

# Administrative Operating Budget Report

## Fiscal Year 2026



What We Do Every Day  
Is How We Earn Our Members' Trust.





## All in a Day's Work

As a part of this year's Administrative Operating Budget Report, we are pleased to highlight our commitment to members every day.



# **FY 2026**

# **Administrative**

# **Operating Budget**

# **Report**

**Teacher Retirement System of Texas**

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**Executive Director**

**Prepared by the Finance Division**

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## Introduction



TRS conducts an average of 80 member appointments (phone, scheduled in-person, walk-in, virtual) per day.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**Teacher Retirement System of Texas**

For the Fiscal Year Beginning

**September 1, 2024**

*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, 2024. 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.



# Message from the CFO

October 16, 2025

I am proud to present the Teacher Retirement System of Texas (TRS) Fiscal Year (FY) 2026 Administrative Operating Budget Report, which was prepared in accordance with TRS' General Provisions and adopted by the TRS Board of Trustees (the Board). Key components of the FY 2026 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.

The FY 2026 Administrative Operating Budget (FY 2026 Budget), effective September 1, 2025, represents the first year of the FY 2026-27 biennial legislative appropriations. The FY 2026 Budget is the result of extensive planning, analysis, and an unwavering commitment to cost management without sacrificing service quality.

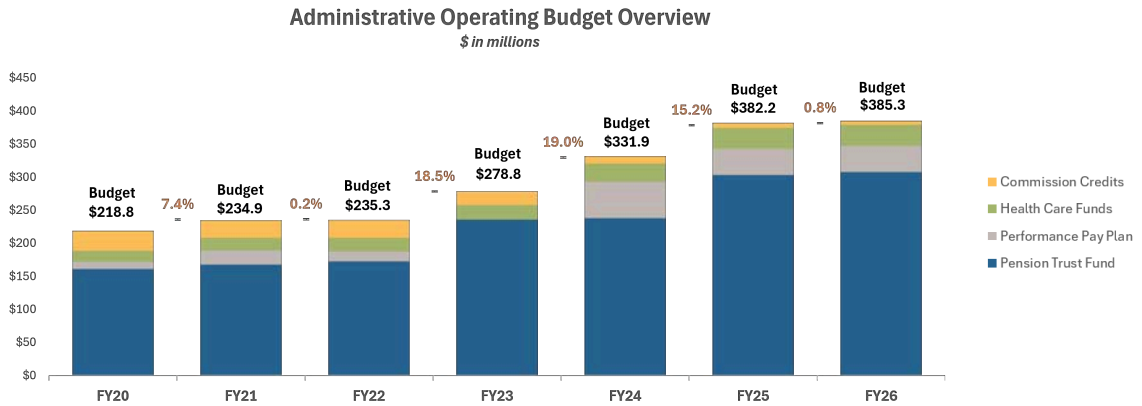
This year's budget reflects our continued commitment to efficiency and strategic resource management. The FY 2026 Budget represents an important shift in focus. While we will continue to fund the annualized costs of past initiatives, such as the Customer Service Improvement Initiative (CSII) and the operations of our new headquarters, our priorities now center on sustaining progress while identifying efficiencies and improving processes. Earlier this fiscal year, the Budget team conducted a comprehensive budget evaluation, carefully analyzing expenses to identify areas for cost savings and to "level set" the budget. This work ensures that our financial resources are allocated strategically, with a clear focus on delivering value to our members and stakeholders.

Looking ahead, TRS will continue to modernize by investing in technology and innovation. In particular, we are advancing initiatives in artificial intelligence (AI), cybersecurity, and data management to streamline operations, improve decision-making, and enhance transparency. These forward-looking investments will be essential for meeting the evolving needs of our membership and strengthening TRS' operational resilience.

Recent legislative actions to increase teacher and support staff salaries as a retention strategy have introduced new financial obligations for the system. While these changes provide important support for educators, they have also increased the long-term liabilities of the Pension Trust Fund. As we begin FY 2026 maintaining the fund's stability and sustainability remains a top priority. Careful management of these obligations is critical to ensuring that the retirement benefits of our members are protected for generations to come.

## Administrative Operating Budget

The total FY 2026 Budget represents an increase of 0.8% over the previous fiscal year, which is significantly below average historical growth. The FY 2026 Budget emphasizes sustainability, efficiency, and innovation while keeping pension administrative costs low at \$61 per member well below the \$124<sup>1</sup> industry average, ensuring competitiveness and fiscal responsibility. Below are the major drivers of this year's budget.



### Looking Ahead: Key Initiatives

#### Investment Management

The FY 2026 Budget includes \$83.4 million to strengthen trust asset monitoring and fiduciary oversight, reflecting TRS' commitment to attracting and retaining top-tier talent through a competitive compensation structure. The budget estimates \$39.7 million in potential performance awards, contingent on positive Pension Trust Fund returns in the 2025 plan year.

#### Pension Services

The FY 2026 Budget includes \$39.5 million to support Pension Services and considers amending the budget to open a new regional office in McAllen, Texas, increasing access to in-person services for members.

#### Health Care Fund Management

The FY 2026 TRS-Care and TRS-ActiveCare administrative operating budget includes \$31.9 million to support targeted engagement, outreach, and training activities that help educators understand and navigate health care coverage. The budget also supports comprehensive data reporting and analysis to improve communication with plan participants.

#### Enterprise-wide Shared Services

The FY 2026 Budget includes \$81.2 million to support TRS' commitment to achieving the highest levels of customer satisfaction, operational efficiency, and the effective management of the new headquarters costs to meet the needs of a growing membership.

#### Technology and Innovation

The FY 2026 Budget includes \$84.1 million to support critical IT compliance initiatives to maintain data management systems, artificial intelligence, and cybersecurity capabilities used to store data that are primary drivers for performance.

#### Capital Projects

The FY 2026 Budget allocates \$25.5 million to support facility upgrades, IT infrastructure improvements, the Investment Data Modernization (IDM) project, and the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.

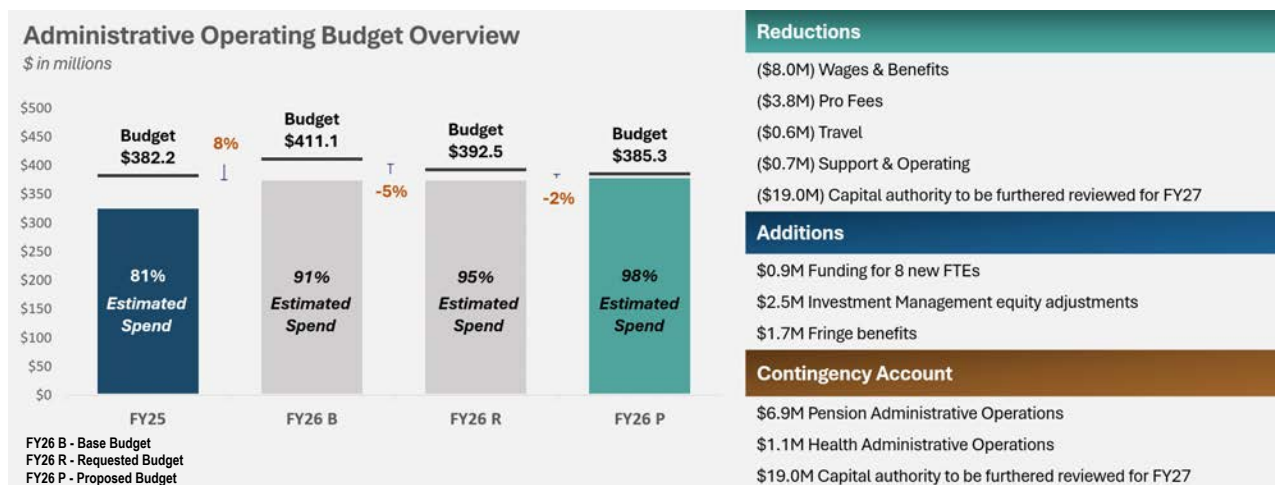
<sup>1</sup>Pension Administration Cost per Active member and Annuitant Source: 2024 CEM Survey

## Budget Evaluation

Over the past several years, TRS has made significant investments to enhance service levels for our members and strengthen our investment management capabilities. These efforts have driven meaningful improvements across the organization and positioned us for long-term success.

Aligning with legislative and agency efficiency initiatives focusing on streamlining processes, aligning resources with priorities and investing in innovative solutions, the Budget team directed a comprehensive, enterprise-wide budget evaluation. The budget evaluation initiative meticulously analyzed administrative operating budgets across all divisions to identify and implement strategic opportunities for improvement.

The FY 2026 Budget development began with a base of \$411.1 million. During the budget development process, each division carefully evaluated its needs and identified opportunities to reduce costs and submitted a total requested budget of \$392.5 million. Historically, TRS has experienced an 8-year average budget lapse of 17%. Recognizing this trend, the Budget team worked diligently to ensure baseline expenses remained consistent with actual spending, introducing increases only when essential. This effort resulted in \$7.9 million in cost savings and operational efficiencies. The proposed budget of \$385.3 million was adopted by the Board in July 2025.



The FY 2026 Budget represents a balanced approach, fulfilling our fiduciary obligation to prudently manage TRS Pension Trust Fund and the TRS-Care and TRS-ActiveCare health insurance programs while focusing on cost savings and resource optimization. With continued support from the Board of Trustees, Legislature, and stakeholders, TRS remains focused on exceptional service, long-term financial strength, and prudent management of the Pension Trust Fund and health insurance programs for over 2 million members and retirees.

Don Green,

Chief Financial Officer



# Administrative Operating Budget Fiscal Year 2026

**Total Operating Budget**  
**\$385,335,000**

**Total FTEs**  
**1,304.8**

**Capital Projects**  
**\$25,553,100**



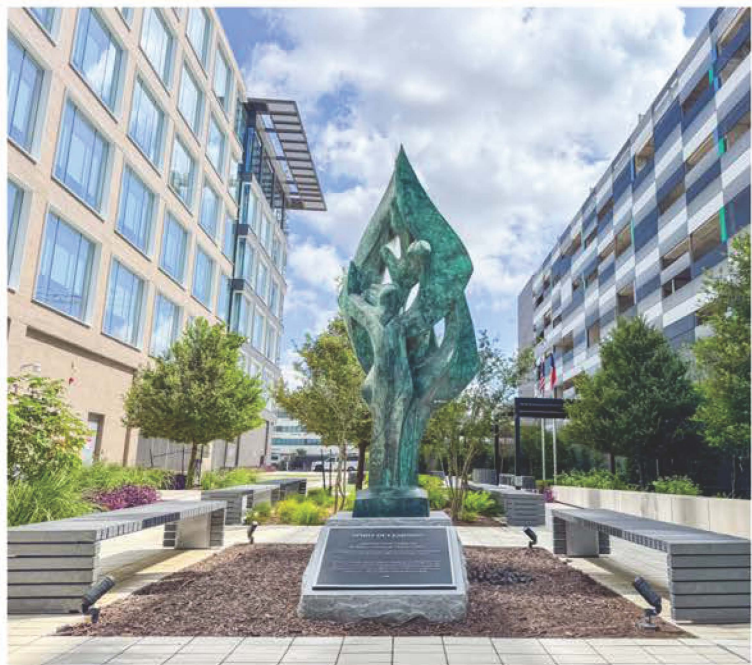
## Budget Highlights

- The FY26 Budget focuses on sustaining progress from prior initiatives, improving processes, and increasing efficiencies
- 8 new FTEs added to the Budget
- Performance Pay Plan estimated to be \$39.7 million, if the fund ends positive



## Legislative Highlights

- FY26-27 biennium includes the FTE Adjustment per the FY25 Fiduciary Finding by the TRS Board of Trustees to invoke Rider 19.
- Senate Bill (SB1) funded administrative operations full request as submitted.
- SB1 fully funded capital budget request, including \$32.1 million for the final phase of the Investment Data Modernization (IDM) Program.
- SB1 includes new targets for performance measures
- Includes Rider 20 Contingent Appropriation for Teacher Retirement System (TRS) Additional Regional Office



Budget Funding Sources		
Pension Trust Fund	Commission Credits	Health Care Funds
<b>Administrative Operations</b>	<b>Commission Credits</b>	<b>TRS-Care</b>
\$347,843,600	\$ 5,510,000	\$ 26,044,400
		<b>TRS-ActiveCare</b>
		\$ 5,937,000

# Pension Administrative Operating Budget

Increase of  
\$4.8 million  
1.6%

Total pension administrative operating costs amount is \$61 per active member and annuitant, remaining below the peer average of \$124.

Balanced to the GAA

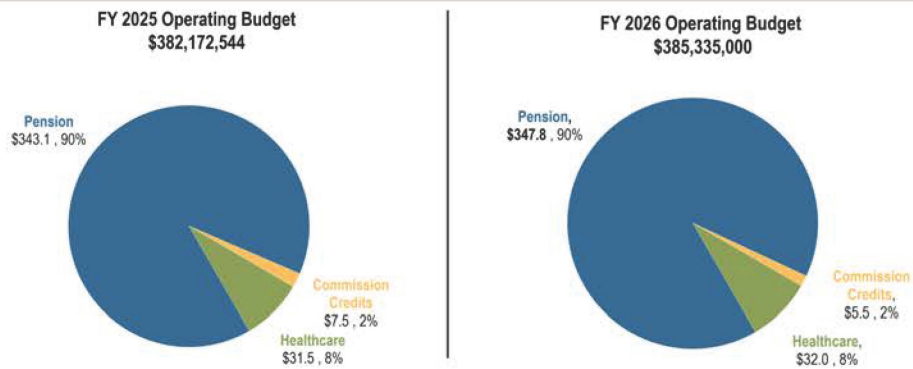


## FY 2026 Budgeting Timeline

- **January 2025**  
Legislative Session Begins
- **February 2025**  
Budget Development kickoffs. Divisions receive instructions.
- **April 2025**  
Budgets due from Divisions. April Board Meeting
- **May 2025**  
89th Legislative Regular Session concludes.
- **July 2025**  
FY26 Budget presented to Board for adoption.
- **September 2025**  
Fiscal Year 2026 begins.

During the FY 2026 budget development process the Budget team led a comprehensive budget evaluation. This process resulted in \$7.9 million in cost savings and operational efficiencies without compromising service quality. Reductions were made in all budget categories through extensive collaboration between divisions and Budget staff where resource allocations were thoroughly assessed. A contingency account has been established to address unforeseen challenges and pursue in-year opportunities.

*The FY26 Administrative Operating Budget is an 0.8% increase over the FY25 budget*



## FY26 Administrative Operating Budget by Division

	FY25		FY26	
	Budget <sup>1</sup>	FTEs <sup>2</sup>	Budget <sup>1</sup>	FTEs <sup>2</sup>
<b>Investment Management</b>	\$ 121.1	257.0	\$123.1	257.0
<b>Pension Services</b>	\$ 38.9	412.5	\$ 39.5	412.5
<b>Health</b>	\$ 31.6	76.0	\$ 31.1	76.0
<b>Administrative Services</b>	\$ 23.4	74.8	\$ 22.9	75.8
<b>Contract Services</b>	\$ 3.3	25.0	\$ 3.8	28.0
<b>Executive</b>	\$ 19.4	21.0	\$ 5.4	21.0
<b>Financial Services</b>	\$ 9.1	53.0	\$ 9.2	54.0
<b>Information Security</b>	\$ 4.3	21.0	\$ 4.5	21.0
<b>Information Technology</b>	\$ 62.4	240.5	\$ 62.5	241.5
<b>Internal Audit</b>	\$ 5.3	19.0	\$ 4.7	19.0
<b>Legal &amp; Compliance</b>	\$ 13.9	51.0	\$ 13.8	53.0
<b>Organizational Excellence</b>	\$ 12.3	46.0	\$ 12.4	46.0
<b>Agencywide</b>	\$ 4.8	-	\$ 13.0	-
<b>TRS Enterprise Application Modernization (TEAM)</b>	\$ 17.4	-	\$ 17.3	-
<b>IDM Program</b>	\$ 27.0	-	\$ 21.9	-
<b>Total</b>	<b>\$382.2</b>	<b>1,296.8</b>	<b>\$385.3</b>	<b>1,304.8</b>

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

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*The Teacher Retirement System of Texas (TRRS) 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 TRRS to have a Board of Trustees to administer TRRS and invest its funds. The assets of the TRRS 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 TRRS, the trustee of all plan assets, is responsible for the general administration and operation of TRRS, and is authorized by law to adopt rules for the administration of TRRS and the transaction of the business of the Board.*

# TRS Board of Trustees



**Robert H. Walls, Jr. Chair**  
 San Antonio  
 Direct appointment of the governor  
 Term expires 2025



**Michael Ball, Vice Chair**  
 Argyle  
 Active public education position  
 Term expires 2025




**Laronda Graf**  
 Atlanta ISD Director of Human Resources  
 Queen City  
 At-Large position  
 Term Expires 2029



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



**John R. Rutherford**  
 Houston  
 Direct appointment of the governor  
 Term expires 2029



**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**  
 Founding Member  
 Law Office of John W. Elliott, P.L.L.C.  
 Austin  
 Direct appointment of the governor  
 Term expires 2027

*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

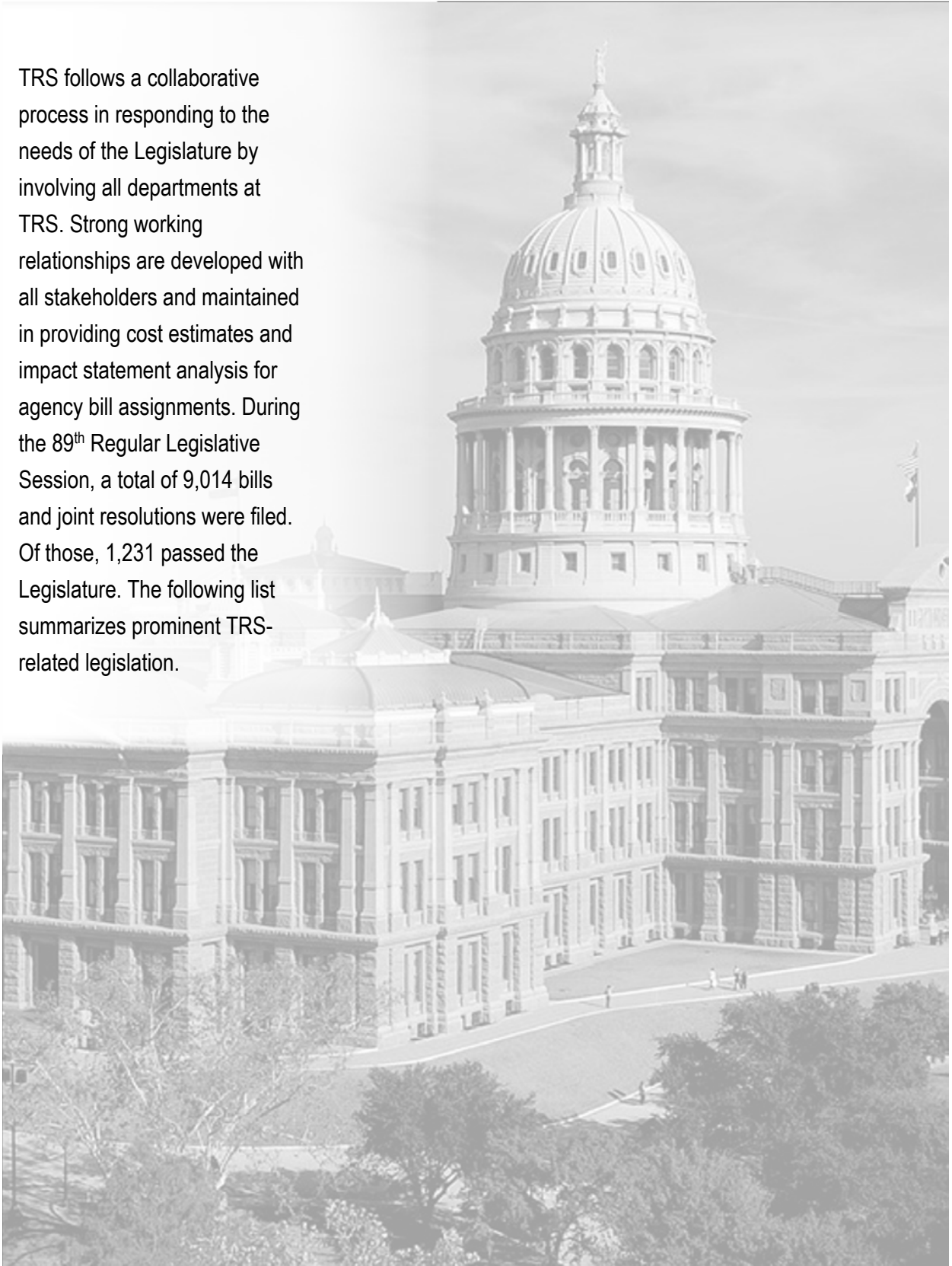


Straight line indicates direct report. Dotted line indicates Divisions who report administratively to the Executive Director.  
 Organizational structure consists of divisions with each containing the departments needed to deliver on agency goals.  
 Further descriptions and goals for each division are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

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# 89<sup>th</sup> Legislature 2026-2027

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 89<sup>th</sup> Regular Legislative Session, a total of 9,014 bills and joint resolutions were filed. Of those, 1,231 passed the Legislature. The following list summarizes prominent TRS-related legislation.



## SB1 – General Appropriations Act (Appendix C)

### Public & Higher Education Retirement

- Funding for public education retirement benefits totals an estimated \$5.5 billion in State General Revenue Funds for the 2026–27 biennium, an 8% increase from the 2024–25 biennial base.
- Funding for higher education retirement benefits total an estimated \$852.0 million in All Funds for the 2026–27 biennium, an 29% increase from the 2024–25 biennial base.
- Increased funding for public and higher education includes a state contribution rate of 8.25% of active member payroll for retirement benefits, and the growth of covered payroll, projected to be 5.0% each year of the 2026–27 biennium for public education and 7.9% each year for higher education.

### Administrative Operations

- For FY 2026-27 biennia, a total \$548.5 million was adopted for administrative operations, an 18% increase from the 2024–25 biennial base for administrative operations. These appropriations are supported by the TRS Pension Trust Fund. The increase reflects approved funding requested by the TRS Board of Trustees for the administrative operating budget, including funding for utilities and operating costs associated with the new headquarters, additional capital investment for the data modernization project, and resources for critical IT compliance initiatives that ensure the integrity of data management systems, artificial intelligence, and cybersecurity capabilities.
- Maintains TRS' authorization to expend additional funds and employ additional FTEs necessary to opening an additional regional office through a fiduciary finding 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.
- Creates a new rider directing TRS to conduct a pension plan design study. The report shall consider workforce and demographic trends among TRS members and retirees, as well as the actuarial and fiscal impacts of alternative plan designs, and shall be submitted to the Legislative Budget Board and the Governor no later than September 1, 2026.
- Sustains the following riders not directly related to payments: updated actuarial valuation; intern exemption; Governmental Accounting Standards Board (GASB) implementation; Medicare enrollment for eligible members of 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 and the Governor.

## Health Care

- Funding for TRS-Care for the 2026–27 biennium totals \$1.2 billion in General Revenue Funds, a 23% increase from the 2024–25 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 5.0% each year of the 2026–27 biennium.
- A new rider directs the UT Center for Healthcare Data (the Center) to continue comparative analysis of state-funded health care services using the Texas All-Payor Claims Database (APCD). TRS is working with the Center to transition from directly submitted data to data pulled from the APCD. In the interim, TRS will provide data in a special format and continue collaborating with the Center and other agencies to review findings and inform analysis.
- **House Bill 500:** Relating to making supplemental appropriations and reductions in appropriations and giving direction and adjustment authority regarding appropriations.
  - Provides a one-time appropriation of \$369.2 million to keep the average premium rate increase in TRS-ActiveCare below 10% for FY 2026 and FY 2027.
- **House Bill 3126:** Relating to the election of certain entities to participate in the uniform group coverage program for active school employees; imposing a fee.
  - Allows an entity that discontinued participation in TRS-ActiveCare effective September 1, 2022, to be able to elect to return to the program before the expiration of the 5-year exclusion period if they provide a written notice to TRS no later than December 31, 2025, to begin participation on September 1, 2026, and comply with any other requirements established by TRS for program participation. TRS will be able to impose on such early returning entities a risk stabilization fee on the premiums for the plan year that begins on September 1, 2026. An entity that elects to return early will not be able to leave TRS-ActiveCare until September 1, 2031. TRS is authorized to impose additional requirements, conditions, and deadlines under this new section by rule.

