returns over the next few years due to the prevailing low interest rate environment as well as concerns over the stance of global growth.