## TRS Specific Laws

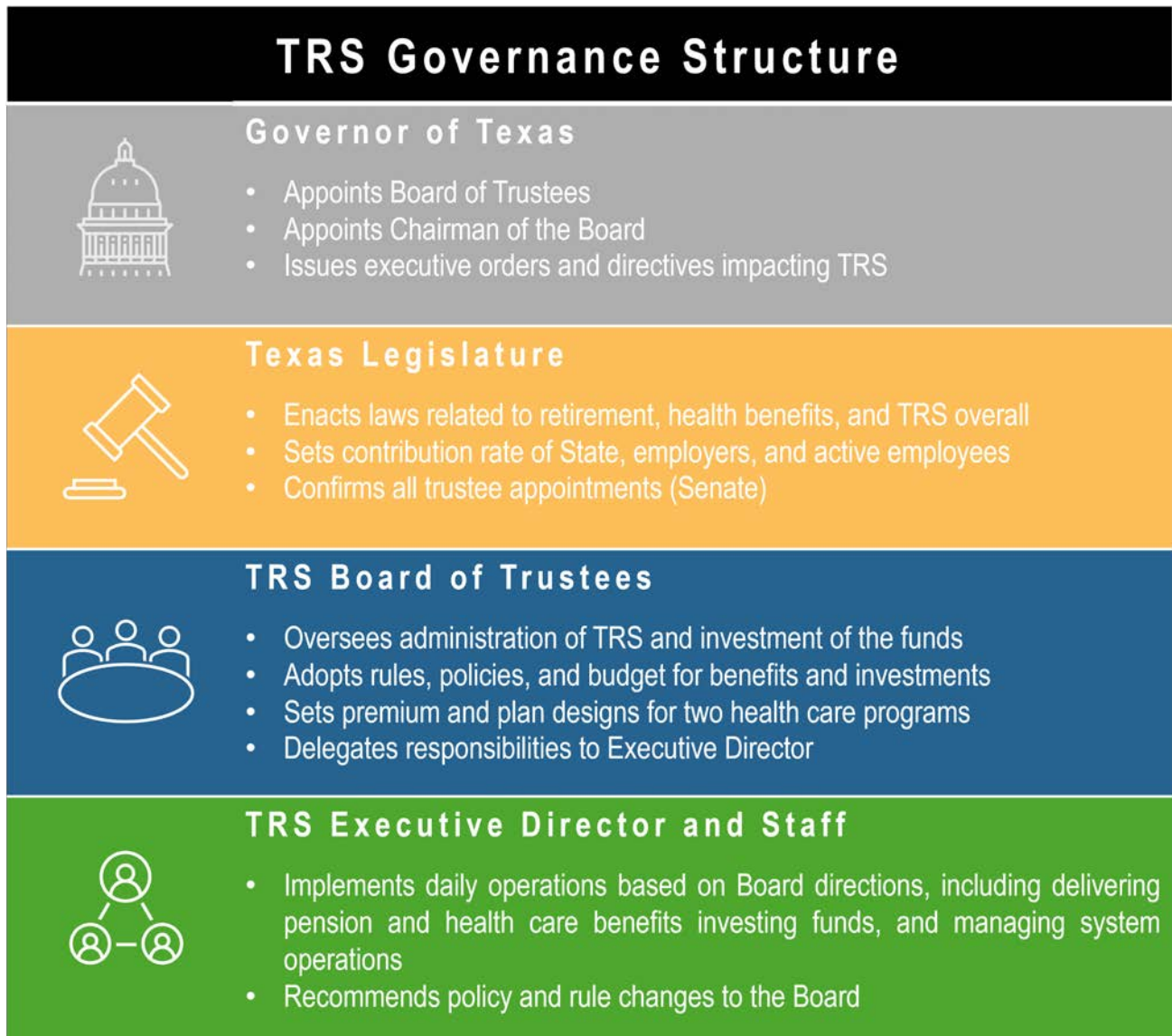
- **House Bill 4945:** Relating to a study by the Teacher Retirement System of Texas on the feasibility of offering alternative service retirement benefits to certain members of the retirement system engaged in wildland firefighting or employed in positions related to wildland firefighting.
  - Requires TRS to conduct a study regarding alternate service retirement benefits to Texas A&M Forest Service wildland firefighters. The bill provides that the study should include the feasibility, costs, and impact of creating two new tiers within the existing TRS retirement plan; one for Hazardous Duty and one for Hazardous Duty-Administrative Support. TRS is required to begin meeting with Texas A&M Forest Service regarding information for the study by March 1, 2026. TRS must complete the study and report to the Legislature by December 31, 2026.

## New Laws Impacting TRS and Other State Entities

- **House Bill 2:** Relating to public education and public school finance.
  - Provides increased funding for public schools, including additional compensation for public education employees under the Foundation School Program based on several factors and provides that these compensation increases provided by the Teacher Retention Allotment under Section 48.1581, Education Code and the Support Staff Retention Allotment under Section 48.1581, Education Code are creditable compensation.
  - Repeals the prohibition that the public education employer is prohibited from directly or indirectly passing the costs of pension and applicable health care surcharges for retirees returning to work full time.
- **House Bill 34:** Relating to prohibiting the investment of state money in certain countries and in certain private business entities in those countries.
  - Requires TRS and other state investing entities to divest of certain holdings in a country of concern and prohibits investing entities from acquiring listed securities in such countries. The bill defines countries of concern as China, Iran, North Korea, and Russia and any country the Governor designates as a “country of concern.” The bill requires the Comptroller to create and maintain a list of scrutinized companies beginning on January 1, 2026. The bill states that if the U.S. government declares that a company is no longer under sanctions or no longer designated as a foreign terrorist organization, it is not subject to divestment or investment prohibition. A state governmental entity is not subject to the divestment requirements of the bill if the entity determines that the requirement would be inconsistent with its fiduciary responsibility with respect to the investment of entity assets or other duties imposed by law related to the investment of entity assets, including the duty of care established under Section 67, Article XVI, Texas Constitution.
- **Senate Bill 667:** Relating to prohibiting certain state governmental entities from investing in certain Chinese-affiliated entities.
  - Requires TRS and other state investing entities to identify direct and indirect investments in China-related entities and to divest certain of the direct investments within specified time periods. A state governmental entity is not subject to the divestment requirements of the bill if the entity determines that the requirement would be inconsistent with its fiduciary responsibility with respect to the investment of entity assets or other duties imposed by law related to the investment of entity assets, including the duty of care established under Section 67, Article XVI, Texas Constitution.

## TRS Governance Structure

TRS operates under a clearly defined governance structure designed to ensure accountability to both the public and state leadership, and ensure fiduciary obligations are met.



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## TRS Strategic Plan Highlights



**\$16M**

On average, TRS Health plans pay  
\$16M in claims per day.

# TRS Strategic Plan

At TRS, strategic planning is a structured, tiered process that guides the agency’s long-term direction, annual priorities, and operational decisions. The goal is to support the agency’s mission of making a positive difference in the lives of our members while ensuring alignment with statewide objectives and sound fiduciary governance.

Each year, proposed updates to the agency’s strategic goals, objectives, and strategies are developed and submitted for approval by the Board of Trustees. These updates reflect evolving priorities, performance feedback, and organizational needs. Through this process, strategic planning informs resource allocation, program performance, and day-to-day operations across TRS.

TRS operates under a two-tiered strategic planning framework.

**Enterprise Strategic Plan:** The core of the agency’s planning structure is the TRS Strategic Plan, also known as the Enterprise Plan. This five-year plan provides a long-range view of the agency’s priorities and is submitted to the Legislative Budget Board (LBB) every even-numbered year. It sets agency-wide direction and priorities.

**Departmental Strategic Plans:** These strategic plans are developed to support and implement the enterprise level objectives. Departmental plans define how specific areas will contribute to the agency’s overarching goals and detail execution strategies at the operational level.

## Strategic Priorities

Each fiscal year the executive director designates key Areas of Focus (AOFs). AOFs are specific initiatives where leadership attention and agency resources will be prioritized. They align to the agency Key Accountabilities and Strategic Plan. To advance the AOFs, success measures are identified and consist of deliverables and key performance indicators (KPIs). Deliverables may be confined to one fiscal year, or may extend over multiple fiscal years. Deliverables are considered complete if the specific tasks that were identified for the fiscal year has been accomplished. The AOFs serve as a bridge between strategic intent and action. They are reviewed and adopted by the Board of Trustees each September.



## Operational Alignment

In addition to long-term strategic planning, departments develop and outline departmental priorities for the current fiscal year. This in conjunction with each department’s strategic plan serve as an actionable roadmap to support relevant AOFs and create a clear line of sight from enterprise level goals to departmental execution and performance outcomes. This ensures that both long-term and short-term priorities are integrated, measurable, and aligned with TRS’ mission and the strategic direction set by agency leadership and the Board of Trustees.

# 2025-2029 Strategic Plan Highlights

The 2025 - 2029 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 priorities are developed with input from TRS leadership, staff and the Board of Trustees and center around the needs of our members.

## TRS Vision, Mission and 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 focus, ethics, respect, excellence, and innovation. TRS core values are reviewed, and if applicable updated, on an annual basis.

*Earning your trust every day*

**TRS VALUES**

- Member Focus**  
We exist to serve our members.
- Ethics**  
We act with integrity in everything we do.
- Respect**  
We build and maintain trusting relationships by working collaboratively, embracing our differences, and treating each other with kindness.
- Excellence**  
We are accountable for our performance, striving to exceed expectations and deliver superior service.
- Innovation**  
We explore and embrace new ideas to create efficiencies and optimize business outcomes.

**TRS 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.

## 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 2025 to 2029 can be found at:  
[https://www.trs.texas.gov/TRS%20Documents/strategic\\_plan\\_2025\\_2029.pdf](https://www.trs.texas.gov/TRS%20Documents/strategic_plan_2025_2029.pdf)

# FOUR STRATEGIC PLAN GOALS:

## Goal 1: Sustain an Actuarially Sound Pension System

### OBJECTIVES

- 1 Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.
- 2 Improve communication regarding pension funding and the impact of pension plan design changes.

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 86<sup>th</sup> 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 be actuarially sound at the end of FY 2024 with a funding period of 28 years.

Actuarial valuations are prepared annually, as of August 31<sup>st</sup> of each year. During legislative years, a February 28<sup>th</sup> 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](https://www.youtube.com/watch?v=pe7Y_iIH8uk)

# Goal 1: Sustain an Actuarially Sound Pension System

## Action items supporting each Statewide Objective



### Accountability

TRS is accountable to Texas taxpayers. The Pension Trust fund is governed by a nine-member Board of Trustees that is appointed by the Governor and represents our stakeholders. Trust fund performance is publicly presented at each quarterly board meetings and the pension fund's actuarial valuation is published and presented annually.



### Efficiency

Our goals call for TRS 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 compliment internal capabilities and optimize trading and execution.



### Effectiveness

TRS' core function tied to this goal is to prudently invest trust assets. TRS presents investment returns at quarterly board meetings and reports trust fund performance annually in the Annual Comprehensive Financial Report (ACFR). It benchmarks results against peers and supports continuous improvement through regular asset allocation reviews. TRS also reviews and updates the Investment Policy Statement annually to ensure continuous improvement.



### Customer Service

TRS strives to improve the retirement security of our members. 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>8/31/2024<sup>1</sup></i>	<i>Goal</i>
<i>Funded Ratio</i>	77.8%	≥80%
<i>State Contribution Rate</i>	8.25%	
<i>Non-Social Security School District Contribution Rate</i>	2.0%	
<i>Member Contribution Rate of Payroll</i>	8.25%	
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$60.6 billion	
<i>Funding Period (years)</i>	28 years	≤30 years

<sup>1</sup>The funding ratio, funding period, and UAAL in the chart above are the valuation results provided by TRS' actuary, GRS, as of 8/31/2024. The GRS report for FY 2025 will be available November 2025.

# FOUR STRATEGIC PLAN GOALS:

## Goal 2: Continuously Improve Our Benefit Delivery

### OBJECTIVES

- 1 Improve the customer service experience for participants and reporting employers.

A member satisfaction survey is conducted annually on a random sample of active and retired members to gauge satisfaction with TRS services. The member satisfaction surveys from 2023 and 2024 indicate that TRS member satisfaction for active members has increased, from 58% to 59%, while for retired members satisfaction has decreased slightly from 77% to 73%. Active and retired members reported increased overall satisfaction with TRS interactions each of the past two years. In FY 2025, approximately 88% of members who completed the How Was Your Visit? survey after their office visit meeting with TRS reported being satisfied or very satisfied with the courtesy of the employees they met and the information received. Additionally, 87% of these members were satisfied or very satisfied with the counselor's knowledge.

TRs has made progress in addressing customer service challenges by implementing new initiatives such as staffing increases, policy updates, process improvements, and system enhancements. These efforts have led to positive trends in service levels, benefit payments, processing times, and employee turnover. Between September 2024 and July 2025, the El Paso regional office served over 6,000 members, significantly reducing wait times for appointments. Future plans include opening additional regional offices, with plans to open a new regional office in McAllen, Texas, increasing access to in-person services for members.

In FY 2024, 80% of active members and 73% of retirees accessed MyTRs, with most visiting a few times per year. Active members primarily used it for retirement estimates, beneficiary updates, and counseling appointments, while retirees mainly accessed annuity verifications and tax forms. TRs aims to enhance the member experience by working toward implementing the Payroll, Benefit Adjustment, and Tax (PBT) code, the final and largest deliverable of the TEAM Program.

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 more online self-service functionality for participants, 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 both from members and reporting employers. Additionally, TRS annually participates in the CEM Pension Administration Benchmarking Study that measures TRS' success and efficiency in delivering benefits against peers.



#### Customer Service

TRS has expanded member education through updated materials, new videos, and a Life Event Resource Kit available online and to employers. In fiscal years 2022 and 2023, TRS enhanced benefit presentations and launched a new MyTRS portal with improved self-service features. To reduce wait times and improve service, TRS hired remote contact center staff statewide and opened a regional office in El Paso.



#### 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 for members at regional education service centers, other locations around the state of Texas and virtually. The TRS Benefits Handbook reflects the latest benefit information.

Key Performance Measures	FY 2025 Target	FY 2025 Actual <sup>1</sup>	Explanation
TRS expense per member (Benefit Administration Expenses)	\$60.83	\$47.54	Total benefit administrative expense net of capital project expenditures are trending higher this year compared to last year \$41.17.
Investment expense per member in basis points (bp)	12.32 bp	57.98 bp	Investment costs per member increased due to the GASB requirement to include the interest expense on reverse repurchase agreements as part of the total expenses. Prior to FY 2023, the interest expense on reverse repurchase agreements was immaterial and netted against investment income.
Service level percentage of calls answered in specified time interval	80%	97%	Due to the increased staff added that are dedicated to customer service, TRS was able to exceed service level goals.
Number of benefit claim applications processed annually	100,000	113,333	All applications (service and disability retirements, refunds, and death claims) received were processed efficiently.

<sup>1</sup>FY 2025 Actual measures provided for the total administrative expense per member and investment expense as basis points of net assets are estimated projections. Actual numbers are projected to be available mid-November.

# 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 and the impact of plan design changes.
- 2 Increase the value of health care benefits.
- 3 Improve the health of our members.

In FY 2024, \$2.4 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. TRS-ActiveCare received \$2.5 billion in FY 2024 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.

For TRS-Care, premiums for both the Medicare Advantage and Standard TRS-Care plans will remain unchanged for the ninth consecutive year, helping retirees maintain access to affordable health coverage. To comply with updated Internal Revenue Service (IRS) guidelines, the deductible for the TRS-Care Standard plan will increase slightly in 2026. This adjustment ensures that members can continue contributing to Health Savings Accounts (HSAs), which offer tax advantages and flexibility in managing health care expenses. Optional dental and vision coverage for TRS-Care retirees will also continue in 2026 with no premium increases.

TRS-Care is also introducing a new member rewards program to encourage retirees enrolled in TRS-Care Standard to seek care from high-quality, cost-effective providers. Eligible participants may receive annual rewards of up to \$599, depending on their provider choices. These enhancements are projected to generate approximately \$1.2 million in cost savings during the first year of implementation.

The 89<sup>th</sup> Texas Legislature appropriated \$369.2 million to TRS-ActiveCare to help offset premium rate increases. Even without legislative support, TRS-ActiveCare remains a competitive option compared to other health plans available to public school employers.

Under House Bill 3126, school districts that exited TRS-ActiveCare in 2022, now have the option to rejoin the program early. To participate, districts must agree to remain in TRS-ActiveCare through 2031 and pay a risk stabilization fee to support program balance and sustainability. For the 2025–26 plan year enrollment period, several districts have already elected to rejoin. These legislative changes, combined with regional rate structures and continued state appropriations, reinforce TRS' commitment to providing reliable, high-quality health coverage for Texas public education employees and retirees.

# 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 in that TRS is governed by a nine-member board of trustees that is appointed by the governor and represents our stakeholders. Rates and plan designs for 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 annual TRS Health Benefits Report. Additionally, our goals call for regular communication on matters relating to the health care funds with member and retiree associations and the Legislature.

### Efficiency



A major reoccurring TRS initiative for the upcoming fiscal year is to continue 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, including assuring that health care claims are paid in compliance with protocols.

### Effectiveness



TRS strives to deliver the highest quality health care services to members and employers 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. Due to new legislation, TRS will offer optional vision and dental benefits for TRS retirees who are eligible for TRS-Care beginning Jan. 1, 2025. TRS is competitively procuring contracts for these plans and will have a robust outreach effort in the fall of 2024 to coincide with the enrollment period.

### Customer Service



TRS is dedicated to 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 and publishes outcomes of efforts and initiatives to contain health care costs and improve the health of members in its annual TRS Health Benefits Report. Additionally, TRS routinely conducts member satisfaction surveys to ensure continued high-quality service to plan participants and solicits public input. TRS has increased outreach to employers that participate in TRS-ActiveCare to design benefits that are tailored to their needs. In light of legislative changes affecting TRS-ActiveCare, TRS conducted significant outreach to inform employers of the changes and support them in making informed decisions. TRS develops health care communications including informational videos to increase knowledge of health care topics and consumer awareness and customizes communications and presentations for participants who are working, planning to retire and retired. In addition, TRS publishes The Pulse, a monthly email newsletter dedicated to health care that goes to more than 250,000 recipients with an open rate of 47%. 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. TRS provides employers with data to allow them to compare the cost of TRS plans to other plans available to employers. TRS expanded the type and amount of claims data provided to districts by offering it twice a year at no cost. This gives them actionable data they can use to improve costs and education about health care for their employees. As part of its commitment toward open and transparent communication, TRS continues to webcast all board and committee meetings and post health care-related materials on our website. In addition, TRS staff communicates regularly with members and member associations through newsletters, email, social media, and town halls. 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.

# FOUR STRATEGIC PLAN GOALS:

## Goal 4: Align People, Processes and Technology to Achieve Excellence in Service Delivery

### 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 Provide effective communications to all stakeholders with a focus on continuous improvement.
- 8 Evaluate automation and technology solutions to enhance existing processes.

TRS is often selected as a Top Workplace in Austin as part of the Austin American-Statesman’s workplace survey. TRS was the first state agency to win this designation and has won it more times than any other state agency. In 2024 TRS was honored for a 13th time with a Top Workplace award and was ranked third among large companies (500+employees), up one position from 2023. The recognition comes entirely from employee feedback measured across more than a dozen culture drivers that reflect strong values, employee/manager communication, and the ability to innovate and operate efficiently. TRS is also among a select group of U.S. employers that has been honored in recent years with three national Top Workplace USA awards. In 2024 TRS also earned a special culture award for “Meaningfulness.”



TRS is a preferred employer because of its mission and culture, and because it provides employees with the tools needed to succeed. This includes expanding recruitment efforts, redesigning new employee orientation, and an onboarding program to help new employees adjust and acclimate to TRS culture.

## Maintaining a Competitive Edge

TRS maintains a competitive edge in attracting and retaining top talent by providing competitive pay, a merit program, and quality staff development opportunities.

Merit allocations for 5% across the agency, with a higher allocation of 10% for the Investment Management Division (IMD) to stay competitive with market trends were approved by the Board to help retain current employees and maintain a competitive edge in recruitment. The allocations are approved by the Board during the July budget committee meeting and are centralized in the agency budget. The Executive Director and Deputy Director work with managers to determine merit allocations through a departmental analysis.

Challenges in hiring and retaining employees to meet employee expectations for increased compensation, career development and flexibility prompted the TRS Talent Acquisition team to take strategic steps to strengthen its recruitment efforts. These include prioritize sourcing, passive recruiting, and building relationships with talent pipeline sources (such as colleges, universities, professional associations, and technical programs) to increase applicant pools.

TRS continues to invest in its employees through expanded in-house learning and professional development opportunities, maintaining a desirable physical work environment that includes efficient use of space, and providing 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.



TRS 2025 Summer Interns

Additionally, TRS continues to strengthen its early career programs, which includes the Internship, Rotational Analyst and Fellowship programs.

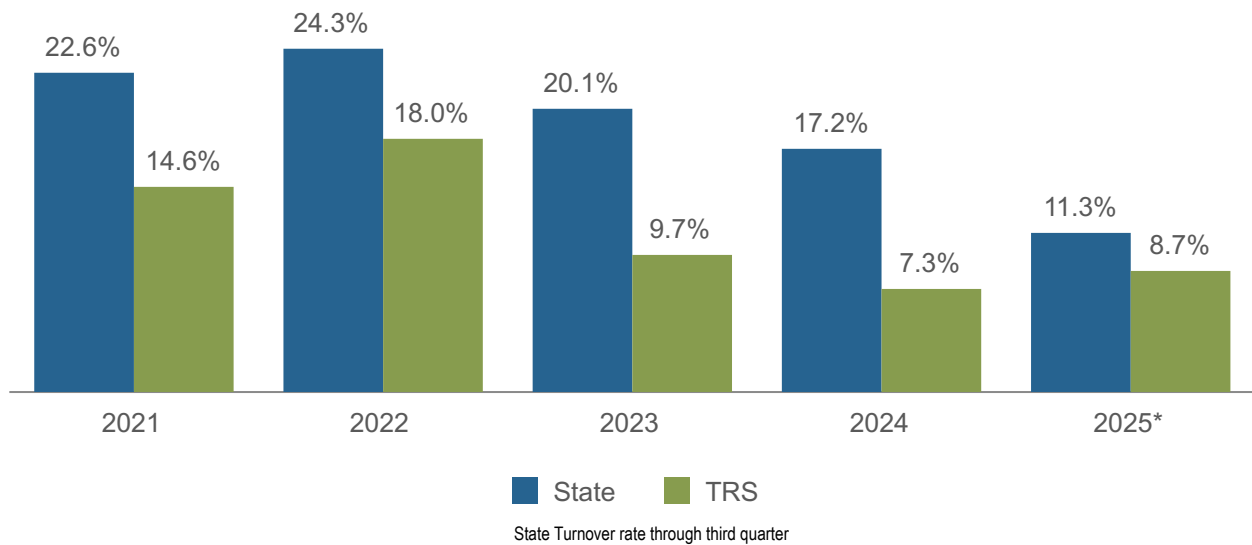
The Internship program is designed for students currently enrolled in post-secondary education and typically runs during the summer. The program emphasizes experiential learning through hands-on projects and exposure to agency operations.

The Rotational Analyst program launched in summer 2022 within IMD and spans up to three years. The program provides participants with broad investment training through rotations across IMD teams, helping them build investment generalist training and identify areas of specialization.

The Fellowship program established in 2021, offers recent college graduates an opportunity to gain valuable work experience alongside TRS staff in a variety of different areas. The program fosters a deeper understanding of public service and professional growth by focusing on experiential learning supplemented with professional development and a structured learning curriculum.

Collectively, TRS' early career programs have proven successful in equipping participants with the skills, experience and insights needed for successful careers in public service and beyond. 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 2024, TRS turnover was 7.3%, well below the state average of 17.2% for the same period. While we have experienced a recent uptick in retirements, we are also seeing a strong influx of qualified candidates applying for roles, including those that require specialized technical expertise.

### Employee Turnover



Overall, these combined efforts have not only enhanced TRS' ability to recruit and retain top talent but also positioned the agency as a leader among state agencies in workforce stability and employee satisfaction. TRS remains committed to investing in its employees and fostering an environment where employees can thrive, contribute meaningfully and grow professionally.

## Advancing Technology Infrastructure

The TRS fund now exceeds \$200 billion, and our volume translates to increased complexity of TRS assets. A continued focus for technology is to ensure integrity in our data systems. This includes maintaining our current systems with the latest updates, and also updating and innovating systems as necessary.

It is a priority for the organization to continue to provide the latest industry standards with technology needs. A major shift in TRS infrastructure is expanding IT infrastructure through cloud-based infrastructure and security requirements. Some major cost shifts in hardware and equipment have been captured through moving headquarters to a new facility. Many of the hardware systems are being replaced by cloud-based platforms, which reduces cost in infrastructure and network maintenance. An upgrade to newer audiovisual and printer systems has translated to a cost savings of approximately \$175,000 for the organization.

The TRS data management systems have capabilities to secure highly sensitive and confidential information. As data integrity is a main focus for TRS, it is important that the management systems are equipped to avoid potential compliance issues and threats due to inadequate data protection.

TRS facilitates as a predominately in-office work environment, however, these activities will enable TRS to continue to be flexible in supporting our Digital Business Transformation and work from anywhere approach.

**TRS is committed to advancing technology to meet the needs of its workforce and enhance the member services experience. A variety of initiatives are planned to support this goal:**

- Providing updated investment operations data architectures and systems.
- Ensuring the protection of highly sensitive and confidential information.
- Expanding the development, design, implementation, and maintenance of IT infrastructure.
- Improve trust asset monitoring and fiduciary oversight through investment data modernization tool.
- Replacing dated systems and equipment as needed.
- Supporting cloud based infrastructure needs.
- Facilitating a work environment with adequate technology tools with flexibility for both in office and remote functions.
- Incorporate Artificial Intelligence tools to facilitate productivity in the workplace.

## Integrating Artificial Intelligence (AI)

Strategic planning efforts and an in-depth initial assessment identified high-value TRS AI initiatives to improve operational capabilities and performance. TRS has developed a forward-looking AI strategy that aligns with the agency’s mission, vision, and IT guiding principles.

Key initiatives include:

- Leveraging, building, and supporting AI to enhance member service and create efficiencies with tools for contract reviews.
- Investment document preparation to perform trend analysis, data quality and automation.
- Searchable chat-like features to assist benefit counselors with finding information quickly for member questions.
- Auto summarization of calls for efficient and helpful notes in member records.
- Researching and identifying relevant information about district board decisions related to health benefits decisions to quickly inform TRS' programs.

The need to support expectations around data capabilities and security requires support to prepare the data, secure the environments, implement the technologies, and provide support to the end users. AI tools and technologies offer long-term benefits such as improved efficiency, better decision-making, and innovative ways to best serve our members while protecting the safety of TRS and member data.

## Enhancing Purchasing and Contract Management

As part of TRS' efficiency initiative, a comprehensive review of its procurement processes was conducted to identify areas for improvement and risk mitigation. Key enhancements include streamlining legal reviews to reduce processing times and workload, increasing the competitive threshold to simplify procurement for smaller purchases, and fostering real-time collaboration between procurement and contracting and business units to accelerate timelines. Additionally, in an effort to reduce delays and minimize legal exposure, legal negotiations have also been optimized through direct attorney-to-attorney engagement with vendors and strategic use of existing contracts for incumbent awards, when appropriate.

AI-powered tools are also being researched to support procurement and contracting functions. The proposed tools would assist business units in locating procurement guidance, drafting solicitation and contract documents, and conducting initial contract reviews. By automating routine tasks and enhancing visibility into contract terms, TRS significantly reduces the risk of non-compliance, contractual disputes, and procurement delays.

These improvements not only lessen the workload, but would also strengthen decision-making, operational efficiency and overall risk management across the procurement lifecycle.

## Historically Underutilized Business Plan

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 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).

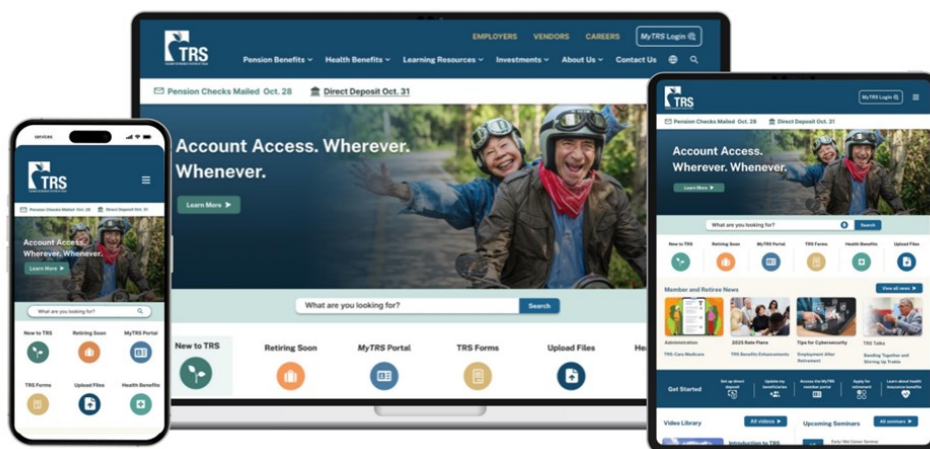
## Providing Effective Communication

In April 2025, TRS launched a fully redesigned website ([www.trs.texas.gov](http://www.trs.texas.gov)) with a focus on enhancing the member experience and streamlining content management processes across the agency. The redesign was informed by member feedback gathered through member surveys and counseling calls, and addresses key usability challenges while improving functionality, accessibility, and operational efficiency. Recognizing the steady growth in mobile usage, an approximately 5% average increase annually and now accounting for approximately 42% of site traffic, the new site is optimized for mobile devices to ensure a seamless experience across platforms. The redesign also coincides with new state rules that require Texas government agencies to conduct studies of their websites' usability by September 2026.

### Top 5 member-focused improvements

1. Streamlined Homepage: Quick access to common member tasks, improved search, and dates for annuity disbursements and other key events for reference.
2. Centralized Events: Centralized, shareable, and simple to add to personal calendars.
3. Forms: Search and filtering capabilities to make it easier to find and submit .
4. Step-by-Step Guides: Detailed instructions to help members complete tasks quickly and accurately.
5. Publications and Video Showcase: Member education resources more searchable in a robust and engaging library.

Since the redesigned website launched, members are 46% more efficient at completing key tasks after logging on to our refreshed pages. The site itself is also seeing big improvements in satisfaction and usability scores. The website redesign reflects TRS' commitment to serving members by delivering a responsive, accessible, and member-centered digital experience.



## Goal 4: Align People, Processes and Technology to Achieve Excellence in Service Delivery

### 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. The agency's budget is submitted to and approved by both the TRS Board of Trustees and the Legislature. TRS has developed an annual 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. TRS maintains a board-approved Member and Employer Outreach Plan with specific and measurable activities outlined each fiscal year to ensure TRS is communicating effectively with members. TRS also regularly seeks feedback via formal and informal surveys to ensure member-facing content fully meets members' needs.

#### 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 remains one of the lowest cost pension funds in the nation in terms of the ratio of its administrative operations budget to the size of its membership. TRS aims to boost productivity by optimizing processes and systems for better efficiency.

#### 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. TRS maintains multi-disciplined expert staff and formalized organizational processes to proactively address current and future cybersecurity issues and challenges.

#### Customer Service



TRS' core functions are delivering retirement and other related 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.

## Financial Policies and Guidelines



**\$6.2B**

In order to help fund retirement for our members, the Investment Management Division invests \$6.2B each day.

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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 (the Board) 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, Section 102, the Board is 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, and Governance 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 (GAAP), 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 89<sup>th</sup> 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 2025–2029 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 to the Board annual operating budgets;*
- (b) recommend intra-budget transfers and budget amendments for approval by the Board;*
- (c) monitor implementation of the operating budgets of the pension trust and other programs;*
- (d) receive reports from staff regarding major project development and execution; and*
- (e) provide input and guidance to TRS staff on the development and execution of major projects.*

##### 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 September 1 and shall end the following August 31.*

*Amended April 10, 2025*

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

<https://www.trs.texas.gov/sites/default/files/2025-05/trs-board-bylaws.pdf>

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

- **Develop the agency Administrative Operating Budget annually and the Legislative Appropriations Request (LAR) in even-numbered years.** *The budget for FY 2026 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 2025 and approved. The FY 2026-27 LAR was submitted to the Legislative Budget Board (LBB) in August 2024.*

- **Apply for the GFOA Distinguished Budget Presentation Award.** *Received the GFOA Distinguished Budget Presentation Award - 10 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.*

## Procurement Policy

The Procurement and Contracts department within Contract Services 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/sites/default/files/migrated/procurement-contracting-guide.pdf>

[https://www.trs.texas.gov/sites/default/files/migrated/trustee\\_procurement\\_policy.pdf](https://www.trs.texas.gov/sites/default/files/migrated/trustee_procurement_policy.pdf)

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

- **Ensure that all purchases and contracts are developed, awarded, monitored, and evaluated per applicable laws, rules, and best management practices.** *The Procurement and Contracts (P&C) department created the Procurement and Contract Management Guide, facilitated trainings and job aids to assist business units, conducted quarterly contract review meetings to support compliance and performance monitoring, and delivered presentations to the Board.*

## Debt Policy

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

## Investment Policy

TRS' Investment Management Division (IMD) 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 16, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy, as well as monitors the actions of IMD to ensure compliance with its policies. The Board and IMD are assisted by external advisors, consultants, and both 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 June 3, 2025, to be effective June 3, 2025*

The complete investment policy can be found at the following:

[https://www.trs.texas.gov/sites/default/files/migrated/investment\\_policy\\_statement.pdf](https://www.trs.texas.gov/sites/default/files/migrated/investment_policy_statement.pdf)

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

- **Create a sustainable, competitive advantage for the fund and the more than two 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.*

## Commission Credits Policy

The Commission Credits Policy regulates the expenditure of commissions and credits (including soft dollars, commission sharing agreements - CSAs, and cash recapture agreements - CRAs) to fund investment-related research, goods, and services. Commission Credits acquisitions must be budgeted in separate items in an addendum to the TRS annual budget or in a budget amendment adopted by the Board, unless the Board provides otherwise by resolution.

The policy aligns with Section 28(e) of the Securities Exchange Act, which offers safe harbor guidance for eligible expenditures such as research and brokerage services. The generation of any Commission Credits must be incidental to brokerage transactions and trades may not be created solely to generate Commission Credits. All transactions must prioritize favorable outcomes for TRS under prevailing market conditions.

*Excerpt from the Commission Credits Policy:*

*Fiduciary prudence requires that TRS employees, when deciding whether to use Commission Credits, must determine in good faith that the commissions that will be incurred are reasonable in light of the value of the goods, services, and research (as applicable) that will be received under the arrangement and that TRS will realize their benefits. The generation of any Commission Credits shall be incidental to the brokerage transactions originating such credits.*

*Effective December 9, 2022*

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

- **Ensure commission credit allocations appear as distinct line items in the annual budget, and all related expenditures are budgeted separately or through a formal budget amendment approved by the Board of Trustees.** *Commission credits are separated from the administrative operations budget and tracked under distinct funds, which are presented as separate line items in the July budget committee presentation for adoption by the Board.*
- **Ensure commission credits are used exclusively for investment-related research, goods and services in alignment with fiduciary responsibilities under the Texas Constitution and TRS Investment Policy.** *Expenditures are reviewed and approved through appropriate internal processes, including multi-level approvals and reconciliations.*

## 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, 2019*

The complete funding policy can be found at the following:

[https://www.trs.texas.gov/sites/default/files/migrated/pension\\_funding\\_policy.pdf](https://www.trs.texas.gov/sites/default/files/migrated/pension_funding_policy.pdf)

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

- **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%.*

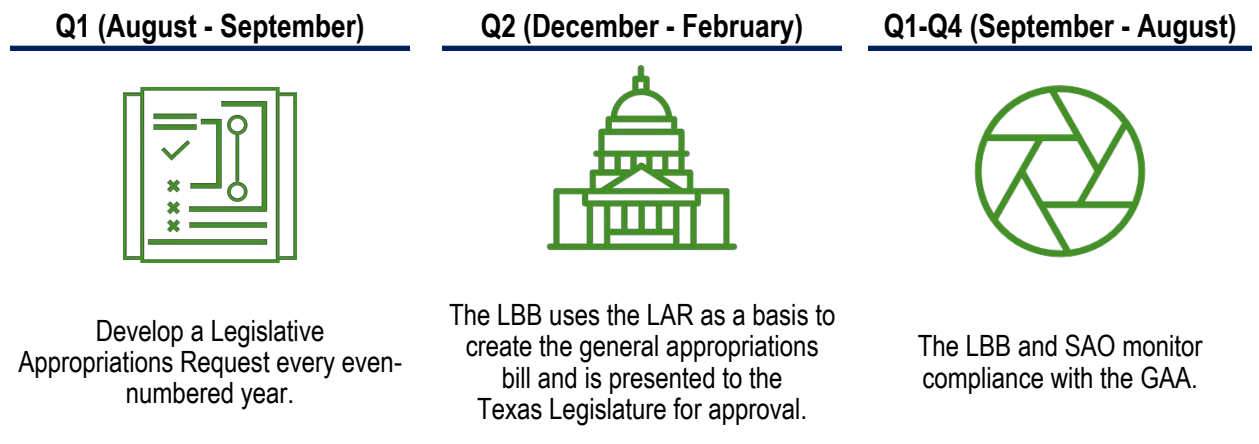
# Budget Development

## 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 and includes 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 Pension Services operations, Investment Management operations, Support Administration, and Capital Projects. Funding for both fringe benefits and performance pay plan payments are 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.



## 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. As part of legislative and agency efficiency efforts, TRS conducted a comprehensive evaluation of agency operations, financial performance, and strategic priorities to ensure resources are allocated effectively for FY 2026.

For the FY 2026-2027 LAR, the Budget team and Enterprise Risk, Strategy, & Performance department hosted an executive workshop that provided agency leadership an opportunity to develop the goals, resource needs, and service level priorities through open group discussions. The Budget team also used this opportunity to provide refreshers on the state budget process, specifically the LAR process, resource constraints, and capital projects. In addition, for FY 2026 budget development, the Budget team worked closely with departments to prepare their budgets and identify incremental resource increases needed to advance the strategic plan of the organization.

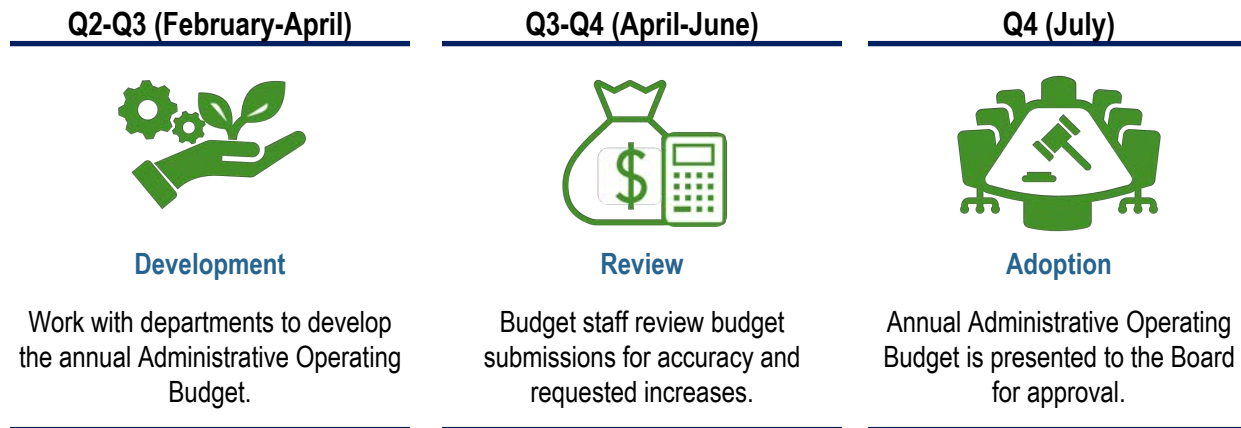
### Review

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.

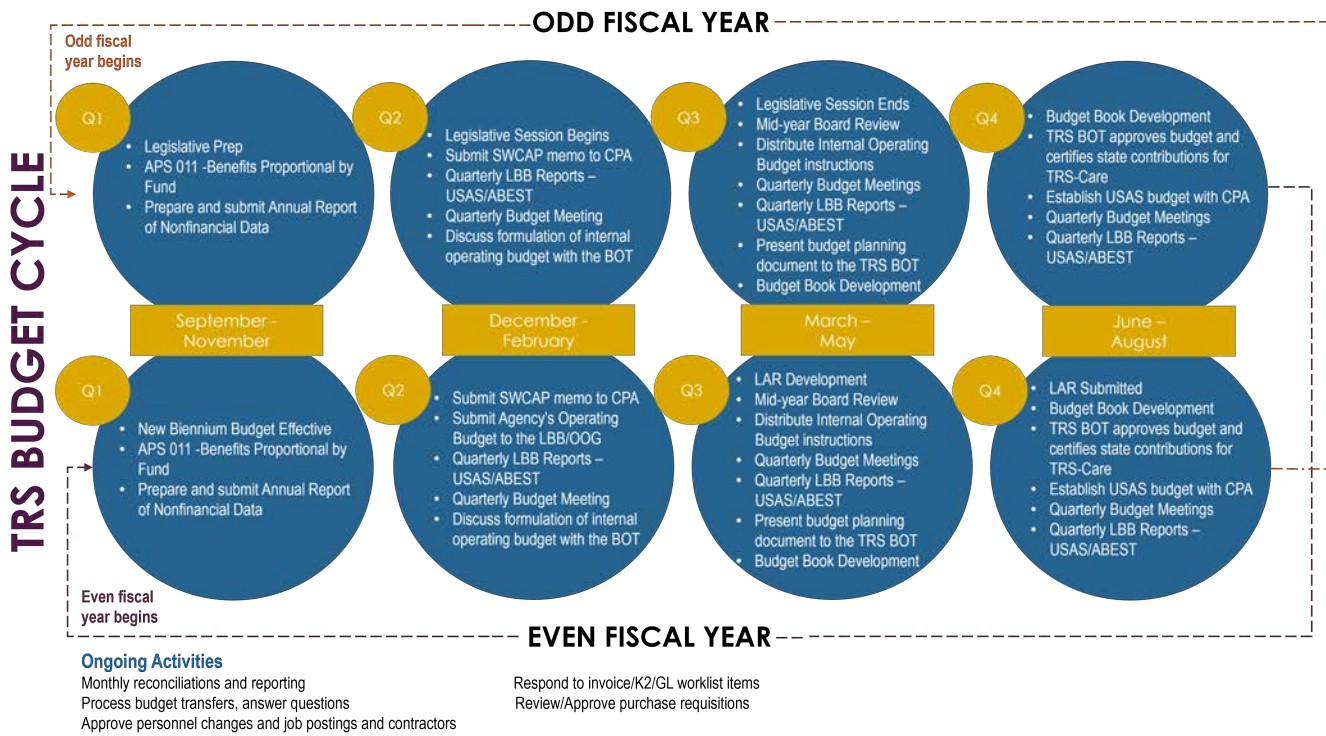
### Adoption

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.



Detailed calendar of the TRS budget process:



## Budget Controls and Monitoring

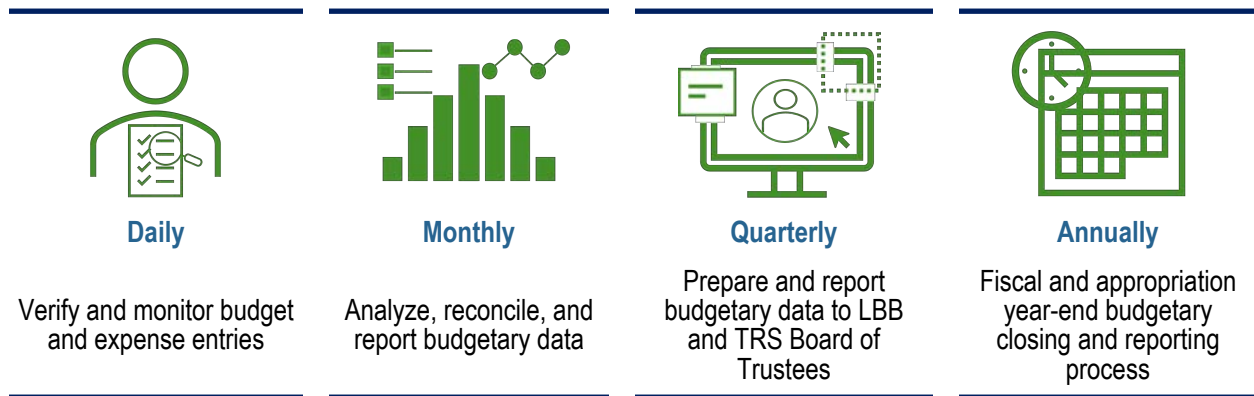
After the biennial budget is passed by the Governor, the legislative leadership continues to play a role in the budget with ongoing monitoring of the implementation of the budget through the LBB. Legislative controls are provided in the General Appropriations Act (GAA), which is used as guidelines for 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. In addition, the Board Budget Committee is provided mid-year and end-of-year reports.

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 daily to verify and monitor the budget and expense entries.

On a quarterly basis, Budget staff meet with department managers to discuss current year expenditure trends and patterns, and identify 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. TRS monitors business activities and FTE employee levels to efficiently manage staying below the 1,139.3 authorized FTE cap. In coordination with Organizational Excellence (Human Resources) and Payroll departments, 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 Power BI dashboards that are updated with position control data as new information is received. Reporting of FTE levels is submitted to the SAO quarterly.

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## 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"> <li>• Staff will abide by the General Appropriations Act (GAA) and all associated reporting requirements</li> <li>• Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets</li> <li>• TRS will be transparent with the public regarding its budget</li> </ul>	<p>Expectations include:</p> <ul style="list-style-type: none"> <li>• TRS will be transparent regarding its budget and spending</li> <li>• TRS will be good fiduciaries of the trust funds on their behalf</li> <li>• TRS will ensure expenditures are aligned with the overall mission of the agency</li> </ul>	<p>Expectations include:</p> <ul style="list-style-type: none"> <li>• Staff will abide by the GAA and all transparency requirements</li> <li>• Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets</li> <li>• BOT will be provided accurate and timely communications regarding expenses, risks, and other budgetary or FTE-related issues</li> <li>• Staff will be proactive and timely in identifying budgetary risks</li> <li>• 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</li> </ul>



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

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## Fund Structure and Long-Term Financial Planning



1,028

In an average day, the Investment  
Management Division executes and settles  
1,028 trades.

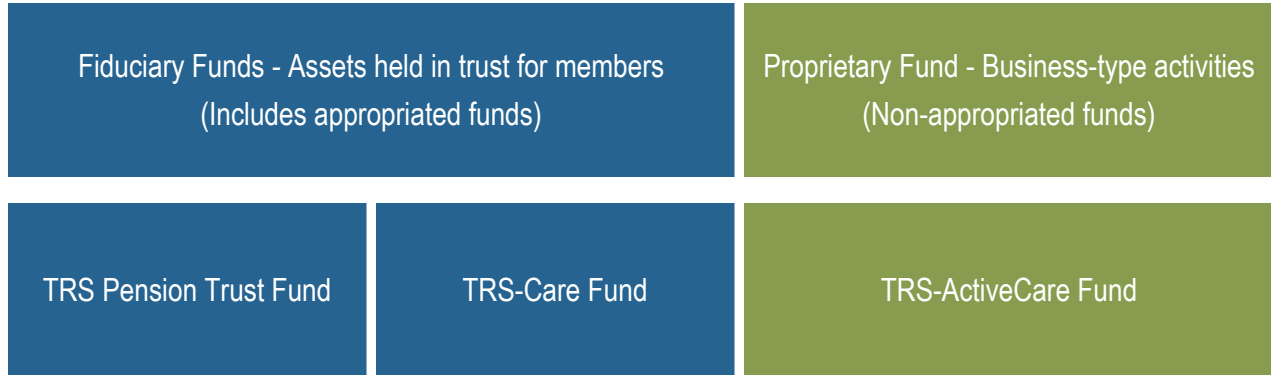
## Overview of Fund Structure

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, TRS-Care and TRS-ActiveCare represent less than 1% of the value of the Pension Trust Fund, TRS-Care Fund, and TRS-ActiveCare Fund respectively. 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 uses a forward-looking strategic process focusing on assessment, goal setting, and informed decision-making to support the system's sustainability.

Projecting the fund balance beyond one or two years becomes challenging due to timing constraints outside of TRS' control. The state of Texas has a two year budgeting cycle with the Legislature meeting in odd-numbered years and the contributions are set through the appropriation process. Additionally, the health care rates are not adopted until May of each year. As projections extend further out, assumptions become increasingly speculative. For this reason, the subsequent projections include the current and prior fiscal years while noting assumptions for future years.

### Actuarial Studies and Assumptions

In alignment with the long-term strategic planning process, the Board adopted the Pension Funding Policy in FY 2020. This policy outlines the system's funding goals and sets the guidelines for which TRS may recommend changes to contributions and/or benefit levels to the Legislature. Unlike other public pension plans, TRS does not control these funding drivers. The Legislature determines 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.

To maintain alignment with actuarial assumptions and funding objectives, the Board reviews the TRS Pension Funding Policy every four years, coinciding with actuarial experience studies required by law to be conducted at least once every five years. The actuarial experience study examines the changing patterns of retirement behaviors, plan provisions, and investment returns to determine if adjustments are needed. Based upon findings in the 2022 actuarial experience study and recommendations by TRS' independent actuary, TRS' Board of Trustees approved lowering the investment return assumption from 7.25% to 7.00%.

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://youtu.be/pe7Y\\_iH8uk](https://youtu.be/pe7Y_iH8uk)

**Report:** [https://www.trs.texas.gov/TRS%20Documents/actuarial\\_experience\\_study\\_2022.pdf.pdf](https://www.trs.texas.gov/TRS%20Documents/actuarial_experience_study_2022.pdf.pdf)

Each year, TRS' independent consulting actuary conducts a 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 policy's objective is to achieve at least 100% funding of benefit costs.

## Legislative Actions and Funding Changes

In the 2019 86<sup>th</sup> Legislature, Senate Bill (SB) 12 was enacted to gradually increase contribution rates from all sources through a phased-in approach that concluded on September 1, 2024 (FY25).

- State contributions increased from 6.8% of payroll in fiscal year 2019 to 8.25% in fiscal year 2024.
- Public education employer contributions increased from 1.5% of payroll in fiscal year 2019 to 2.0% in fiscal year 2025.
- Active member contributions increased from 7.70% of payroll in fiscal year 2019 to 8.25% of payroll in fiscal year 2024.

Continuing the progress achieved through SB12, TRS' Legislative Appropriations Request (LAR) for the FY 2026-27 biennium reflected the 8.25% contribution rate. The changes from SB12 improved the projected long-term health of the system. However, the key funding metrics are not expected to improve for some time, and further adjustments, if deemed necessary, would require legislative action.

During the 2025 89<sup>th</sup> Legislature, state leadership requested TRS to conduct a Pension Plan Design Study to compare TRS' current defined benefit plan with alternative benefit plan designs. Key components of the study will include member and retiree plan profiles not only for our entire population but also by position type to gain a better understanding of who we are talking about; reviewing our current pension planning formula, contribution history, and where TRS fits when comparing to other teacher retirement plans. This study will serve as a foundation for future additional funding requests.

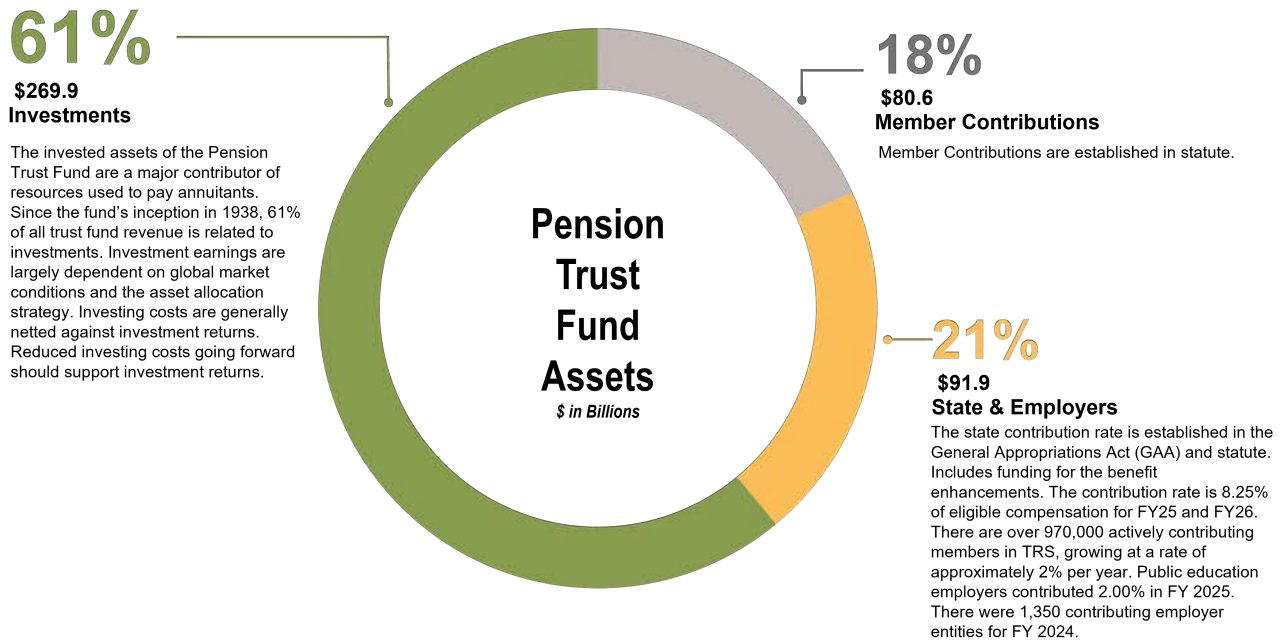
Additionally, during the 89<sup>th</sup> Legislature, House Bill (HB) 2 passed to increase teacher and support staff salaries as a mechanism to strengthen educator retention. Since these pay increases will count towards retirement benefit calculations and directly increase pension contributions, state leadership appropriated an additional \$16.3 million to public education and \$20.4 million TRS-Care contributions for FY26. These pay increases also creates a new liability for the system. The new liability is estimated to increase the funding period to 34 years, which is above the statutory definition of actuarial soundness of 31 years or less. The 2025 actuarial valuation is anticipated to trigger the statutory conditions for an additional contribution request. Such request would need to be included in the FY 2028-29 Legislative Appropriations Request (LAR) to be considered during the 2027 legislative session. This request would ensure that TRS can address the new liability and work toward restoring actuarial soundness.

## 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 - 2024)



### Benefits & Expenses

Benefits paid generally grow 2% 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. In FY 2024, TRS paid \$16 billion in annuities to retirees and their beneficiaries.

## Pension Trust Fund Projections

Pension Trust Fund	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Variance FY 2025 to FY 2026
<b>Beginning Fund Balance</b>	<b>187,170,535,558</b>	<b>210,543,258,495</b>	<b>230,334,324,794</b>	<b>19,791,066,299</b>
<b>Revenues</b>				
Member Contributions	4,969,831,840	5,193,292,322	5,452,956,938	259,664,616
State Contributions (Appropriated)	7,487,915,776	2,674,069,872	3,137,894,554	463,824,682
Employer Contributions	3,184,637,808	3,343,869,698	3,511,063,183	167,193,485
Investment Income & Other Revenue	23,817,757,539	24,979,526,521	20,783,755,903	(4,195,770,618)
Gain/Loss on Capital Assets	—	(130,700)	—	130,700
<b>Total Fund Revenues</b>	<b>39,460,142,963</b>	<b>36,190,627,713</b>	<b>32,885,670,578</b>	<b>(3,304,957,135)</b>
<b>Expenses</b>				
Benefits Paid	16,002,702,985	16,211,577,596	16,535,809,148	324,231,552
Admin Expenses (excluding investing activity expenses)	84,717,041	187,983,818	226,458,694	38,474,876
<b>Total Fund Expenses</b>	<b>16,087,420,026</b>	<b>16,399,561,414</b>	<b>16,762,267,842</b>	<b>362,706,428</b>
<b>Ending Fund Balance</b>	<b>210,543,258,495</b>	<b>230,334,324,794</b>	<b>246,457,727,530</b>	<b>16,123,402,736</b>
<b>Percent Change</b>				<b>7%</b>

Member and employer contributions are growing at an anticipated rate of 5%. Contributions are based on the expected rate of covered payroll growth which aligns with long-term demographics.

FY 2024 state contributions includes \$1.645 billion for a one-time stipend and \$3.355 billion for a voter-approved COLA for eligible retirees. FY 2026 state contributions includes \$16.3 million related to the enactment of House Bill 2 which includes additional compensation for public education employees.

The annual rate of return on investments for the pension fund for the year ended Aug. 31, 2024 was 12.5%. In FY 2024, investment earnings exceeded expectations due to lower inflation, strong company profits, and expectations that interest rates would decline. A projected return of 9.4% for FY 2025 will help to offset increased liabilities as the fund is now projected to no longer be actuarially sound. The projected net position balance for FY 2026 reflects the assumed investment rate of return of 7.0%.

The FY 2026 Administrative Operating Budget includes the costs to continue the development of internal technologies and infrastructure related to data management systems, artificial intelligence, and cybersecurity capabilities that protect all categories of TRS data.

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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.

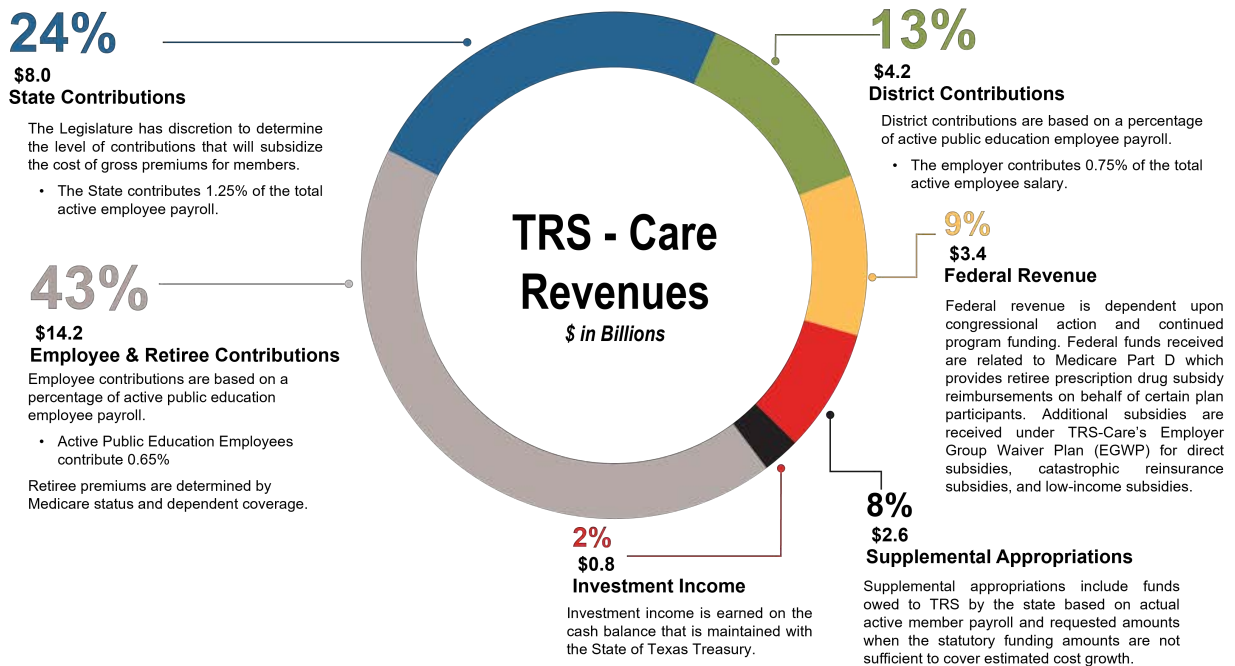
Projections for the health plans can be difficult to forecast for long periods due to high inflation and volatility in the health care market and the relatively low margins on which the plans have historically operated.

Following the enactment of Senate Bill 1682, 86<sup>th</sup> 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 - 2024)



TRS-Care has a healthy and growing fund balance due to legislative changes that took effect in 2018 along with recent federal Medicare changes and TRS' diligent management, among other factors. Specifically, these changes have generated savings for the TRS-Care Medicare Advantage plan, the plan for TRS retirees who are Medicare eligible. TRS-Care Standard premiums remain competitive compared to other plans in the market. TRS continues to actively manage TRS-Care and make incremental adjustments to premiums to respond to market trends and ensure the sustainability of TRS-Care. TRS projects that with incremental adjustments, the TRS-Care fund will have more than \$3 billion at the end of the next decade.

### Benefits & Expenses

Health care claims expenses are expected to increase primarily due to higher pharmacy costs and the increased use of certain high-cost drugs. Savings from the procurement of the new pharmacy benefits manager are expected to lower cost increases through better pricing and rebates.

## TRS-Care Projections

TRS-Care, Health Care Program for Retirees	Actual FY 2024	Estimated FY 2025	Estimated FY 2026	Variance FY 2025 to FY 2026
<b>Beginning Fund Balance</b>	<b>3,889,765,203</b>	<b>4,816,646,311</b>	<b>5,510,494,345</b>	<b>693,848,034</b>
<b>Revenues</b>				
State Contributions (Appropriated)	558,086,044	581,563,427	601,202,106	19,638,679
Employee & Retiree Contributions	873,957,154	891,436,297	909,265,023	17,828,726
District Contributions	351,169,597	358,192,989	365,356,849	7,163,860
Federal Revenue	395,494,793	504,507,105	622,999,394	118,492,289
Supplemental Appropriations	—	—	20,444,197	20,444,197
Investment Income	202,197,474	172,565,367	145,920,491	(26,644,876)
<b>Total Fund Revenues</b>	<b>2,380,905,062</b>	<b>2,508,265,185</b>	<b>2,665,188,060</b>	<b>156,922,875</b>
<b>Expenses</b>				
Health Care Claims Paid	1,430,892,092	1,788,657,051	2,010,410,075	221,753,024
Administrative Expenses	23,131,862	25,760,100	26,044,400	284,300
<b>Total Fund Expenses</b>	<b>1,454,023,954</b>	<b>1,814,417,151</b>	<b>2,036,454,475</b>	<b>222,037,324</b>
<b>Ending Fund Balance</b>	<b>4,816,646,311</b>	<b>5,510,494,345</b>	<b>6,139,227,930</b>	<b>628,733,585</b>
<b>Percent Change</b>				<b>11%</b>

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 5%. The state's share of employer contributions is appropriated to TRS by the Legislature.

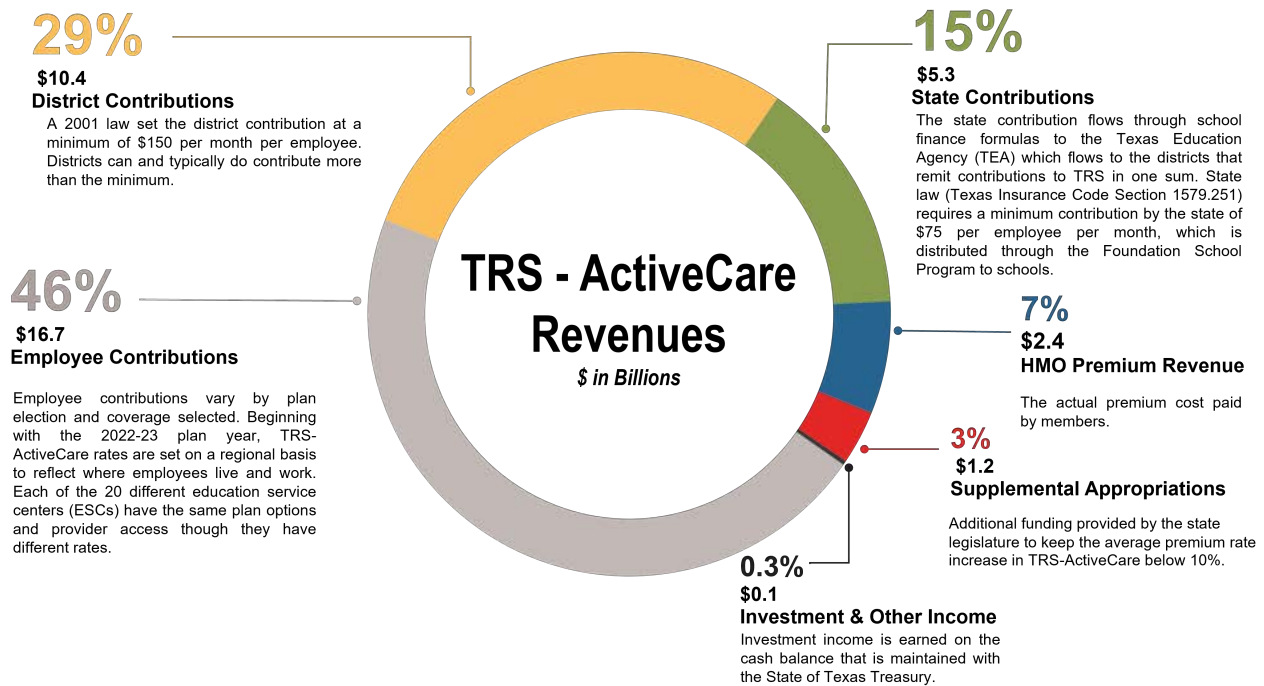
For FY 2026, the state's contribution rate remains at 1.25%, the active public education employee contribution rate remains at 0.65%, and the district contribution rate remains at 0.75%. The FY 2026 supplemental appropriations include \$20.4 million, related to the enactment of House Bill 2, which provides additional compensation for public education employees. Additionally, supplemental funding provided by Rider 13 of the House Bill 1 GAA of the 88<sup>th</sup> Legislature appropriates \$40.5 million owed to TRS by the state based on actual active member payroll. Due to the uncertainty of future interest rates, the fund balance model decreases current interest rates by 25% each year. The TRS-Care Fund is expected to remain solvent through FY 2027.

FY 2026 TRS-Care fund expenses are expected to rise due to higher medical and pharmacy costs, driven by inflation, vendor contract changes, and increased use of high-cost drugs. TRS implemented a new pharmacy benefits manager in FY 2024 to improve pricing and rebates, but overall health care costs are still expected to increase.

## 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 - 2024)**



The TRS Board of Trustees sets the gross premiums to ensure adequate funding for benefits. TRS' size, contracting strength, and effective management enable TRS to offer employers coverage at a cost that is 14% below similar benefit plans. Each participating employer uses a mix of local and state funds to make a minimum contribution of \$225 per employee per month toward the total premium, and employees contribute the remaining cost toward the premium. While TRS-ActiveCare offers a competitive gross premium for employers participating in the program, plan affordability for employees and their families is an ongoing concern as employees bear a significant share of premium costs when compared to other employers.

## Benefits & Expenses

TRS-ActiveCare health care claims costs grew only 2% in FY 2024 due to strong cost controls and a new pharmacy contract that reduced prescription drug costs. These savings offset higher medical trends, but pharmacy costs are expected to rise as use of certain high-cost drugs increases. 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 2024	Estimated FY 2025	Estimated FY 2026	Variance FY 2025 to FY 2026
<b>Beginning Fund Balance</b>	<b>283,836,965</b>	<b>688,476,809</b>	<b>752,554,341</b>	<b>64,077,532</b>
<b>Revenues</b>				
Premiums*	1,913,790,364	2,056,962,142	2,094,122,940	37,160,798
Supplemental Appropriations	588,518,000	369,224,574	—	(369,224,574)
Investment Income	48,200,848	35,068,036	16,599,023	(18,469,013)
<b>Total Fund Revenues</b>	<b>2,550,509,212</b>	<b>2,461,254,752</b>	<b>2,110,721,963</b>	<b>(350,532,789)</b>
<b>Expenses</b>				
Health Care Claims Paid	2,142,149,618	2,391,384,120	2,551,080,876	159,696,756
Administrative Expenses	3,719,750	5,793,100	5,937,000	143,900
<b>Total Fund Expenses</b>	<b>2,145,869,368</b>	<b>2,397,177,220</b>	<b>2,557,017,876</b>	<b>159,840,656</b>
<b>Ending Fund Balance</b>	<b>688,476,809</b>	<b>752,554,341</b>	<b>306,258,428</b>	<b>(446,295,913)</b>
<b>Percent Change</b>				<b>(59)%</b>

\*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 2026), that growth is expected to average 1.4% 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. The TRS-ActiveCare Fund balance is managed to avoid a deficit through adjustments in premiums and benefits. Based on medical trend indicators and current enrollment, health costs are expected to grow by 5% annually. To offset these rising costs and limit premium growth to under 10% per year, the Texas Legislature has appropriated a one-time contribution of \$369.2 million. The projected balance is on track to ensure that premiums cover annual claims costs, but this may change if there is significant enrollment growth. Since the implementation of Senate Bill 1444 (86R), which allows districts to opt in and out of TRS-ActiveCare, 134 employers have left the plan, while 17 employers, including some large ones, have joined. Many of the employers who left have expressed interest in returning, with their first opportunity to notify TRS being December 31, 2026.

FY 2026 TRS-ActiveCare fund expenses are expected to rise due to higher medical and pharmacy costs, driven by inflation, vendor contract changes, and increased use of high-cost drugs. TRS will continue using cost control measures such as vendor discounts, rebates, and drug management programs, but health care costs are still expected to grow about 5% per year.

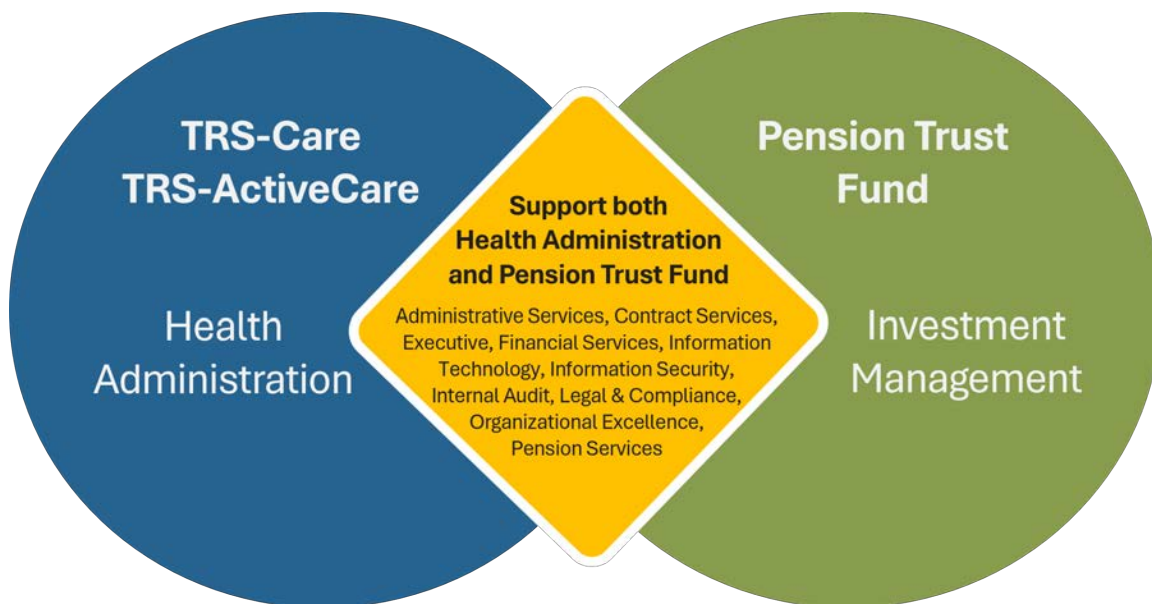
# Administrative Operating Budget Structure

## 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 Administrative Services, Contract Services, Executive, Financial Services, Information Security Office, Information Technology, Internal Audit, Legal and Compliance, Organizational Excellence, and Pension Services to the health care funds.



## FY 2026 Administrative Operating Budget



On average, TRS receives 500 calls a day to its Health counseling team.

# PENSION TRUST FUND AND COMMISSION CREDITS

## Administrative Operations

	Pension Trust Fund	Commission Credits	FY 2026 Budget	FY 2025 Budget
<b>Sources of Funds</b>				
Legislative Appropriations Administrative Operations	240,161,100	—	240,161,100	229,043,099
Legislative Appropriations Capital Budget	25,553,100	—	25,553,100	35,708,184
Fringe Benefits	42,429,400	—	42,429,400	38,616,000
Performance Pay Plan	39,700,000	—	39,700,000	39,742,060
Commission Credits	—	5,510,000	5,510,000	7,510,000
<b>Total Sources</b>	<b>308,143,600</b>	<b>5,510,000</b>	<b>353,353,600</b>	<b>350,619,343</b>
<b>Uses of Funds</b>				
Wages and Benefits	211,291,700	—	250,991,700	232,010,347
Professional Fees and Services	46,835,500	5,500,000	52,335,500	64,255,563
Support Costs	6,955,500	—	6,955,500	7,179,517
Travel	2,429,100	—	2,429,100	3,008,300
Operating Costs	39,831,800	10,000	39,841,800	42,134,232
Capitalized Equipment	800,000	—	800,000	2,031,384
<b>Total Uses</b>	<b>308,143,600</b>	<b>5,510,000</b>	<b>353,353,600</b>	<b>350,619,343</b>

### 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 2026 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 2026 Budget	FY 2025 Budget
<b>Sources of Funds</b>				
Reserved for Administrative Operations	26,044,400	5,937,000	31,981,400	31,553,200
<b>Total Sources</b>	<b>26,044,400</b>	<b>5,937,000</b>	<b>31,981,400</b>	<b>31,553,200</b>
<b>Uses of Funds</b>				
Wages and Benefits	20,350,900	2,787,900	23,138,800	22,021,400
Professional Fees and Services	5,497,700	3,070,600	8,568,300	8,964,000
Support Costs	1,000	1,000	2,000	18,300
Travel	95,000	50,000	145,000	265,000
Operating Costs	99,800	27,500	127,300	284,500
<b>Total Uses</b>	<b>26,044,400</b>	<b>5,937,000</b>	<b>31,981,400</b>	<b>31,553,200</b>

### 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 2026 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.

## Expenses by Division

FY 2026 Administrative Operating Budget represents an overall 0.8% increase from the FY 2025 Budget. The operating budget includes funding for 8 new positions, increased funding for our Investment Management staff to bring them up to market, and related fringe benefits. The additional funding is offset by reductions in salaries and benefits, professional fees, travel, and support and operating across all divisions. The FY 2026 Budget reflects a strategic approach to supporting TRS' mission while maintaining a focus on efficiency and sustainability.

- **Contract Services'** budget is increasing 16% for salaries and related benefits funding related to 3 new FTEs.
- **Executive's** budget is increasing 48% due to our agency's 5% merit allocation held in a centralized account under Executive and allocated to the appropriate division when necessary. The FY 2026 Budget also includes continued funding for retiree health insurance, unemployment compensation, and lump sum payments for employees who retire.
- **Internal Audit's** budget is decreasing by 11% as a result of identifying a cost savings from the closing of a contract no longer deemed necessary.
- **Investment Data Modernization Project** has a decrease of 19% due to initial implementation expenses being incurred during FY25. As implementation progresses, overall expenses are expected to continue declining.

Department/Division	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Variance from FY 2025 to FY 2026	
<b>Core Services</b>					
Investment Management Division	70,062,873	81,411,261	83,436,100	2,024,839	2%
Performance Pay Plan	55,427,651	39,742,060	39,700,000	(42,060)	—%
Pension Services	34,065,894	38,859,043	39,535,400	676,357	2%
Health Division	22,642,576	31,221,664	31,118,600	(103,064)	—%
<b>Shared Services</b>					
Administrative Services	17,273,250	23,426,440	22,952,100	(474,340)	(2)%
Contract Services	2,873,083	3,323,640	3,839,100	515,460	16%
Executive	8,209,456	12,427,791	18,416,400	5,988,609	48%
Financial Services	7,077,977	9,149,262	9,207,700	58,438	1%
Information Security Office	2,795,640	4,335,992	4,458,600	122,608	3%
Information Technology	42,905,469	62,428,577	62,529,700	101,123	—%
Internal Audit	3,845,761	5,284,321	4,719,400	(564,921)	(11)%
Legal & Compliance	11,253,278	13,907,462	13,791,200	(116,262)	(1)%
Organizational Excellence	9,047,572	12,319,132	12,430,900	111,768	1%
TEAM Program	14,667,182	17,368,570	17,298,300	(70,270)	—%
Investment Data Modernization Program	3,211,161	26,967,328	21,901,500	(5,065,828)	(19)%
<b>Grand Total</b>	<b>305,358,822</b>	<b>382,172,543</b>	<b>385,335,000</b>	<b>3,162,457</b>	<b>0.8%</b>

## DIVISION EXPENSES AND GOALS

In the following pages, the Executive Director's Areas of Focus (AOFs) are included in divisions, where applicable to demonstrate the alignment to TRS' Key Accountabilities. The AOFs also align with TRS' Strategic Plan. There are 5 Key Accountabilities.

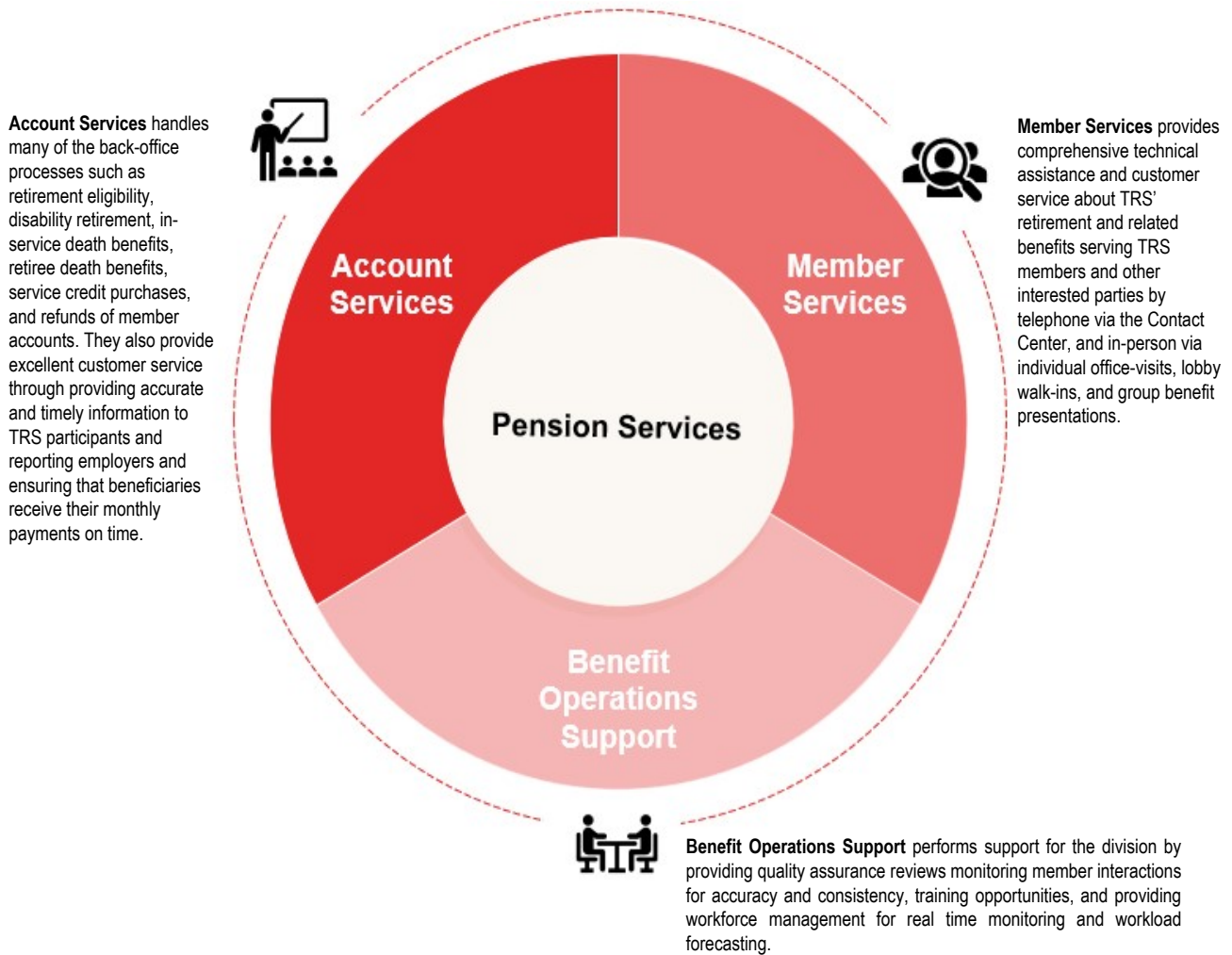
<b>KEY Accountabilities</b>	
	<p><b>MEMBER Focused</b></p> <p>Designs and executes TRS' strategic vision, mission and goals with members' best interests in mind.</p>
	<p><b>LEADERSHIP Effectiveness</b></p> <p>Supports others in taking independent action; Delegates authority appropriately and empowers staff to deliver results; Appropriately involves others in decision making; Sees arising concerns and takes actions at appropriate level.</p>
	<p><b>TALENT Effectiveness</b></p> <p>Builds an environment and manages the allocation of resources to attract, retain and develop top-tier talent focused on outstanding member service; demonstrates commitment to TRS culture and values.</p>
	<p><b>OPERATIONAL Effectiveness</b></p> <p>Leads organization to reach desired goals and member expectations; Holds self and others accountable for measurable, high-quality, and cost-effective results; Promotes information across divisions to empower staff on accomplishment of agency goals; Demonstrates ability to assess, integrate and pivot when necessary.</p>
	<p><b>CONTINUOUS Improvement</b></p> <p>Maintains awareness of new developments impacting organization; Shares and promotes this knowledge with others; Challenges leaders to seek improvements and innovations in business processes and drives leadership to achieve results.</p>

# DIVISION EXPENSES AND GOALS

## Pension Services

### Purpose:

The Pension 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. Pension 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 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	32,957,747	38,083,243	38,543,500
Professional Fees and Services	935,020	427,600	698,700
Other Operating Expenses	173,127	348,200	293,200
<b>Expense Category Total</b>	<b>34,065,894</b>	<b>38,859,043</b>	<b>39,535,400</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 2), Pension Services continues to focus on improving the customer service experience. Pension 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.

- Increase engagement with members/participants and reporting employers regarding TRS benefits.
- Expand our services to meet members where they are.

### Executive Director's Areas of Focus Fiscal Year 2026

MEMBER Focused	
	Areas of Focus
	Success Measures
	Deliverables
	<p>Increase the customer service experience for participants and reporting employers. (Goal 2, Objective 1)</p> <ul style="list-style-type: none"> <li>• Expand member self-service options within the automated phone system and MyTRS.</li> <li>• Complete leasing decisions space build-out, and hiring and training of initial staff in anticipation of Rio Grande Valley regional office opening (fall 2026).</li> </ul>

Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Number of TRS Benefit Applications Processed	112,691	113,333	100,000
Number of TRS Retirement Fund Member Accounts Serviced	15,278,662	15,490,945	15,630,363
Refunds validated within five business days of receiving final deposit and all paperwork	100%	100%	95%
Benefit estimates mailed within 31 days of request	100%	100%	95%
Retirees receiving first annuity payment within 31 days of TRS receiving required information or due date, whichever is later	90%	99%	98%
Claims acknowledged within 14 days of receipt of death notification	99%	99%	95%
Claims payments issued within 31 days of receipt of all required paperwork	99%	99%	95%
Calls answered within three minutes	95%	97%	90%
Available benefit counseling office visits - Headquarters (cumulative)	22,758	20,918	20,000
Available benefit counseling office visits - Regional Offices (cumulative)	5,851	7,822	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)	12,252	11,755	11,500
Provide pension benefits foundational classroom training for all new hires (cumulative)	98%	96%	100%

# DIVISION EXPENSES AND GOALS

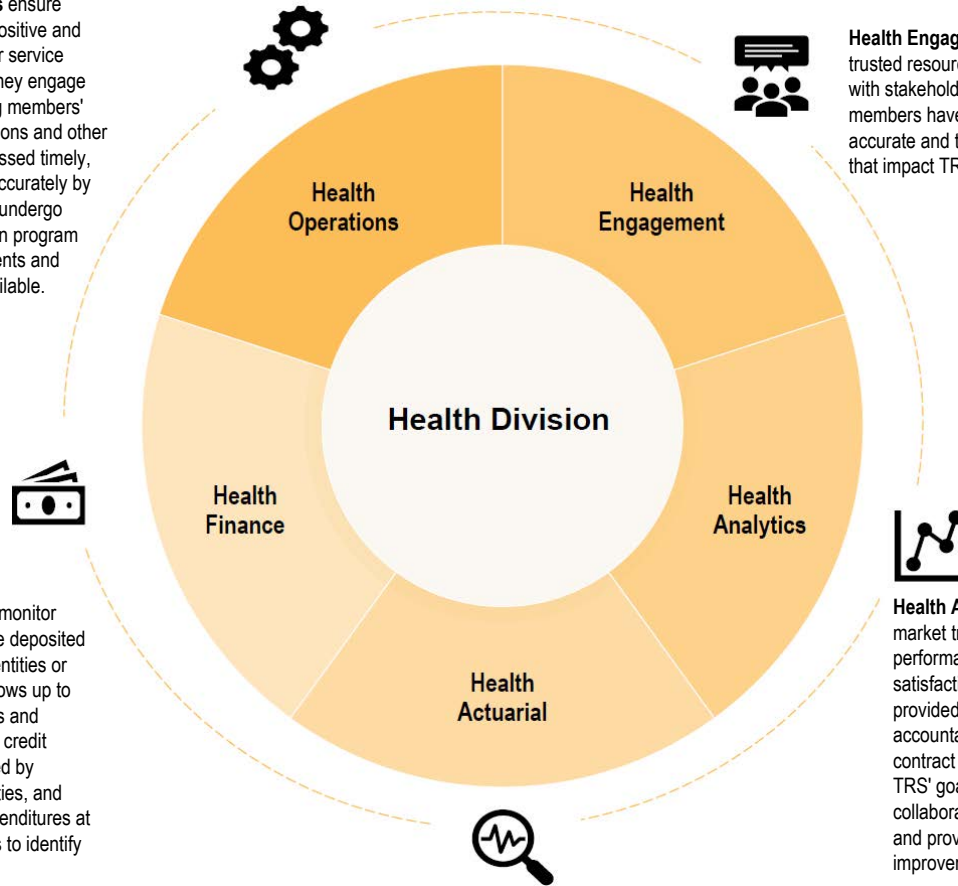
## Health Care Programs

### 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.

**Health Operations** ensure members have a positive and seamless customer service experience when they engage with TRS. Ensuring members' TRS-Care applications and other requests are processed timely, consistently, and accurately by having counselors undergo intensive training on program eligibility requirements and health benefits available.

**Health Engagement** serves as a trusted resource and engaging with stakeholders to ensure members have access to accurate and timely information that impact TRS members.



**Health Finance** monitor premium revenue deposited by participating entities or received and follows up to ensure timeliness and accuracy, review credit appeals submitted by participating entities, and monitor fund expenditures at different intervals to identify unusual trends.

**Health Analytics** monitor market trends, plan financial performance and member satisfaction with services provided to hold vendors accountable for meeting contract terms and achieving TRS' goals. Working collaboratively with vendors and providers to drive improvements in value.

**Health Actuarial** forecast financial trends and estimate fund balances through analysis to ensure that plan design changes maintain and encourage the use of high-value care and revenues are sufficient to pay claims.


Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	18,115,758	21,689,864	22,276,000
Professional Fees and Services	4,362,848	8,964,000	8,568,300
Other Operating Expenses	163,970	567,800	274,300
<b>Expense Category Total</b>	<b>22,642,576</b>	<b>31,221,664</b>	<b>31,118,600</b>

## 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.
- Ensure access to competitive retiree health benefits, including dental and vision plans.
- Engage and educate plan participants to help them achieve better health outcomes.

### Executive Director's Areas of Focus Fiscal Year 2026

MEMBER Focused				
	Areas of Focus	Success Measures		
		Deliverables		
	Increase the value of TRS-Care and TRS-ActiveCare benefits. (Goal 3, Objective 2)	<ul style="list-style-type: none"> <li>• Monitor, evaluate and expand innovative and effective savings initiatives such as member rewards.</li> <li>• Award competitive procurements for enrollment vendor and medical plan administrators.</li> <li>• Improve communication materials for TRS-ActiveCare and TRS-Care participants.</li> </ul>		
Key Performance Indicators (KPI)		2024 Actual	2025 Estimated	2026 Target <sup>1</sup>
Cost savings associated with relying less on external vendors		\$3.3M	\$3.0M	\$1.5M
Average annual increase in cost of claims experienced by TRS-Care and TRS-ActiveCare compared to S&P trend		0.4%	(5)%	<0%
Member engagement metrics as measured by percent of members who open the Pulse email and then click to read articles		48% email 15% articles	48% email 15% articles	25% email 3% articles
Number of TRS-Care participants engaged with a primary care provider		77%	76%	76%
Number of TRS-ActiveCare participants engaged with a primary care provider		74%	71%	71%
Calls answered within 3 minutes		99%	75%	90%
Calls answered internally vs. externally		16%	21%	50%
Participation Rate in Disease Management Program by Non-Medicare Enrollees		28%	20%	5%
Generic Substitution Rate for TRS-Care Prescription Drug Benefits		99%	98%	98%

<sup>1</sup>FY 2026 target is an estimate and subject to change.

# DIVISION EXPENSES AND GOALS

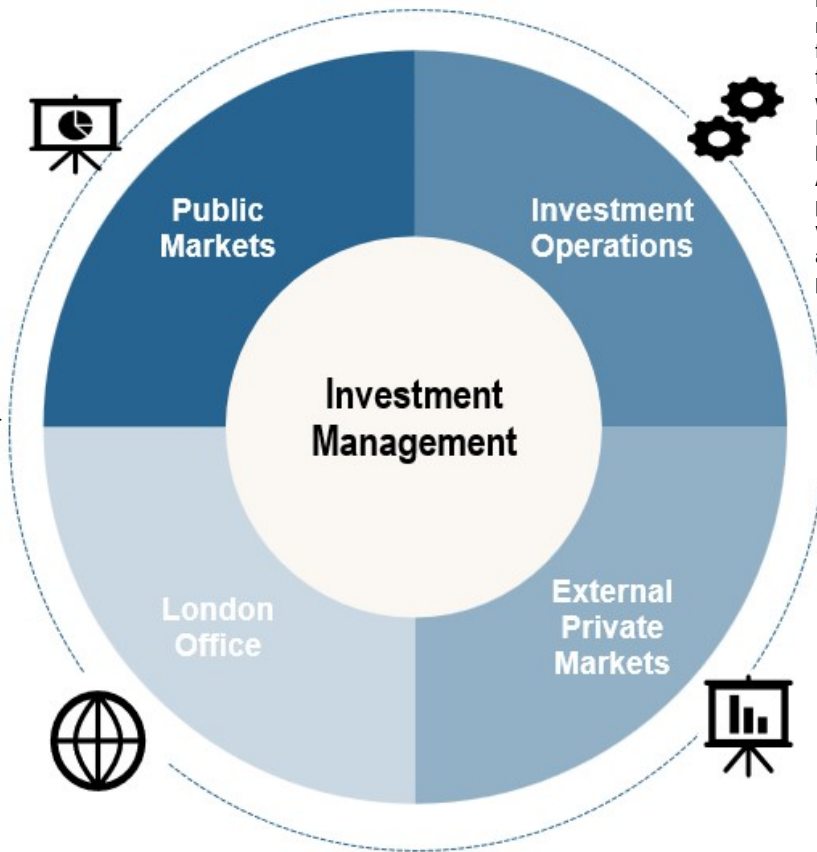
## Investment Management

### 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. As Texas largest public retirement system, TRS ranks sixth largest in the 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.

**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.



**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.

**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' long-term risk-adjusted returns and provide diversification to the overall Trust.

Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	55,332,293	61,329,261	68,494,900
Performance Pay Plan	55,427,651	39,742,060	39,700,000
Professional Fees and Services	9,077,541	16,193,000	12,156,000
Other Operating Expenses	5,653,039	3,889,000	2,785,200
<b>Expense Category Total</b>	<b>125,490,524</b>	<b>121,153,321</b>	<b>123,136,100</b>

## 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.
- Enhance current competitive advantages and total returns.
- Manage cost structures to increase net alpha generated.
- Serve as a trusted resource and engage with policymakers on pension funding and plan design.

### Executive Director's Areas of Focus Fiscal Year 2026

LEADERSHIP Effectiveness	
Areas of Focus	Success Measures
	Deliverables
Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. (Goal 1, Objective 1)	<ul style="list-style-type: none"> <li>• Oversee State Street's commitment to deliver technology and service enhancements as outlined in the Custody Agreement (August 2026).</li> <li>• Successful onboarding of new investment advisor for the Board of Trustees.</li> <li>• Competitively procure board investment consultant services.</li> </ul>

Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Number of Years-Amortize TRS Retirement Fund Unfunded Actuarial Accrued Liability	30.0	30.0	30.0
TRS Retirement Fund 5-year Average Time-weighted Rate of ROI Performance	7.9%	8.6%	7.0%
TRS Retirement Fund 20-year Average Time-weighted Rate of ROI Performance	7.0%	7.0%	7.0%
Investment Performance Relative to Board Approved Benchmark	+355 bp	+100 bp	+100 bp
TRS Retirement Fund Investment Expense as Basis Points of Net Assets	60.59	57.98	48.50
Return in excess of the benchmark return for the Total Trust (3-year Rolling)	+90bp	+176 bp	+75 bp

# DIVISION EXPENSES AND GOALS

## Information Technology

### Purpose:

The Information Technology (IT) Division is responsible for all aspects of TRS’ technology 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.

**Enterprise Data & Analytics** advances data management concepts, technologies, and capabilities to support the increasing demands to become more data centric and drive efficiencies.



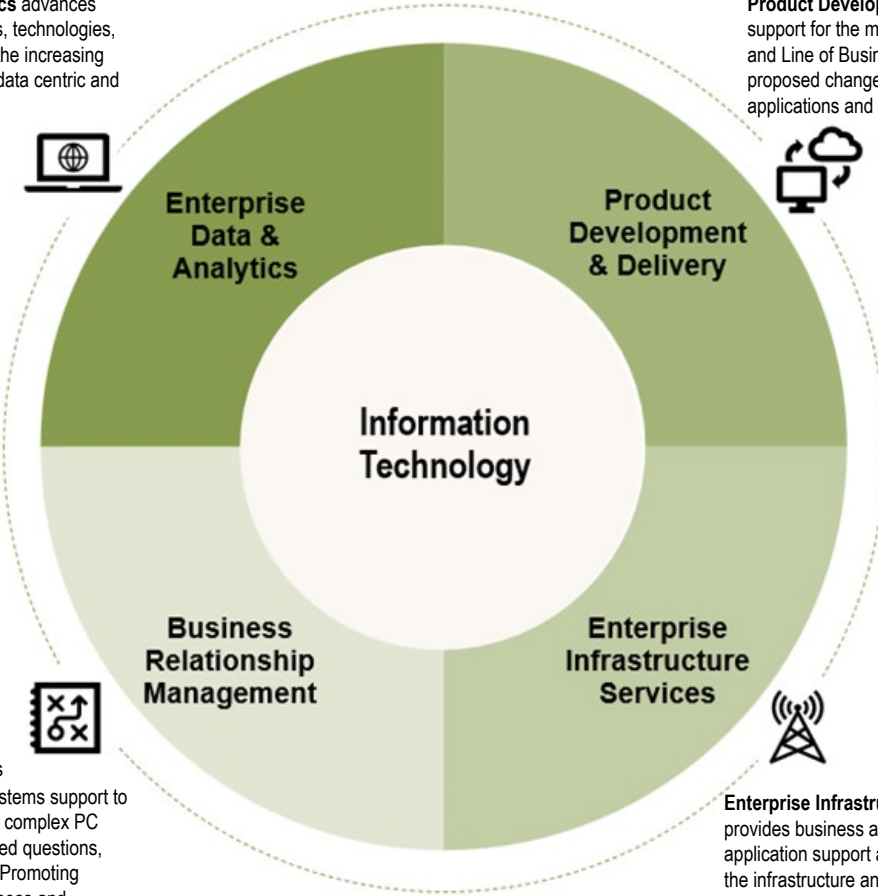
**Enterprise Data & Analytics**

**Product Development & Delivery** provides support for the maintenance of current legacy and Line of Business applications. Ensuring proposed changes to the production applications and technical infrastructure meet



**Product Development & Delivery**

acceptable performance standards using previously determined performance baselines.



**Business Relationship Management** manages business partner facing activities for IT including promoting engagement, implementing effective governance for core process areas within IT, providing systems support to the TRS user community for complex PC hardware and software related questions, and troubleshooting issues. Promoting enterprise process effectiveness and efficiency through innovation, training, collaboration, and supporting technologies concerning business analysis and project management activities.



**Business Relationship Management**

**Enterprise Infrastructure Services** provides business and enterprise application support and services, ensuring the infrastructure and operations are reliable, available, and secure. The team also delivers data center, disaster recovery, security, monitoring/alerting, mobility, service management, and support for all TRS office locations.



**Enterprise Infrastructure Services**


Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	19,684,310	24,652,142	26,047,700
Professional Fees and Services	6,502,907	9,940,200	9,617,000
Other Operating Expenses	16,718,252	27,836,235	26,865,000
<b>Expense Category Total</b>	<b>42,905,469</b>	<b>62,428,577</b>	<b>62,529,700</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Information Technology ensures that people, processes, and technology support service delivery 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.
- Allow support for a work environment encompassing both office and remote options that provide 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.

### Executive Director's Areas of Focus Fiscal Year 2026

CONTINUOUS Improvement			
	Areas of Focus		
	Advance and enhance information technology (IT) systems and services. (Goal 4, Objective 2)	<ul style="list-style-type: none"> <li>• Automate the Retirement Application submitted through MyTRS (Maintenance &amp; Enhancements).</li> <li>• Deliver first release of Web Self-Service for Health, improving accessibility and user engagement.</li> </ul>	
Evaluate automation and technology solutions to enhance existing processes. (Goal 4, Objective 7)	<ul style="list-style-type: none"> <li>• Investigate best practices and feasibility of incorporating artificial intelligence into organizational processes.</li> <li>• Implement and support business-driven artificial intelligence technology solutions across TRS.</li> <li>• Identify areas of improved productivity, process efficiencies and performance monitoring.</li> </ul>		
Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Percent of network/systems uptime	99.98%	99.99%	99.90%
Percent of business-critical application uptime	99.91%	99.92%	99.50%
Percent of available system capacity	47.44%	45.33%	<80%

# 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. These activities include investment accounting, accounts payable and travel, accounting and reporting, employee payroll and time administration, data analytics, budget and financial analysis, and strategic planning and enterprise performance.

**Enterprise Risk, Strategy & Performance** focuses on the strategic planning, risk management, and continuous improvement of the agency on an enterprise, departmental, and staff level. The team is responsible for the development of the TRS Strategic Plan and Areas of Focus (AOFs).

**Budget & Financial Analysis** prepares and maintains agency operation budgets, legislative reports, and position control. The team analyzes funding requests, advises of financial impact, and presents viable alternatives supporting timely decision-making by executive management.

**Analytics and Financial Insights Group** focuses on transforming processes and inaccessible data into scalable automated solutions while improving transparency and increasing agency wide access to financial data.



**Accounting and Reporting** records and reconciles transactions related to tax, annuity payments and various revenue types. Reports financial transactions to local, state, federal and international entities and support our members with issues related to tax and payroll to ensure accurate and timely reporting.

**Accounts Payable and Travel** process purchase vouchers for payment of goods and services, manage and track agency invoices from receipt to approval, and providing agency-wide support for reviewing and processing travel requests and claims for reimbursement, and directing post payment audit activities.

**Employee Payroll & Time Administration** is dedicated to processing accurate and timely employee and TRICOT direct hire compensation payments, annuitant excess benefit payments and to maintaining time records that are compliant with state, federal and international regulations. The team provides support regarding all aspects of payroll, time administration, policy and procedure.

**Investment Accounting** provides independent review and oversight of investment financial information accounted for by the system's custodian bank and reported TRS financial and Investment Management Division reports as well as the Annual Comprehensive Financial Report (ACFR).

Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	6,393,572	8,125,154	8,235,700
Professional Fees and Services	606,906	847,800	853,200
Other Operating Expenses	77,499	176,308	118,800
<b>Expense Category Total</b>	<b>7,077,977</b>	<b>9,149,262</b>	<b>9,207,700</b>


## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 1), Financial Services continues to support the core services by sustaining an actuarially 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.
- Conduct meetings with all the business units to identify opportunities for improved productivity, process efficiencies, performance monitoring, and risk management.
- 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.
- Implement advanced data analytics tools and data management practices to increase transparency of data and reporting efficiency.

### Executive Director's Areas of Focus <sup>1</sup> Fiscal Year 2026

OPERATIONAL Effectiveness 			
Areas of Focus	Success Measures		
	Deliverables		
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (Goal 4, Objective 3)	<ul style="list-style-type: none"> <li>• Expand governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal &amp; Compliance and appropriate business units.</li> </ul>		
Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Request the increased state contribution as passed by Senate Bill (SB) 12 in 2019	8.25%	8.25%	8.25%

<sup>1</sup>The Executive Director's Areas of Focus are also noted under Information Security Office and Legal & Compliance due to the cross-divisional scope.

# DIVISION EXPENSES AND GOALS

## Administrative Services

### Purpose:

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

**Records & Document Services** ensures compliance with all applicable laws, rules, and regulations in managing TRS records, delivers timely, and accurate support, provides document imaging services, oversees print production, handles mail operations, manages agency office supplies, and coordinates mass mailings with vendors.

**Facilities Management** provides ongoing operations and maintenance for TRS grounds and facilities including kitchen equipment, sound equipment, mechanical equipment, irrigation systems, electrical systems, plumbing systems, and the heating, ventilation, and air conditioning (HVAC) systems, set up conference rooms for meetings, move furniture and set up work areas, and provide transportation as requested.



**Enterprise Program Management** provides project governance, project management, and research and analysis to the organization as well as facilitates communication and partnership between the core lines of business, shared services, and vendors as needed.

**Safety & Security** maintains a 24/7 security presence through surveillance and access control across TRS grounds and facilities, and oversees programs including safety, insurance, business continuity, disaster recovery, and incident management.

Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	5,515,099	6,745,119	7,256,000
Professional Fees and Services	3,091,976	5,518,360	3,369,500
Other Operating Expenses	8,666,175	11,162,961	12,326,600
<b>Expense Category Total</b>	<b>17,273,250</b>	<b>23,426,440</b>	<b>22,952,100</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Administrative Services 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. Administrative Services goals include:

- Transform TRS into a more intentional and resilient enterprise by fostering collaboration and partnership with internal and external stakeholders enhancing their productivity and success.
- 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 TRS headquarters occupancy strategies by managing and monitoring major and minor improvement projects 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.

### Executive Director's Areas of Focus<sup>1</sup> Fiscal Year 2025

OPERATIONAL Effectiveness	
Areas of Focus	
Execute on TRS Facilities needs. (Goal 4, Objective 4)	<ul style="list-style-type: none"> <li>• Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo). <b>Completed May 2025.</b></li> </ul>

### Executive Director's Areas of Focus Fiscal Year 2026

TALENT Effectiveness	
Areas of Focus	Success Measures
	Deliverables
Attract, retain and develop a diverse and highly competent staff. (Goal 4, Objective 1)	<ul style="list-style-type: none"> <li>• Execute on Return to Office Plan and monitor implementation.</li> </ul>

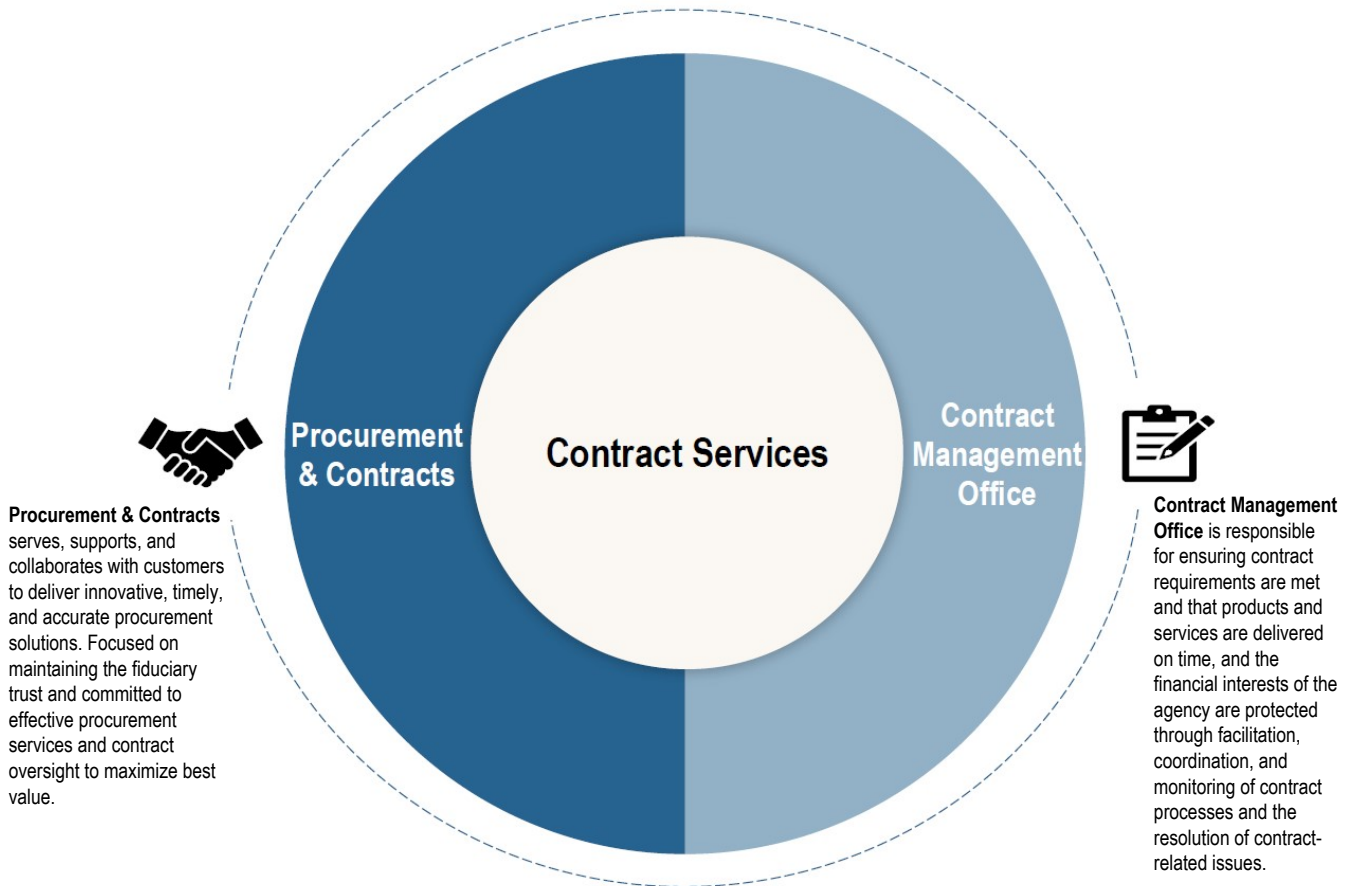
<sup>1</sup>The Executive Director's Areas of Focus are also noted under Organizational Excellence due to the cross-divisional scope.

# DIVISION EXPENSES AND GOALS

## Contract Services

### Purpose:

The Contract Services Division is responsible for supporting the mission of TRS through customer-focused business operations that include purchasing and contracting and contract management. Contract Services delivers innovative, timely, and trustworthy procurement and contract oversight services that ensure compliance, protect agency resources, and support the delivery of quality products and services.




Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	2,844,927	3,260,640	3,795,700
Professional Fees and Services	13,280	22,250	12,400
Other Operating Expenses	14,876	40,750	31,000
<b>Expense Category Total</b>	<b>2,873,083</b>	<b>3,323,640</b>	<b>3,839,100</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Contract Services support the core services through collaboration and overseeing the full procurement and contracting lifecycle to achieve excellence in the delivery of TRS goals. Contract Services goals include:

- Improve and maintain effective procurement and contract management practices.
- 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).
- Maximize financial and operational contract performance and minimize risk.

### Executive Director's Areas of Focus<sup>1</sup> Fiscal Year 2026

OPERATIONAL Effectiveness				
	Areas of Focus	Success Measures		
		Deliverables		
	Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (Goal 4, Objective 3)	<ul style="list-style-type: none"> <li>• Procure a long-term information security fraud prevention solution that aligns with organizational risk appetite and strategic objectives.</li> </ul>		
Key Performance Indicators (KPI)		2024 Actual	2025 Estimated	2026 Target
Increase number of HUBs utilized for Commodities		34%	14%	35%
Increase number of HUBs utilized for Other Services and Professional Services		35%	26%	35%
Increase number of HUBs utilized for Special Trade		76%	44%	50%
Percent increase of HUBs that are solicited within the bi-annual and annual HUB reports		3%	2%	3%

<sup>1</sup>The Executive Director's Areas of Focus are also noted under Information Security Office due to the cross-divisional scope.

# DIVISION EXPENSES AND GOALS

## Executive

### Purpose:

The Executive Division provides direction to the agency by developing and implementing strategies and programs to promote effective and responsible operations. 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.

**Communications** provides full service, innovative, and effective communication solutions to internal and external customers. Services include management of media relations, social media, print publications, website design/content, member outreach and engagement, and website accessibility.



**Board of Trustees** of TRS 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.



**Government Affairs** performs advanced legislative work that involves planning, organizing, coordinating, and monitoring activities related to legislation affecting TRS. The unit develops and implements strategies and programs to promote effective governmental relations, including communicating with government officials and representing the agency at legislative hearings, responding to legislative inquiries, and tracking, analysis, and implementation of legislation.



**Executive** is the principle agency liaisons to the Board of Trustees as well as the primary representatives of TRS to the legislature and statewide elected leadership. Additionally, executive management provides strategic direction, operational oversight to all functions of the organization, as well as expertise on pension policy and issues.



Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	7,340,964	9,681,799	15,920,700
Professional Fees and Services	383,192	604,100	793,900
Other Operating Expenses	485,299	2,141,892	1,701,800
<b>Expense Category Total</b>	<b>8,209,455</b>	<b>12,427,791</b>	<b>18,416,400</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), the Executive Division 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. Executive Division goals include:

- Improve strategic communications with a customer-centric focus.
- Execute on the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed post retirement.

### Executive Director's Areas of Focus Fiscal Year 2026

OPERATIONAL Effectiveness	
Areas of Focus	Success Measures
Implementation of legislation and statutorily required actuarial reviews.	<ul style="list-style-type: none"> <li>• Plan and execute implementation of new legislation.</li> <li>• Conduct pension benefit design studies and submit reports (September 2026).</li> <li>• Successful completion of the Experience Study.</li> </ul>

LEADERSHIP Effectiveness	
Areas of Focus	Success Measures
	Deliverables
Enhance stakeholder communication.	<ul style="list-style-type: none"> <li>• Increase senior leadership attendance at health fairs, association meetings and other member-related external events.</li> <li>• Increase engagement with outreach plan communications products.</li> </ul>

Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Respond to 100% of customer inquiries received via social media within regular business hours or next 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%
Increase number of visits/views of outreach plan communications products (e.g., videos, web pages)	>20%	43%	N/A
Increase social media followers and email subscribers for real-time TRS updates/resources	24%	N/A	N/A

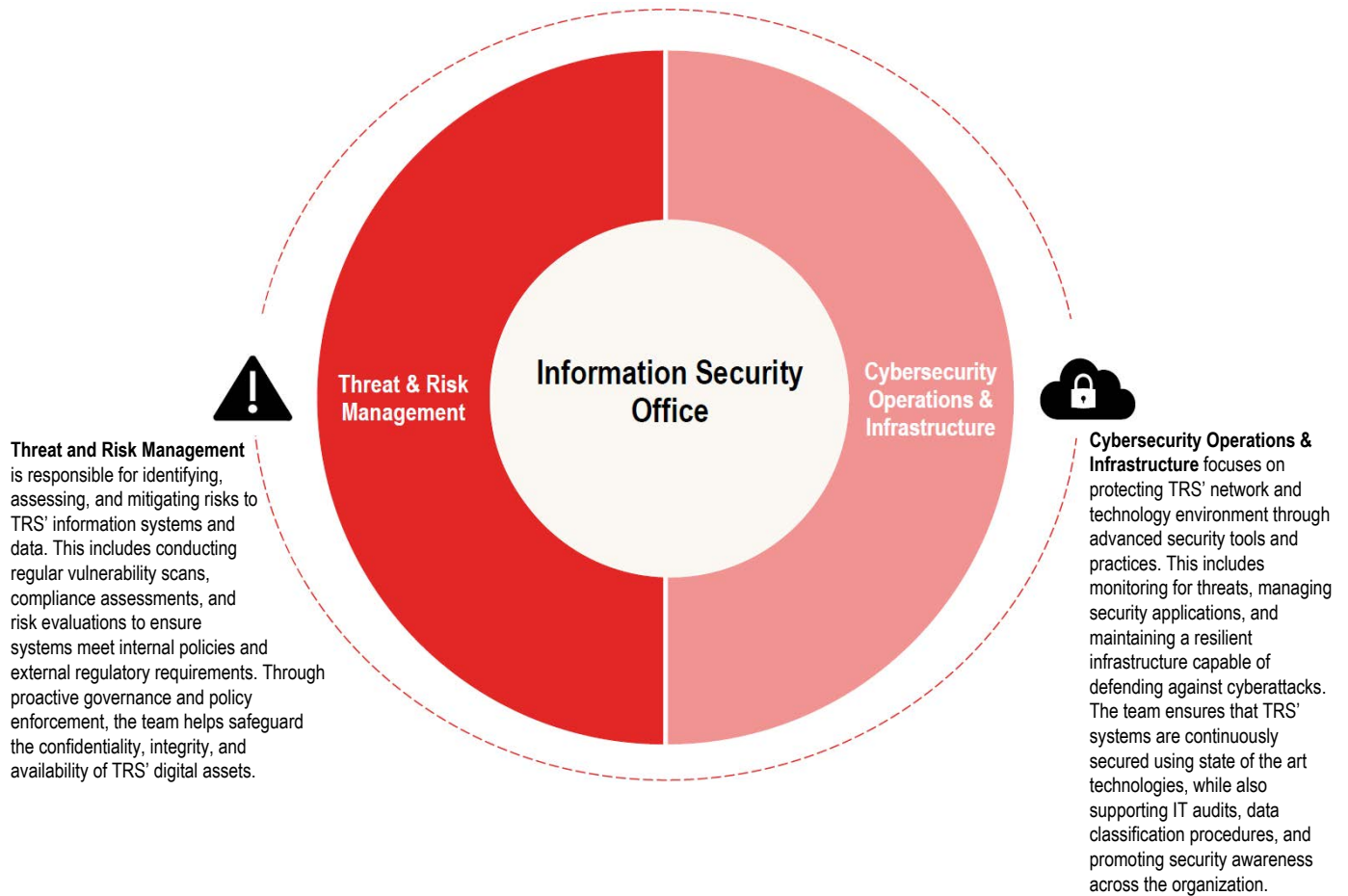
\*KPIs marked "N/A" indicate performance measures that have concluded and are no longer being tracked.

# DIVISION EXPENSES AND GOALS

## Information Security Office

### Purpose:

The Information Security Office is responsible for maintaining the confidentiality, integrity and availability of IT systems and business data. The Information Security Office focuses on information and system risk assessments through vulnerability and compliance scanning, information governance via policy management and enforcement, and securing the TRS network infrastructure and current technologies with state of the art security devices and applications.



Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	2,452,398	3,506,492	3,878,100
Professional Fees and Services	146,122	525,347	360,600
Other Operating Expenses	197,120	304,153	219,900
<b>Expense Category Total</b>	<b>2,795,640</b>	<b>4,335,992</b>	<b>4,458,600</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Information Security Office 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. Information Security goals include:

- Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.
- Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities.

### Executive Director's Areas of Focus<sup>1</sup> Fiscal Year 2026

OPERATIONAL Effectiveness			
Areas of Focus	Success Measures		
	Deliverables		
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (Goal 4, Objective 3)	<ul style="list-style-type: none"> <li>• Expand governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal &amp; Compliance and appropriate business units.</li> <li>• Procure and implement a long-term information security fraud prevention solution that aligns with organizational risk appetite and strategic objectives. Partner with Legal &amp; Compliance and key business stakeholders to embed fraud risk management into governance frameworks.</li> </ul>		
Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Number of systems with completed security assessment validations (cumulative)	12	20	20
Number of projects with Information Security involvement (cumulative)	15	20	20
Number of systems built out in Information Security's risk management platform (cumulative)	6	5	5
Phishing click rate - percent of people who clicked the phishing exercises	8%	<12%	<12%

<sup>1</sup>The Executive Director's Areas of Focus are also noted under Legal & Compliance and Contract Services due to the cross-divisional scope.

# DIVISION EXPENSES AND GOALS

## Organizational Excellence

### Purpose:

Organizational Excellence (OE) builds strategic partnerships to attract, retain, and develop top talent at TRS. It serves as a proactive, mission-driven business partner across the organization, offering services that support a diverse, inclusive, and high-performing workforce to better serve TRS members.

**Employee Relations and Benefits** ensures that all employees possess the knowledge needed to take full advantage of benefits available through TRS. The team promotes programs and activities designed to keep employees healthy and educate them about physical well-being.

**Talent Acquisition** offers services to help attract, retain, and develop a highly competent staff and is committed to promoting a diverse and inclusive workplace that best positions TRS to serve its members.

**Organizational Change Management** serve as a central resource to build connections and drive continuous improvement by ensuring employees are informed, engaged and prepared for change.

**Performance Excellence** equips staff and managers with tools and support to grow and succeed, leading programs like the agency's performance appraisals, 360 feedback, and career development. The team also partners on succession planning, merit processes, and knowledge transfer for long-term organizational success.

**Outreach, Culture and Engagement** helps TRS stay connected to employee experiences and fosters a workplace where employees can thrive and find professional fulfillment.

**Compensation** is responsible for developing and maintaining equitable and competitive pay structures aligned with organizational goals and workforce needs. The team advises on salary decisions and ensures consistency and fairness across the organization.

**Learning & Development** is responsible for developing and delivering agency-wide compliance training and other training opportunities to keep TRS employees informed and up-to-date on professional development skills.




Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	7,732,460	9,900,032	10,670,300
Professional Fees and Services	902,138	1,669,300	1,125,100
Other Operating Expenses	412,974	749,800	635,500
<b>Expense Category Total</b>	<b>9,047,572</b>	<b>12,319,132</b>	<b>12,430,900</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Organizational Excellence 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. Organizational Excellence's goals include:

- Attract, retain, and develop a diverse and highly competent staff.
- Promote a strong workplace culture that is inclusive and fosters creativity and innovation.
- 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.

### Executive Director's Areas of Focus Fiscal Year 2026

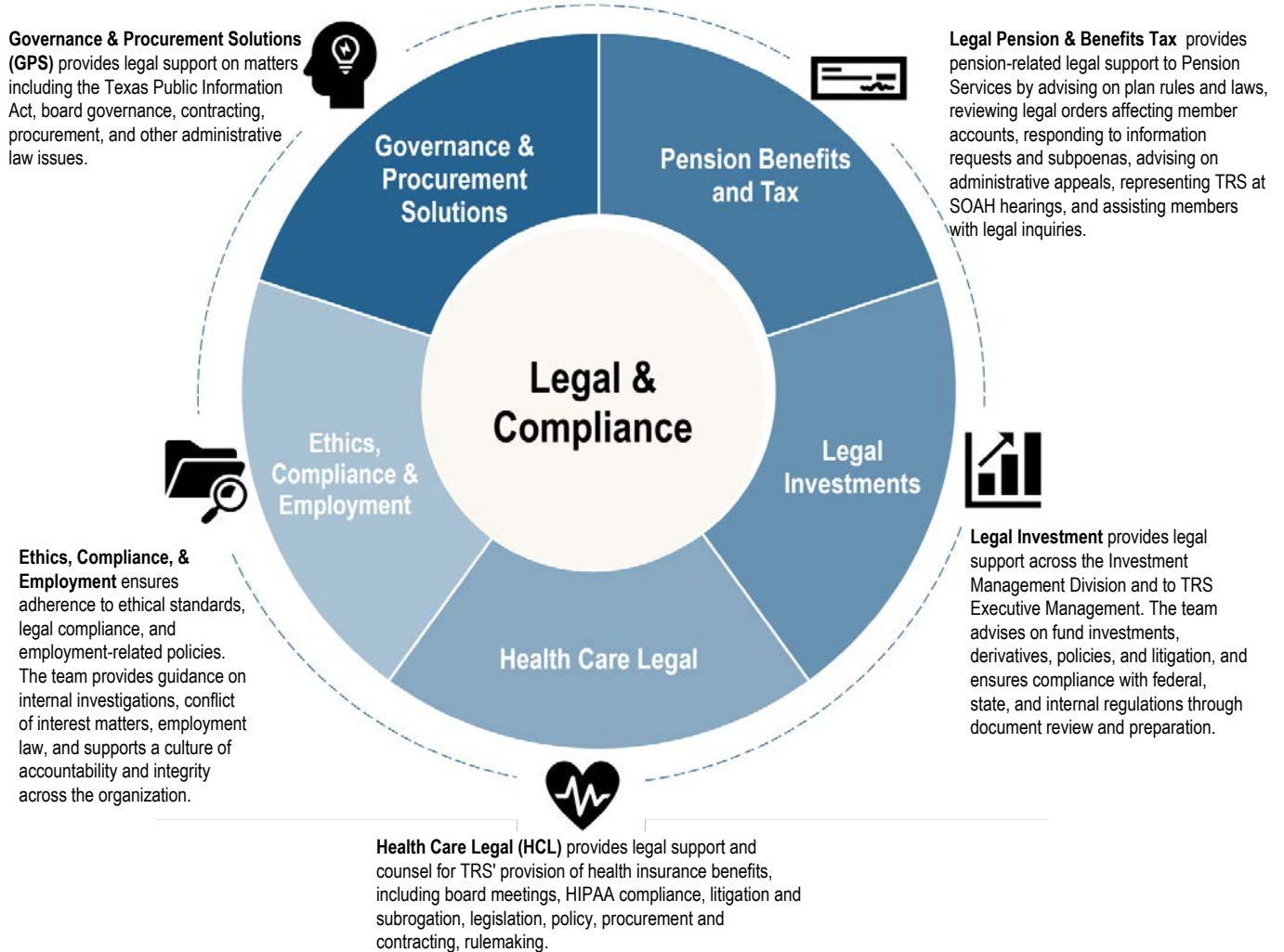
TALENT Effectiveness			
	Areas of Focus	Success Measures	
		Deliverables	
	Attract, retain and develop a diverse and highly competent staff. (Goal 4, Objective 1)	<ul style="list-style-type: none"> <li>• Continue to evolve as an employer of choice to attract and retain best talent.</li> <li>• Maintain workforce planning strategies to align talent needs with organizational goals, enhance learning and development opportunities and expand succession planning initiatives to develop and retain future leaders.</li> <li>• Execute on Return to Office Plan and monitor implementation.</li> </ul>	
Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Employee engagement index score (Energage/Top Workplaces survey)	4.57	4.0 or greater	4.0 or greater
TRS voluntary turnover rate vs. state turnover rate	TRS percentage below State average 49.8%	TRS percentage below State average <50%	A minimum of 25% below state average

# DIVISION EXPENSES AND GOALS

## Legal & Compliance

### Purpose:

The Legal & Compliance Division's core functions span several key areas, including pension benefits and tax, investments, health law and group programs, ethics, compliance, and employment matters, as well as governance and procurement solutions, which encompass responsibilities under the Public Information Act, Open Meetings Act, and contracting processes.




Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	10,391,914	11,723,862	12,244,300
Professional Fees and Services	677,815	1,816,217	1,285,500
Other Operating Expenses	183,549	367,383	261,400
<b>Expense Category Total</b>	<b>11,253,278</b>	<b>13,907,462</b>	<b>13,791,200</b>

## Division Goals and Key Performance Indicators:

Aligning to the TRS Strategic Plan (Goal 4), Legal & Compliance 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. Legal & Compliance goals include:

- Expand the governance, risk, and compliance (GRC) program to include security and privacy management, risk/fraud forecasting, and education.
- Foster a culture of fiduciary responsibility and ethical conduct.
- Embed/integrate a culture of ethics and compliance within the business process.
- Enhance visibility of and accessibility to Legal & Compliance throughout TRS.
- Implement legislation.
- Address, manage and/or eliminate bias, harassment, and discrimination in demonstration of our equal opportunity policy and equitable access commitment.

### Executive Director's Areas of Focus <sup>1</sup> Fiscal Year 2026

OPERATIONAL Effectiveness 			
Areas of Focus	Success Measures		
	Deliverables		
Enhance the information security program to effectively counter current and emerging threats and risks facing TRS. (Goal 4, Objective 3)	<ul style="list-style-type: none"> <li>• Expand governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal &amp; Compliance and appropriate business units.</li> <li>• Partner with Legal, Compliance and key business stakeholders to embed fraud risk management into governance frameworks.</li> </ul>		
Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Train 100% of staff on ethical standards annually	100% provided timely / 97% completed timely	100% provided timely / 95% completed timely	100%
Maintain current policies and procedures	100%	100%	100%

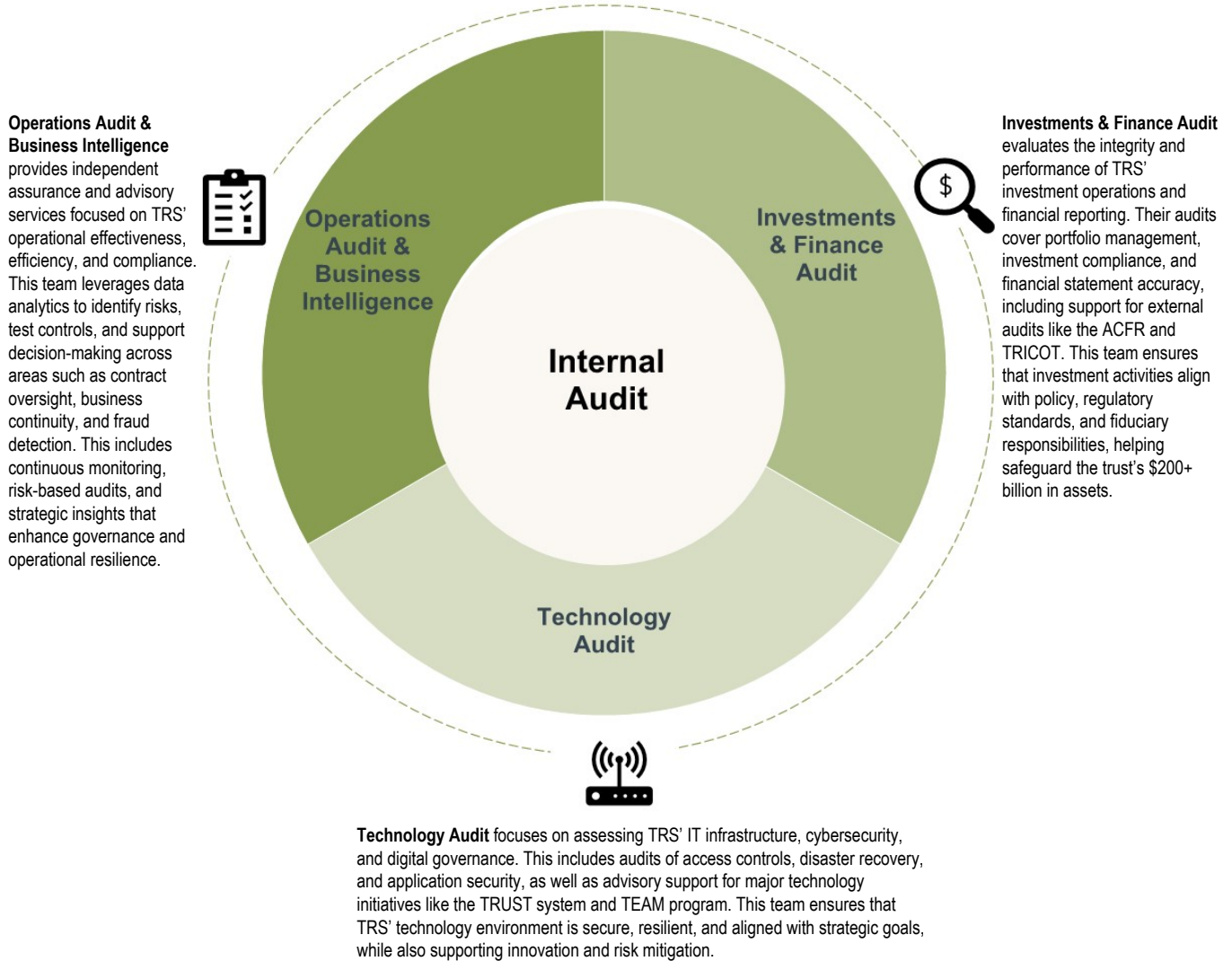
<sup>1</sup>The Executive Director's Areas of Focus are also noted under Information Security Office and Financial Services due to the cross-divisional scope.

# DIVISION EXPENSES AND GOALS

## Internal Audit

### Purpose:

The Internal Audit Division supports TRS in achieving its goals by providing independent evaluations that strengthen risk management, internal controls, and governance. Internal Audit contributes to informed decision-making and operational effectiveness by offering practical insights and promoting accountability across the organization.



Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	2,832,193	3,387,321	3,625,400
Professional Fees and Services	940,666	1,765,400	996,000
Other Operating Expenses	72,902	131,100	98,000
<b>Expense Category Total</b>	<b>3,845,761</b>	<b>5,283,821</b>	<b>4,719,400</b>

## Division Goals and Key Performance Indicators:

Aligning with the TRS Strategic Plan (Goal 4), Internal Audit ensures that people, processes, and technology work together to strengthen governance, manage risk, and drive operational excellence. Internal Audit's primary objective is to foster a culture of fiduciary responsibility, ethical conduct, and continuous improvement. Internal Audit's goals include:

- Provide assurance to the Board of Trustees and senior management.
- Serve as trusted advisor to the Board of Trustees and management.
- Attract, develop and retain outstanding Internal Audit talent.
- Develop and leverage technological audit solutions

### Executive Director's Areas of Focus <sup>1</sup> Fiscal Year 2026

CONTINUOUS Improvement			
Areas of Focus	Success Measures		
	Deliverables		
Evaluate automation and technology solutions to enhance existing processes. (Goal 4, Objective 7)	<ul style="list-style-type: none"> <li>• Identify opportunities for improved productivity, process efficiencies and performance monitoring.</li> </ul>		
Key Performance Indicators (KPI)	2024 Actual	2025 Estimated	2026 Target
Percent of Audit Plan completed in the fiscal year.	93%	92%	100%
Post-project survey score: Overall client/stakeholder satisfaction.	91%	94%	85%
Retention: 75% of staff remain in Internal Audit or TRS (excluding retirements).	87%	88%	75%

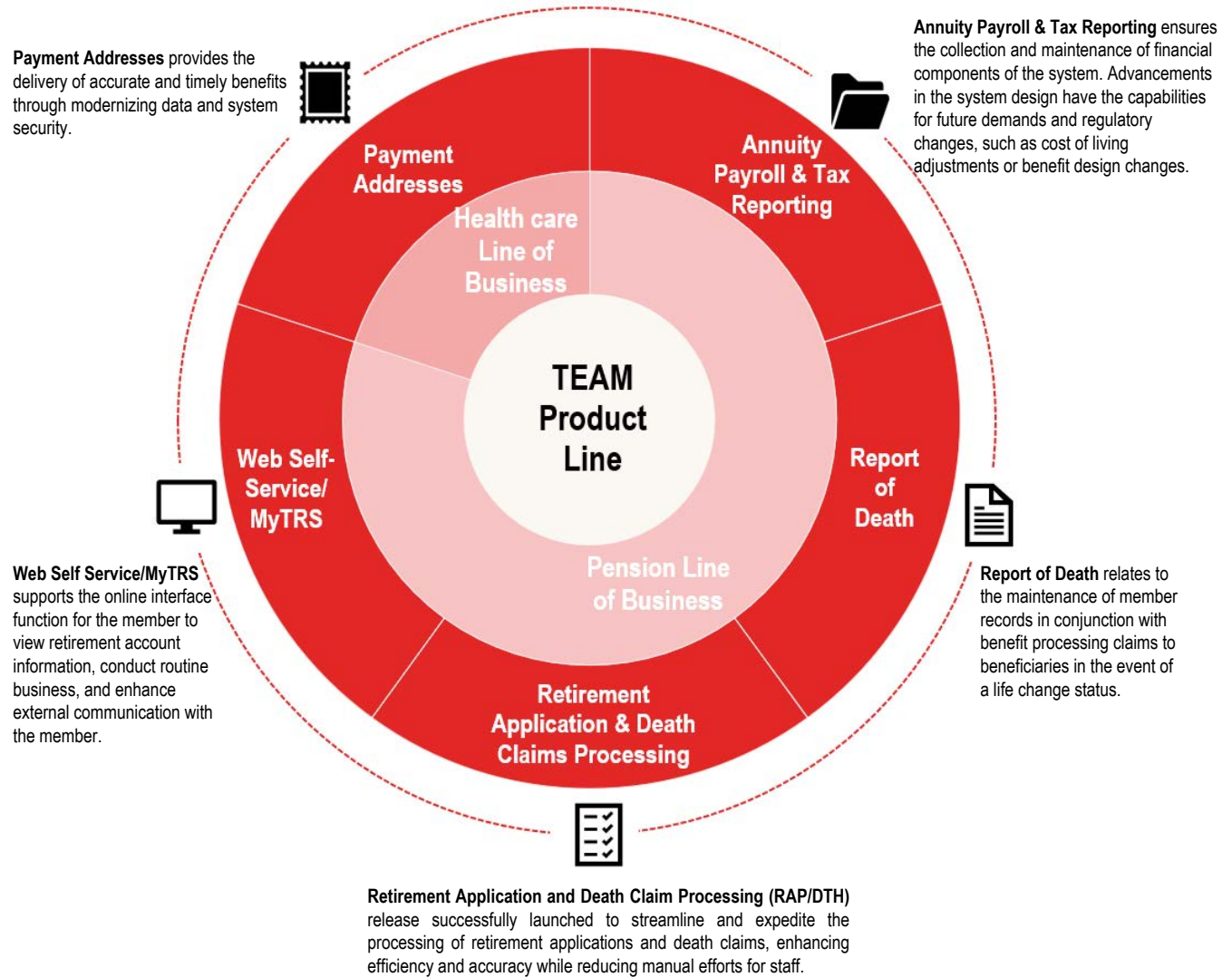
<sup>1</sup>The Executive Director's Areas of Focus are also noted under Information Technology due to the cross-divisional scope.

# DIVISION EXPENSES AND GOALS

## TEAM Program

### Purpose:

TEAM is a cohesive collection of components designed to meet the business and technology objectives of TRS over the next 10-20 years. In this final phase of the program, TEAM 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 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	9,137,071	11,071,070	11,000,800
Professional Fees and Services	5,530,111	6,297,500	6,297,500
<b>Expense Category Total</b>	<b>14,667,182</b>	<b>17,368,570</b>	<b>17,298,300</b>

## 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 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) successfully launched to streamline and expedite the processing of retirement applications and death claims, enhancing efficiency and accuracy while reducing manual efforts for staff. TEAM continues to prioritize the Payroll, Benefit Adjustment, and Tax (PBT) code release. This fiscal year is the final phase for this project.

- 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 this fiscal year, 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.

### Executive Director's Areas of Focus Fiscal Year 2026

CONTINUOUS Improvement			
Areas of Focus	Success Measures		
	Deliverables		
Advance and enhance information technology (IT) systems and services. (Goal 4, Objective 2)	<ul style="list-style-type: none"> <li>• Deliver Payroll, Benefit Account Adjustment and Tax Reporting (PBT) release per TEAM Roadmap.</li> <li>• Initiation of final phase of the TEAM Program: Mainframe decommissioning.</li> <li>• Begin optimization of TEAM Phase One code to enhance stability and performance (Technical Debt).</li> </ul>		
Key Performance Indicators (KPI) <sup>1</sup>	2024 Actual	2025 Estimated	2026 Target
Percent Complete - Design, build and test Pension LOB Retirement Application & Death Claims Processing Release	100%	N/A	N/A
Percent Complete - Design, build and test Pension LOB Payroll & Tax Release	79%	73%	79%

<sup>1</sup>KPIs marked “N/A” indicate performance measures that have concluded and are no longer being tracked

# DIVISION EXPENSES AND GOALS

## Investment Data Modernization

### Purpose:

The Investment Data Modernization (IDM) Program 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.

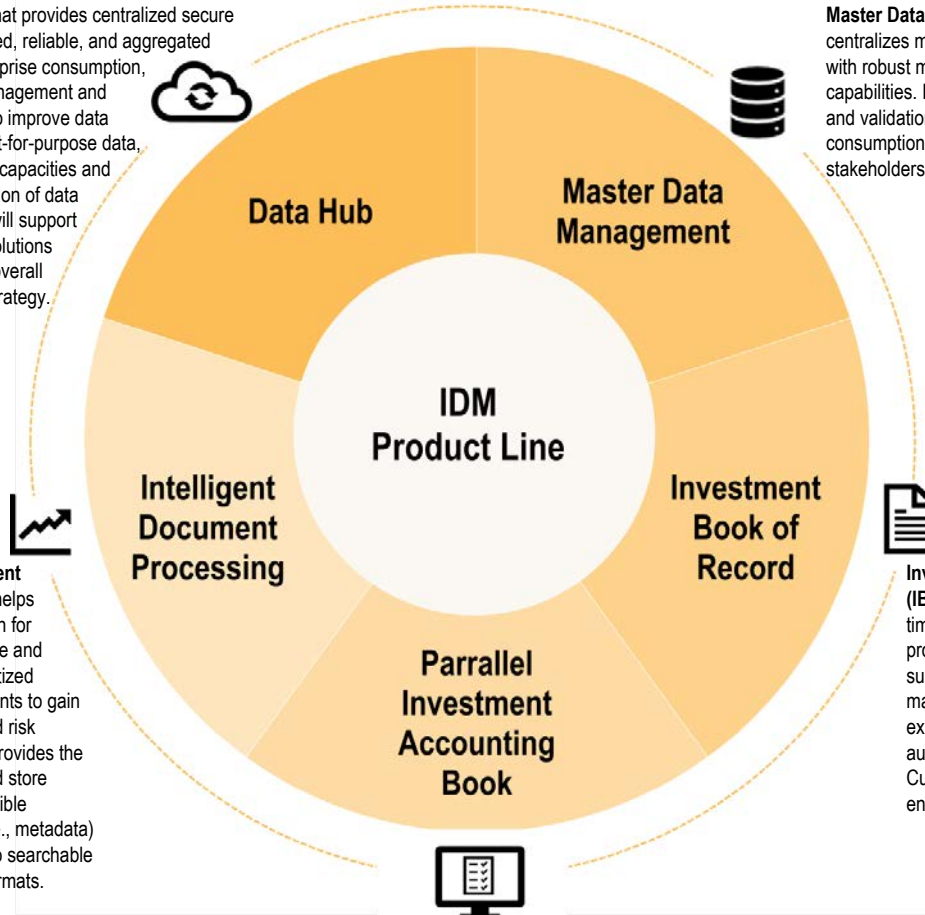
**Data Hub** is a platform that provides centralized secure access to tightly integrated, reliable, and aggregated investment data for enterprise consumption, utilizes a strong data management and governance foundation to improve data operations and provide fit-for-purpose data, and enables self-service 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.

**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.

**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., metadata) and transform it into searchable and consumable formats.

**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.




Administrative Budget by Expense Category	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026
Salaries and Benefits	495,975	1,699,600	2,441,400
Professional Fees and Services	2,715,187	18,062,077	14,770,100
Other Operating Expenses	—	7,205,651	4,690,000
<b>Expense Category Total</b>	<b>3,211,161</b>	<b>26,967,328</b>	<b>21,901,500</b>

## 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.

### Executive Director's Areas of Focus Fiscal Year 2026

 <b>CONTINUOUS Improvement</b>	
Areas of Focus	Success Measures
	Deliverables
Evaluate automation and technology solutions to enhance existing processes. (Goal 4, Objective 7)	<ul style="list-style-type: none"> <li>Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight.</li> </ul>

# Expenses by Fund

Pension Trust Fund					
	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Variance from FY 2025 to FY 2026	
<b>Salaries and Wages</b>	128,973,068	151,590,499	165,995,700	14,405,201	10%
<b>Retirement Contributions</b>	10,347,194	12,241,700	13,446,600	1,204,900	10%
<b>Social Security Contributions</b>	9,744,060	10,601,600	11,643,200	1,041,600	10%
<b>Health Insurance Contributions</b>	11,067,154	15,692,700	17,262,000	1,569,300	10%
<b>Other Employee Benefits</b>	1,278,075	1,547,500	1,703,400	155,900	10%
<b>Professional Fees and Services</b>	29,174,624	56,289,151	46,835,500	(9,453,651)	(17)%
<b>Consumable Supplies, Fuels</b>	517,261	721,873	646,500	(75,373)	(10)%
<b>Subscriptions and Reference Information</b>	52,995	166,069	138,200	(27,869)	
	374,430	1,887,285	406,000	(1,481,285)	(78)%
	951,457	1,185,000	1,185,000	—	
	1,843,779	3,322,750	3,305,800	(16,950)	
<b>Furniture and Equipment - Capitalized</b>	394,303	2,031,384	800,000	(1,231,384)	(61)%
<b>Grand Total</b>	<b>275,772,945</b>	<b>343,109,343</b>	<b>347,843,600</b>	<b>4,734,257</b>	<b>1%</b>

The FY 2026 Administrative Operating Budget funded by the Pension Trust Fund consists of a 1% increase. This minimal increase reflects the budget evaluation initiative which thoroughly reassessed the allocation of resources. This process involved level setting areas within the budget to more closely reflect actuals while continuing to support initiatives that enhance the quality and efficiency of services provided to our members.

**Salaries and Benefits** are increasing by 8% for the annualization of eight new FTEs added to the FY 2026 Budget to enhance efficiency and reduce reliance on external support. The increase also accounts for the FY 2026 merit program to award eligible staff. Benefit Replacement Pay (BRP) is decreasing as this benefit applies to certain employees that began with the state before September 1, 1995. As these staff retire or leave state employment the need to pay this benefit decreases.

**Professional Fees and Services** are decreasing by 17% due to the decreased reliance on contractors and project management services.

**Operating Expenses** are decreasing by 6% overall. The most significant decrease in this category is the computer hardware cost. To secure better discounts, we often pay for multiple years up front on certain contracts. The amount fluctuates from year to year depending on which contracts have already been covered and when they expire and are due for renewal.

**Furniture and Equipment Capitalized** is decreasing by 61% related to one-time purchases in FY 2025 of technological infrastructure for the Investment Data Modernization Program that will enhance fiduciary oversight, increase productivity with investment decision processes.

## Expenses by Fund

Commission Credits					
	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Variance from FY 2025 to FY 2026	
<b>Professional Fees and Services</b>	3,170,427	7,400,000	5,500,000	(1,900,000)	(26)%
<b>Dues, Fees, Staff Development</b>	—	7,000	7,000	—	—%
<b>Miscellaneous Expenses</b>	3,772,874	103,000	3,000	(100,000)	(97)%
<b>Total Operating Expenses</b>	3,772,874	110,000	10,000	(100,000)	(91)%
<b>Total Expenses</b>	<b>6,943,301</b>	<b>7,510,000</b>	<b>5,510,000</b>	<b>(2,000,000)</b>	<b>(27)%</b>
Revenue Sources					
<b>Commission Sharing</b>	6,943,301	7,500,000	5,500,000	(2,000,000)	(27)%
<b>Commission Recapture</b>	—	10,000	10,000	—	—%
<b>Total Revenue</b>	<b>6,943,301</b>	<b>7,510,000</b>	<b>5,510,000</b>	<b>(2,000,000)</b>	<b>(27)%</b>

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 2026 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.

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## Expenses by Fund

TRC-Care Fund					
	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Variance from FY 2025 to FY 2026	
<b>Salaries and Wages</b>	12,709,697	15,349,200	16,115,300	766,100	5%
<b>Longevity Pay</b>	93,900	90,300	108,700	18,400	20%
<b>Retirement Contributions</b>	1,040,377	1,201,000	1,261,100	60,100	5%
<b>Social Security Contributions</b>	927,300	1,114,200	1,170,000	55,800	5%
<b>Health Insurance Contributions</b>	939,348	1,451,200	1,526,300	75,100	5%
<b>Benefit Replacement Pay</b>	1,203	—	—	—	
<b>Other Employee Benefits</b>	125,445	161,400	169,500	8,100	5%
<b>Total Salaries and Benefits</b>	<b>15,837,270</b>	<b>19,367,300</b>	<b>20,350,900</b>	<b>983,600</b>	<b>5%</b>
<b>Professional Fees and Services</b>	<b>4,112,825</b>	<b>5,974,000</b>	<b>5,497,700</b>	<b>(476,300)</b>	<b>(8)%</b>
<b>Consumable Supplies, Fuels</b>	—	6,300	1,000	(5,300)	(84)%
<b>Utilities</b>	—	7,500	—	(7,500)	(100)%
<b>Travel</b>	55,448	205,000	95,000	(110,000)	(54)%
<b>Dues, Fees, Staff Development</b>	11,986	32,500	17,500	(15,000)	(46)%
<b>Subscriptions and Reference Information</b>	1,047	6,500	1,500	(5,000)	(77)%
<b>Postage, Mailing, Delivery</b>	154	200	—	(200)	(100)%
<b>Printing and Reproduction</b>	970	1,000	—	(1,000)	—%
<b>Software Purchases and Service</b>		25,000		(25,000)	(100)%
					(39)%
<b>Furniture and Equipment</b>	213	5,000	1,000	(4,000)	(80)%
<b>Total Operating Expenses</b>	<b>84,699</b>	<b>418,800</b>	<b>195,800</b>	<b>(223,000)</b>	<b>(53)%</b>
<b>Grand Total</b>	<b>20,034,793</b>	<b>25,760,100</b>	<b>26,044,400</b>	<b>284,300</b>	<b>1%</b>

The FY 2026 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 2026 Budget supports the FY 2026 merit program to award eligible staff. Professional Fees and Other Operating expenses have been level set in FY 2026 to align with actual spending patterns.

## Expenses by Fund

TRs-ActiveCare Fund					
	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Variance from FY 2025 to FY 2026	
<b>Salaries and Wages</b>	1,818,417	2,098,300	2,202,700	104,400	5%
<b>Longevity Pay</b>	17,060	16,040	19,000	2,960	18%
<b>Retirement Contributions</b>	146,763	161,560	169,600	8,040	5%
<b>Social Security Contributions</b>	123,937	150,300	157,200	6,900	5%
<b>Health Insurance Contributions</b>	148,991	194,900	205,300	10,400	5%
<b>Other Employee Benefits</b>	23,320	33,000	34,100	1,100	3%
<b>Total Salaries and Benefits</b>	<b>2,278,488</b>	<b>2,654,100</b>	<b>2,787,900</b>	<b>133,800</b>	<b>5%</b>
<b>Professional Fees and Services</b>	<b>250,023</b>	<b>2,990,000</b>	<b>3,070,600</b>	<b>80,600</b>	<b>3%</b>
<b>Consumable Supplies</b>	—	3,000	1,000	(2,000)	(67)%
<b>Utilities</b>	—	1,500	—	(1,500)	(100)%
<b>Travel</b>	49,996	60,000	50,000	(10,000)	(17)%
<b>Rentals</b>	565	—	—	—	—%
<b>Dues, Fees, Staff Development</b>	12,125	30,000	20,000	(10,000)	(33)%
<b>Subscriptions and Reference Information</b>	102	1,000	500	(500)	(50)%
<b>Software Purchases and Service</b>	—	25,000	—	(25,000)	(100)%
<b>Miscellaneous Expenses</b>	16,349	25,000	5,000	(20,000)	(80)%
<b>Furniture and Equipment</b>	134	3,500	2,000	(1,500)	(43)%
<b>Total Operating Expenses</b>	<b>79,272</b>	<b>149,000</b>	<b>78,500</b>	<b>(70,500)</b>	<b>(47)%</b>
<b>Grand Total</b>	<b>2,607,783</b>	<b>5,793,100</b>	<b>5,937,000</b>	<b>143,900</b>	<b>2%</b>

The FY 2026 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 2026 Budget supports the FY 2026 merit program to award eligible staff. Professional Fees and Other Operating expenses have been level set in FY 2026 to align with actual spending patterns.

# Full-Time Equivalent Positions

	Actual FY 2024	Budgeted FY 2025	Budgeted FY 2026	Variance FY 2025 to FY 2026	
<b>Funding Source</b>					
Pension Funded FTEs	963.4	1,058.3	1,066.3	8.0	1%
TEAM	56.3	66.0	66.0	—	—%
Investment Data Modernization	5.4	15.0	15.0	—	—%
Health Division	56.2	68.0	68.0	—	—%
Support to Health Division	52.0	55.0	55.0	—	—%
HILOB	30.0	34.5	34.5	—	—%
<b>Funding Source Total</b>	<b>1,163.3</b>	<b>1,296.8</b>	<b>1,304.8</b>	<b>8.0</b>	<b>1%</b>
<b>Division</b>					
Administrative Services	64.3	74.8	75.8	1.0	1%
Pension Services	387.0	412.5	412.5	—	—%
Contract Services	21.0	25.0	28.0	3.0	12%
Executive	21.0	21.0	21.0	—	—%
Financial Services	46.0	53.0	54.0	1.0	2%
Health Division	64.0	76.0	76.0	—	—%
Information Security Office	16.0	21.0	21.0	—	—%
Information Technology	201.0	240.5	241.5	1.0	—%
Internal Audit	17.0	19.0	19.0	—	—%
Investment Management Division	232.0	257.0	257.0	—	—%
Legal & Compliance	51.0	51.0	53.0	2.0	4%
Organizational Excellence	43.0	46.0	46.0	—	—%
<b>Division Total</b>	<b>1,163.3</b>	<b>1,296.8</b>	<b>1,304.8</b>	<b>8.0</b>	<b>1%</b>
<b>Fellows and Interns</b>					
Interns	9.4	6.9	6.9	—	—%
Fellows	18.9	28.0	30.0	2.0	7%
<b>Total Fellows and Interns</b>	<b>28.3</b>	<b>34.9</b>	<b>36.9</b>	<b>2.0</b>	<b>6%</b>
<b>Grand Total</b>	<b>1,191.6</b>	<b>1,331.7</b>	<b>1,341.7</b>	<b>10.0</b>	<b>1%</b>

**Authorized Full-Time Equivalent (FTE) Positions** are funded by the Pension Trust Fund and appropriated by the legislature. Article IX provisions of the 2026-27 General Appropriations Act (GAA) authorizes an additional 50 FTEs to the authorized FTE limitation of 1,139.3 for FY 2026, to be managed within the authorized FTE limitations, to help address the growing demands and requirements of the agency.

**Rider 19 (GAA, Senate Bill 1 as enrolled, Article III, page III-50, 89<sup>th</sup> Legislature, Regular Session)** provides the Board of Trustees authority to increase the number of FTEs to levels necessary to carry out the fiduciary duties of the Board.

**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.

**Interns and Fellow Positions** funded by the Pension Trust Fund are exempt from counting against the authorized FTE limitations established in Senate Bill 1, 89<sup>th</sup> Legislature, Regular Session, GAA, TRS Rider 10.

For FY 2026 FTEs were held constant, with the exception of eight FTEs. Within our current FTE authority eight FTEs were added to enhance efficiency and manage increased workloads within our Procurement and Contract Management areas. Additional FTEs were also added that prioritizes workforce planning strategies which provide continuous improvement for succession planning, and knowledge transfer initiatives, reduce reliance on external technical support and create a cost savings.

**Existing Resources Conversions** – The FY 2026 FTEs include three fellow conversion, one for Administrative Services and two for Legal and Compliance. The conversion is to transition participants who completed the TRS Fellowship program to permanent employment and helps with succession planning. There is one contractor conversion to support critical accounting functions. The contractor currently counts towards the FTE cap and through conversion will create a cost savings.

**Member Services** – One FTE was added in FY 2026 to establish an onsite IT presence at our El Paso Regional Office. The FTE is intended to provide proactive maintenance and user support for the office. In September 2025 the TRS Board approved the establishment of a second regional office in the Rio Grande Valley. The new regional office is forecasted to have 19 positions and open in FY 2027.

**Contract Services** – Three FTEs were added to the Contract Services Division to improve contract monitoring oversight, and data analytics, ensuring better compliance and operational effectiveness. As TRS continues to grow so does the complexity of our procurements and contracts.

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## Capital Projects



7,800

The MyTRS member portal averages 7,800 logins per day.

# 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. Since the state of Texas operates on a two-year budget cycle and the LAR process beginning in even-numbered years, planning for the FY 2027-2028 project budgets are still in development.

Pursuant to Article IX, Section 14.03 of the 89<sup>th</sup> General Appropriations Act (GAA), TRS may carry forward any unexpended balances (UB) 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<sup>1</sup>

	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Projected FY 2027	Projected FY 2028
<b>Repair or Rehabilitation of Buildings and Facilities</b>					
<b>Building Renovations</b>	2,749,999	1,000,000	2,000,000	1,000,000	1,500,000
<b>Security Renovations</b>	68,700	181,300	—	—	—
<b>Acquisition of Information Resource Technologies</b>					
<b>IT Infrastructure Upgrades</b>	921,246	8,084,135	3,000,000	4,300,000	3,700,000
<b>Investment Data Modernization</b>	2,715,187	25,267,728	19,460,100	12,639,900	—
<b>Data Center/Shared Technology Services</b>					
<b>Data Center Services</b>	1,166,578	1,175,021	1,093,000	1,087,000	2,000,000
<b>Grand Total</b>	<b>\$ 7,716,328</b>	<b>\$ 35,708,184</b>	<b>\$ 25,553,100</b>	<b>\$ 19,026,900</b>	<b>\$ 7,200,000</b>

<sup>1</sup>Projects showing a zero dollar amount are not expected to incur expenses as they are nearing completion.

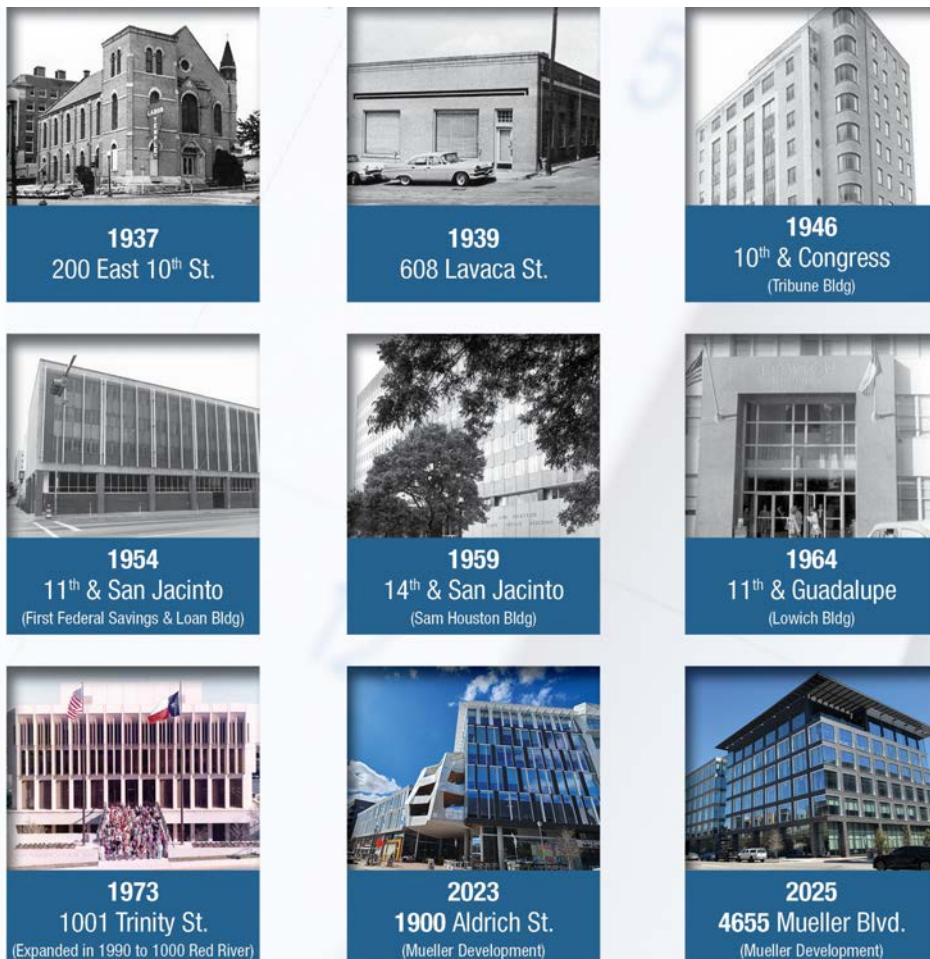
## Repair or Rehabilitation of Buildings and Facilities

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. TRS staff moved into the Alpha building in May 2023, with the remainder of TRS staff moving into the member-facing Bravo building in May 2025.

TRS' new campus marks the eighth physical location that the pension fund has had since 1937 to keep up with growth needs. The new headquarters includes a larger, modern TRS Member Center and office space for staff, necessary to provide the service and retirement support that members will need moving into the future.

TRS also leases space at the Region 19 Education Service Center for its El Paso Regional Office. TRS is currently exploring new spaces for a second regional office in the southern part of Texas known as the Rio Grande Valley.

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

<b>Project Description</b>	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 in 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.
<b>Project Guiding Principles</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Project Strategic Alignment</b>	<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"> <li>Objective 4: Execute on TRS facilities needs.                             <ul style="list-style-type: none"> <li>Strategy 1: Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo).</li> </ul> </li> </ul>
<b>Project Location</b>	Austin, Texas
<b>Beneficiaries</b>	TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.
<b>Estimated Project Cost</b>	\$8,249,999
<b>Project Useful Life</b>	Ongoing
<b>Estimated Completion Date</b>	Ongoing

## Projected Cost

Building Renovations	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Projected FY 2027	Projected FY 2028	Total
	\$ 2,749,999	\$ 1,000,000	\$ 2,000,000	\$1,000,000	\$1,500,000	\$ 8,249,999

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

## Security Renovations

<b>Project Description</b>	TRIS 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 department 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.
<b>Project Guiding Principles</b>	<ul style="list-style-type: none"> <li>To maintain the technological infrastructure that supports the Security department's ability to ensure continued safety and security at TRS.</li> </ul>
<b>Project Strategic Alignment</b>	<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"> <li>Objective 4: Execute on TRS facilities needs. <ul style="list-style-type: none"> <li>Strategy 1: Complete build-out and move-in activities for the new TRS headquarters buildings (Alpha and Bravo).</li> </ul> </li> </ul>
<b>Project Location</b>	Austin, Texas
<b>Beneficiaries</b>	TRIS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.
<b>Estimated Project Cost</b>	\$250,000
<b>Project Useful Life</b>	Ongoing
<b>Estimated Completion Date</b>	August 31, 2025

### Projected Cost




	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Projected FY 2027	Projected FY 2028	Total
Security Renovations	\$ 68,700	\$ 181,300	\$ —	\$ —	\$ —	\$ 250,000

Projected cost includes professional services, building and equipment maintenance. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium. During the 88<sup>th</sup> Legislative Session, the capital project threshold was increased from \$200K to \$500K. Due to this increase, there is no current need to request capital budget for the security renovations project in the 2026-27 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 (IDM) Program, and Data Center Services. These projects provide the development, design, implementation, and maintenance of the IT infrastructure as it 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.

### Capital Projects List - Summary of Information Resources Projects

		
<p style="text-align: center;"><b>IT Infrastructure Update</b></p> <p>Develop and maintain premise and cloud based IT infrastructure applications, equipment, technologies, implement the fraud prevention tool, and security needs.</p>	<p style="text-align: center;"><b>Data Center Services</b></p> <p>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.</p>	<p style="text-align: center;"><b>Investment Data Modernization</b></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>

## IT Infrastructure Upgrades

<b>Project Description</b>	This project encapsulates the support of implementation and maintenance of IT infrastructure to reduce capacity constraints and issues with compatibility and obsolescence. The project provides the development, design, implementation and maintenance of the IT infrastructure as relates to both onsite premise and cloud-based infrastructure application and security requirements. In addition, this project will provide a strategy for replacing and upgrading aging equipment and technology, such as computers, storage systems, mobile and workstation devices. The ultimate goal is utilizing cloud-based alternatives where appropriate, and ongoing improvements of the agency Disaster Recovery strategy.
<b>Project Guiding Principles</b>	To support the implementation and maintenance of IT infrastructure to reduce capacity constraints and issues with compatibility and obsolescence.
<b>Project Strategic Alignment</b>	<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"> <li>• Objective 2: Advance and enhance IT systems and services. <ul style="list-style-type: none"> <li>◦ Strategy 4: Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems.</li> </ul> </li> </ul>
<b>Project Location</b>	Austin, Texas
<b>Beneficiaries</b>	TRS membership and staff.
<b>Estimated Project Cost</b>	\$20,005,381
<b>Project Useful Life</b>	5 years
<b>Estimated Completion Date</b>	August 31, 2027

### Projected Cost

IT Infrastructure Upgrades	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Projected FY 2027	Projected FY 2028	Total
	\$ 921,246	\$ 8,084,135	\$ 3,000,000	\$ 4,300,000	\$3,700,000	\$ 20,005,381

Resources will support the development and maintenance of premise and cloud based IT infrastructure applications, equipment, technologies, and data security needs. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

## Investment Data Modernization

<b>Project Description</b>	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.
<b>Project Guiding Principles</b>	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.
<b>Project Strategic Alignment</b>	<p>Goal 1: Sustain an actuarially sound pension system.</p> <ul style="list-style-type: none"> <li>• Objective 1: Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. <ul style="list-style-type: none"> <li>◦ Strategy 2: Enhance current competitive advantages and total returns.</li> </ul> </li> </ul> <p>Goal 4: Align people, processes and technology to achieve excellence in service delivery.</p> <ul style="list-style-type: none"> <li>• Objective 2: Advance and enhance IT systems and services. <ul style="list-style-type: none"> <li>◦ Strategy 1: Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs.</li> <li>◦ Strategy 3: Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making.</li> <li>◦ Strategy 4: Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation.</li> <li>◦ Strategy 5: Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.</li> </ul> </li> </ul>
<b>Project Location</b>	Austin, Texas
<b>Beneficiaries</b>	TRS membership and staff
<b>Estimated Project Cost</b>	\$66,429,000
<b>Project Useful Life</b>	5 years
<b>Estimated Completion Date</b>	August 31, 2027

### Projected Cost

Investment Data Modernization	Expended FY 2023	Expended FY 2024	Budgeted FY 2025	Projected FY 2026	Projected FY 2027	Total
	\$ 1,457,781	\$ 3,211,161	\$ 26,967,328	\$ 21,901,500	\$ 12,891,230	\$ 66,429,000

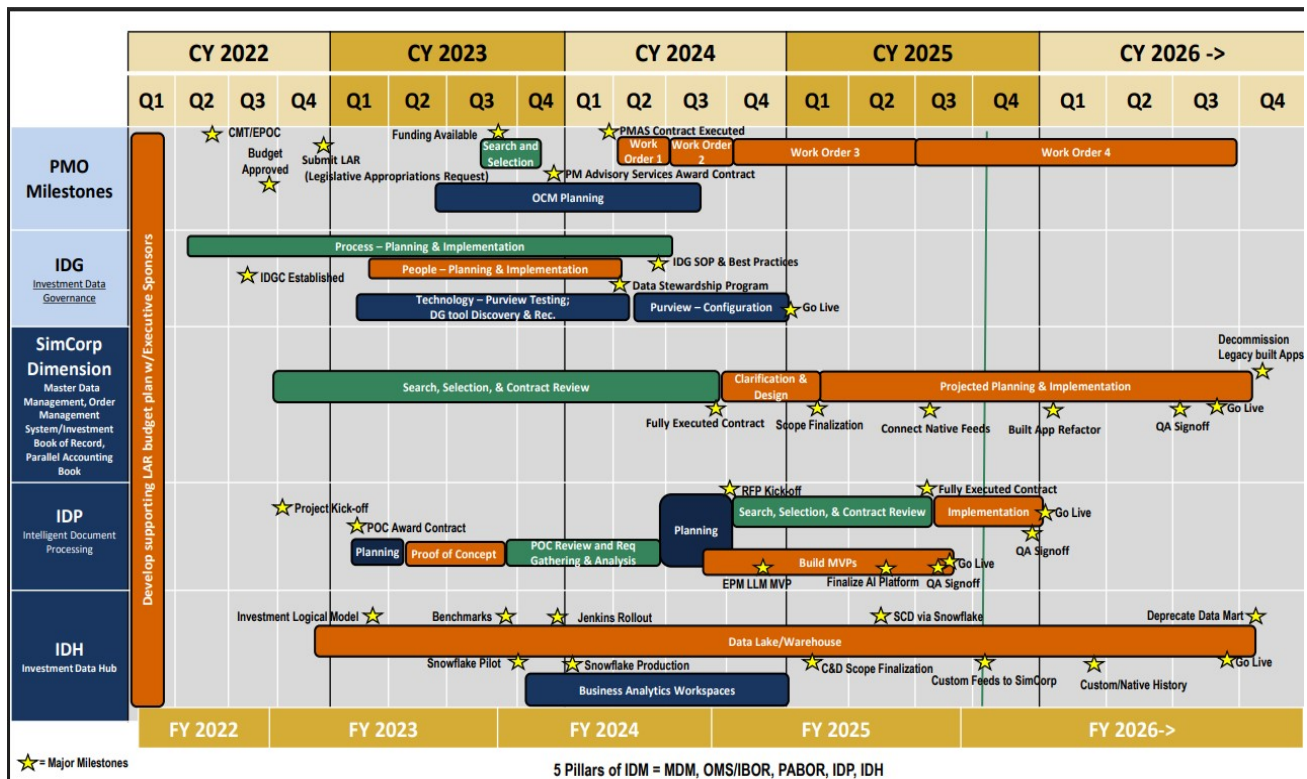
Projected cost includes software subscriptions, vendor professional services, external consulting services for search, selection, and implementation, new FTEs and temporary staff augmentation (contractors). Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

# Project Deliverables

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.
- Investment Book of Record (IBOR) with an integrated Trade Order Management System (OMS) – this provides the source of real-time investment portfolio views.
- 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) – allows TRS to extract and store previously inaccessible document data and leverage the power of advance technologies to better manage the information.
- Investment Data Hub (IDH) – 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



## Data Center/Shared Technology Services

<b>Project Description</b>	In 2005, the Texas Legislature passed House Bill 1516, consolidating state agencies' IT infrastructure under the Texas Department of Information Resources (DIR) to cut costs, modernize infrastructure, and enhance security and disaster recovery. DIR launched the Data Center Services (DCS) program, which was renamed Shared Technology Services (STS) in 2017 to reflect its full range of services. STS offers technology services to Texas state agencies, universities, and local entities, providing volume discounts and top-tier services from leading vendors. In FY24, the STS Program served 139 entities, including 25 mandated state agencies and 114 voluntary customers. Texas Government Code §2054.375, Subchapter L. Statewide Technology Centers requires DIR to manage consolidated statewide data centers and identify agencies for participation.
<b>Project Guiding Principles</b>	To fund the consumption of print/mail services and continued managed security vulnerability services through DIR Shared Technology Services (STS) program.
<b>Project Strategic Alignment</b>	Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members. <ul style="list-style-type: none"> <li>Objective 8: Evaluate automation and technology solutions to enhance existing processes.</li> </ul>
<b>Project Location</b>	Austin, TX
<b>Beneficiaries</b>	TRS staff and members
<b>Estimated Project Cost</b>	\$6,521,599
<b>Project Useful Life</b>	Ongoing
<b>Estimated Completion Date</b>	Ongoing

### Projected Cost

Data Center/Shared Technology Services	Expended FY 2024	Budgeted FY 2025	Budgeted FY 2026	Projected FY 2027	Projected FY 2028	Total
	\$ 1,166,578	\$ 1,175,021	\$ 1,093,000	\$ 1,087,000	\$ 2,000,000	\$ 6,521,599

Projected cost includes professional services. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

# Headquarters Relocation



Rendering of Alpha Building

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 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 approved by the Legislature. The cost of the new facility 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). In May 2024 the Board approved a 13% increase (a projected not to exceed amount of \$340 million) for the cost of the new headquarters to account for historically high inflation and supply chain disruptions. The cost increase for the building remains below the industry average of 20%.



Rendering of Bravo Building

Headquarters Account				
	Alpha Building		Bravo Building	
Purchase Price	\$	103,137,946	\$	129,720,950
Furniture, Fixtures, & Equipment & Tenant Improvement Escrow, and Miscellaneous Fees	\$	49,753,394	\$	57,387,710
Building Total	\$	152,891,340	\$	187,108,660
<b>Grand Total</b>				<b>\$340,000,000</b>

# General Provisions

The Teacher Retirement System (TRS) uses as guidelines the provisions of Article IX (General Provisions) of the General Appropriations Act (GAA) adopted by the 89<sup>th</sup> Texas Legislature 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.

**PENSION TRUST FUND HEADQUARTERS ACCOUNT** – The Board finds that authorizing staff to transfer from the interest account to the expense account an amount necessary to cover build out-related expenses for the leased portion of the Alpha building, not-to-exceed in the amount of \$3,485,565, is necessary for the efficient and effective administration of pension trust fund assets and performance of the board's fiduciary duties.

**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 \$57.9 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.

**CONTINGENCY FUNDING** – TRS will operate a contingency account(s) for necessary expenses that includes \$6,871,700 in Pension Administrative Operations, \$19,026,900 in Capital UB, and \$1,181,000 in Health Administrative Operations. The Executive Director will inform the Board of Trustees of any cumulative transfer in excess of 10% of the total contingency budget at the next board meeting. The board finds that such reasonable transfer are necessary in performing its fiduciary duties.

## Appendix



3,405

On average, TRS Pension Services processes 3,405 member documents per day.

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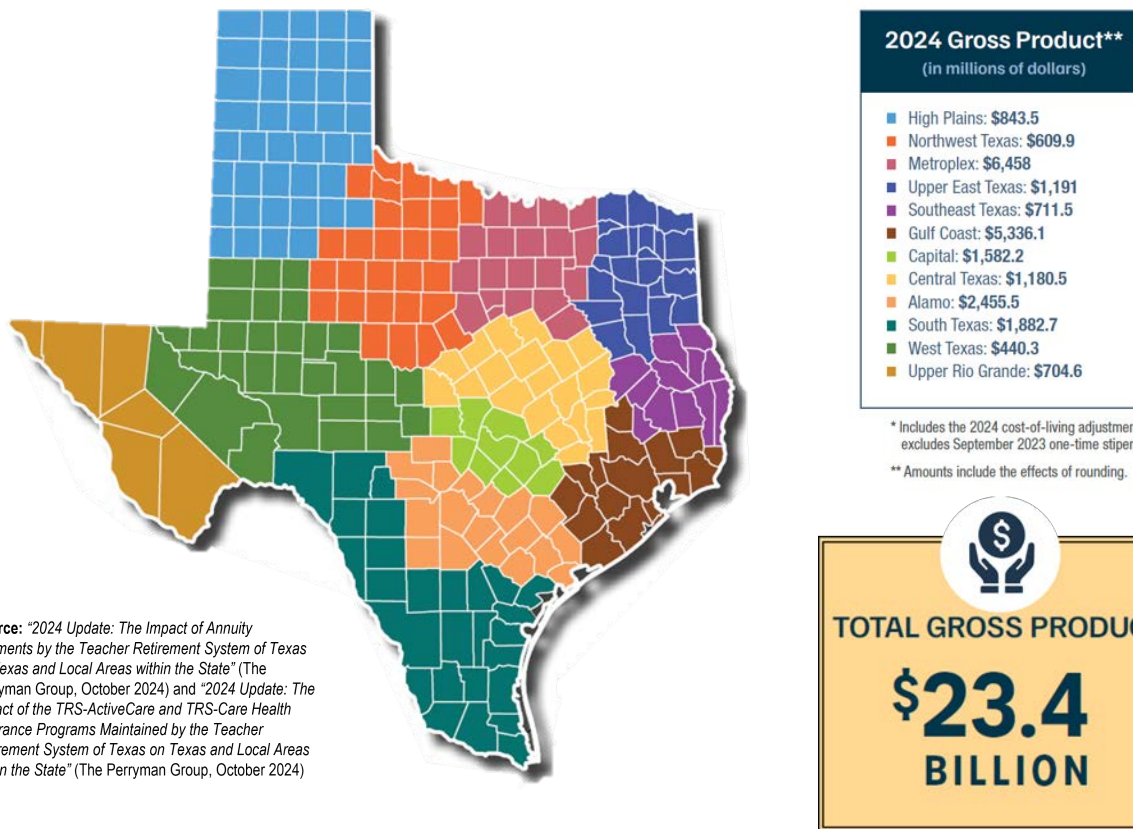
# APPENDIX A:

## COST DRIVERS, STATISTICAL, AND SUPPLEMENTAL DATA

### Economic Benefits of TRS Programs by Region

(2024 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.



Source: "2024 Update: The Impact of Annuity Payments by the Teacher Retirement System of Texas on Texas and Local Areas within the State" (The Perryman Group, October 2024) and "2024 Update: 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, October 2024)

### 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/sites/default/files/migrated/TRS-Value-Report-2024.pdf>

## Value to the Texas Economy

TRS provides financial security to members and their families. TRS serves a vital role to more than 2 million.

**1 in 19 Texans** is a TRS member.\*



There are more than **500,000** TRS annuitants.



**76%** of TRS annuitants are **female**.

**More than 400** annuitants are **100 years or older**.



TRS has grown dramatically since the agency's inception in 1937, from **38,000 members and retirees** to more than **2 million today**. By membership, TRS of Texas is among the **top three** pension funds in the U.S.



Membership of more than  
**2 Million**

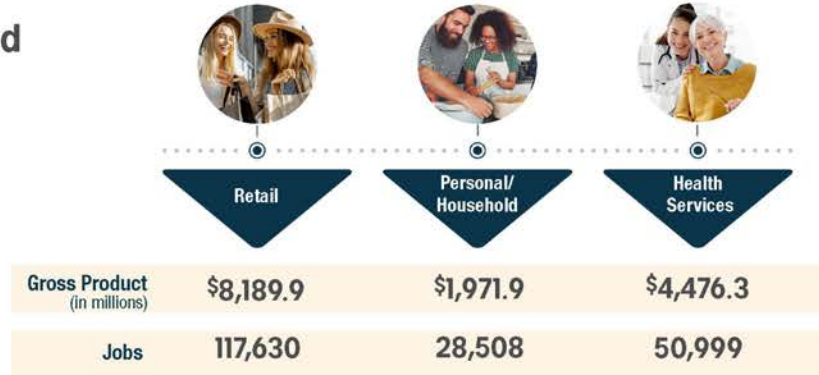
Source: TRS Value Brochure

<https://www.trs.texas.gov/sites/default/files/migrated/TRS-Value-Report-2024.pdf>

## Where Dollars are Spent

All major industrial sectors saw increased business activity from 2024 TRS annuity payments and health plan spending.

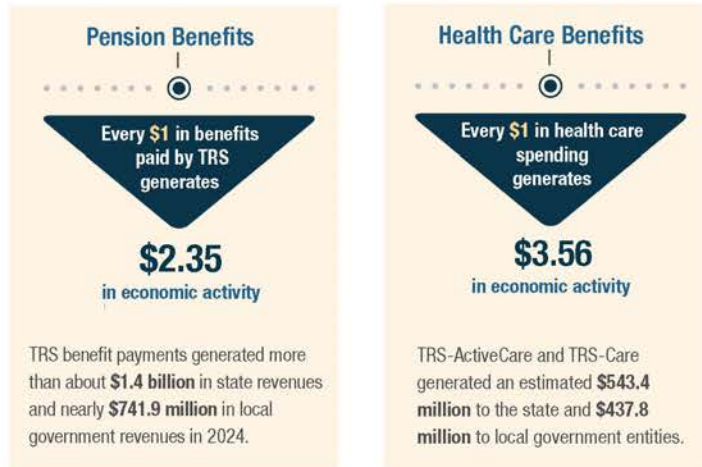
### Highly Impacted Industries



### Tax Revenue

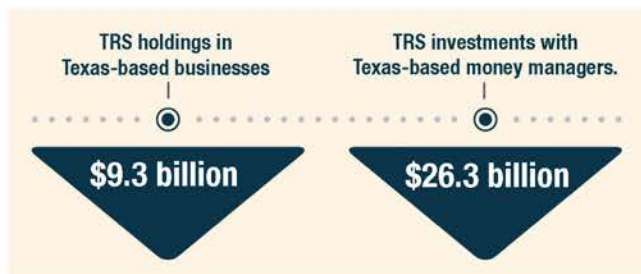
Pension benefits, health plan spending and the associated economic stimuli generate tax revenue.

**Source:** "2024 Update: The Impact of Annuity Payments by the Teacher Retirement System of Texas on Texas and Local Areas within the State" (The Perryman Group, October 2024) and "2024 Update: 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, October 2024)



### Investing in Texas Businesses

TRS provides capital for businesses in Texas. TRS has billions of dollars invested or committed to money managers in the state.



Source: Teacher Retirement System of Texas (as of Aug. 31, 2024)

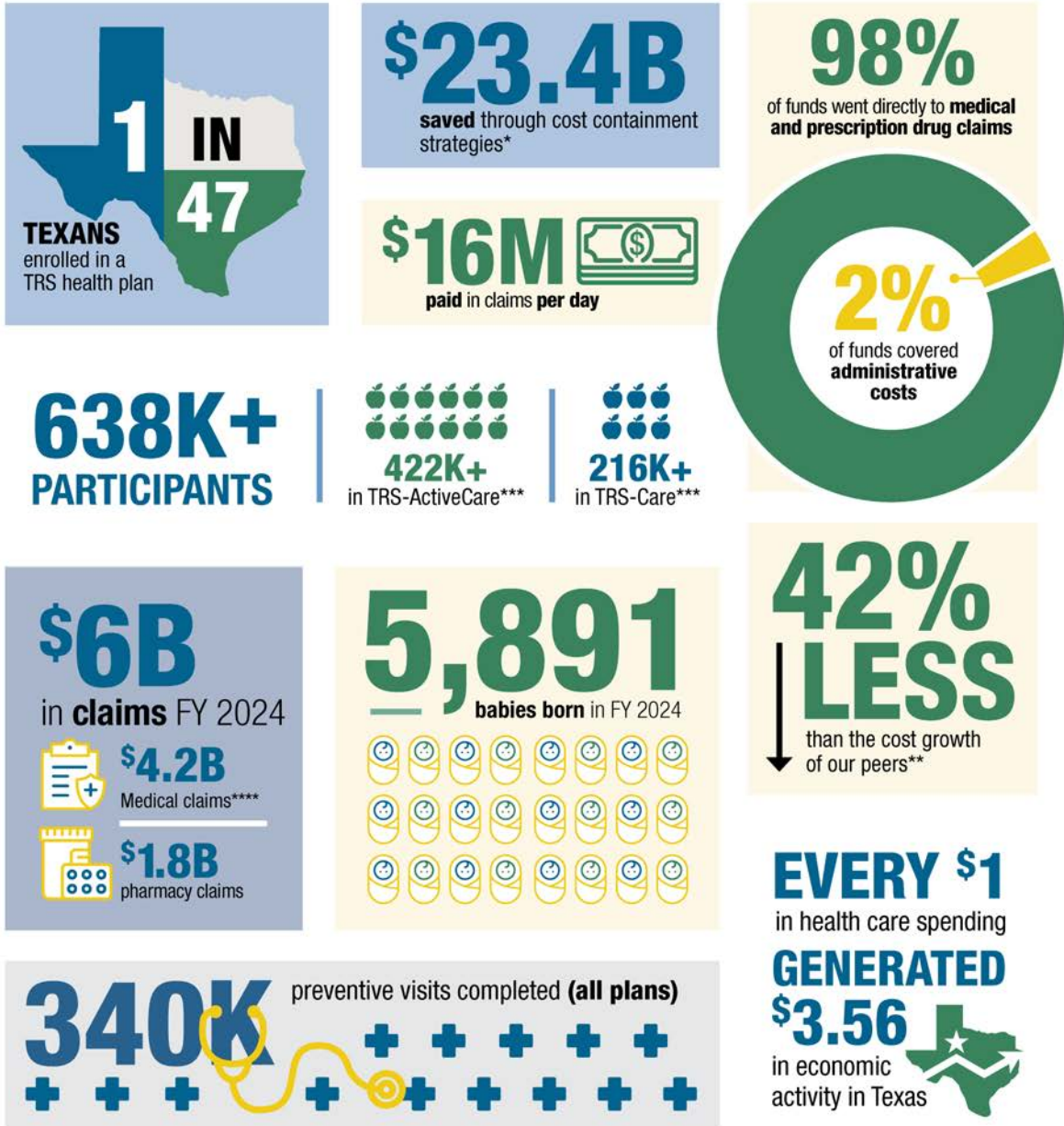
Source: TRS Value Brochure

<https://www.trs.texas.gov/sites/default/files/migrated/TRS-Value-Report-2024.pdf>

## Value in Action: TRS Health Benefits Report Highlights

TRS provides health care benefits designed for Texas public school employees, retirees, and their families focusing on delivering high-value plans while actively managing costs.

### 2024 HIGHLIGHTS FOR ALL TRS PLANS



Source: TRS Health Benefits Report  
<https://issuu.com/docs/456fcecca2b3b41a8e7497f0cc094e9c?fr=sZjdjZTgyOTQ5NTU>

## Membership Overview and Funding Status

### Membership

Membership Facts and Figures

Number of	August 31, 2024	August 31, 2023
<b>Current Members</b>		
Active Contributing	970,874	953,295
Inactive Non-vested	439,889	424,658
Inactive Vested	138,146	134,100
<b>Total Current Members</b>	<b>1,548,909</b>	<b>1,512,053</b>
<b>Retirement Recipients</b>		
Service	475,891	457,779
Disability	12,127	11,933
Survivor	20,683	20,209
<b>Total Retirement Recipients</b>	<b>508,701</b>	<b>489,921</b>
<b>Total Membership</b>	<b>2,057,610</b>	<b>2,001,974</b>

### Members Retiring Fiscal Year Ended 8/31/2024

Members Retiring

<b>Number Retiring</b>	26,618
<b>Average Age at Retirement</b>	60.6
<b>Average Service Credit</b>	24.0
<b>Average Monthly Annuities</b>	
<b>Life Annuities</b>	\$ 2,294
<b>Disability Annuities</b>	\$ 1,345
<b>Annuities Certain</b>	\$ 1,258

### Pension Fiduciary Net Assets

Pension Fiduciary Net Assets (as of 8/31)

	2024 (in Billions)	2023 (in Billions)
<b>Net Position</b>	\$ 210.543	\$ 187.171
<b>Member Contributions</b>	\$ 4.922	\$ 4.493
<b>State Contributions – General Fund</b>	\$ 2.484	\$ 2.279
<b>Pension Payments to Retirees &amp; Beneficiaries</b>	\$ 15.240	\$ 12.862

### Funding Status

TRS Pension Funding Status

	2024	2023
<b>Statutory Contribution Rates</b>		
<b>State</b>	8.25%	8.00%
<b>Member</b>	8.25%	8.00%
<b>Actuarial Information</b>		
<b>Covered Payroll</b>	\$61.4 billion	\$57.8 billion
<b>Normal Cost %</b>	12.10%	12.10%
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	\$60.6 billion	\$57.9 billion
<b>UAAL as % of Pay</b>	98.70%	100.20%
<b>Funded Ratio</b>	77.80%	77.50%

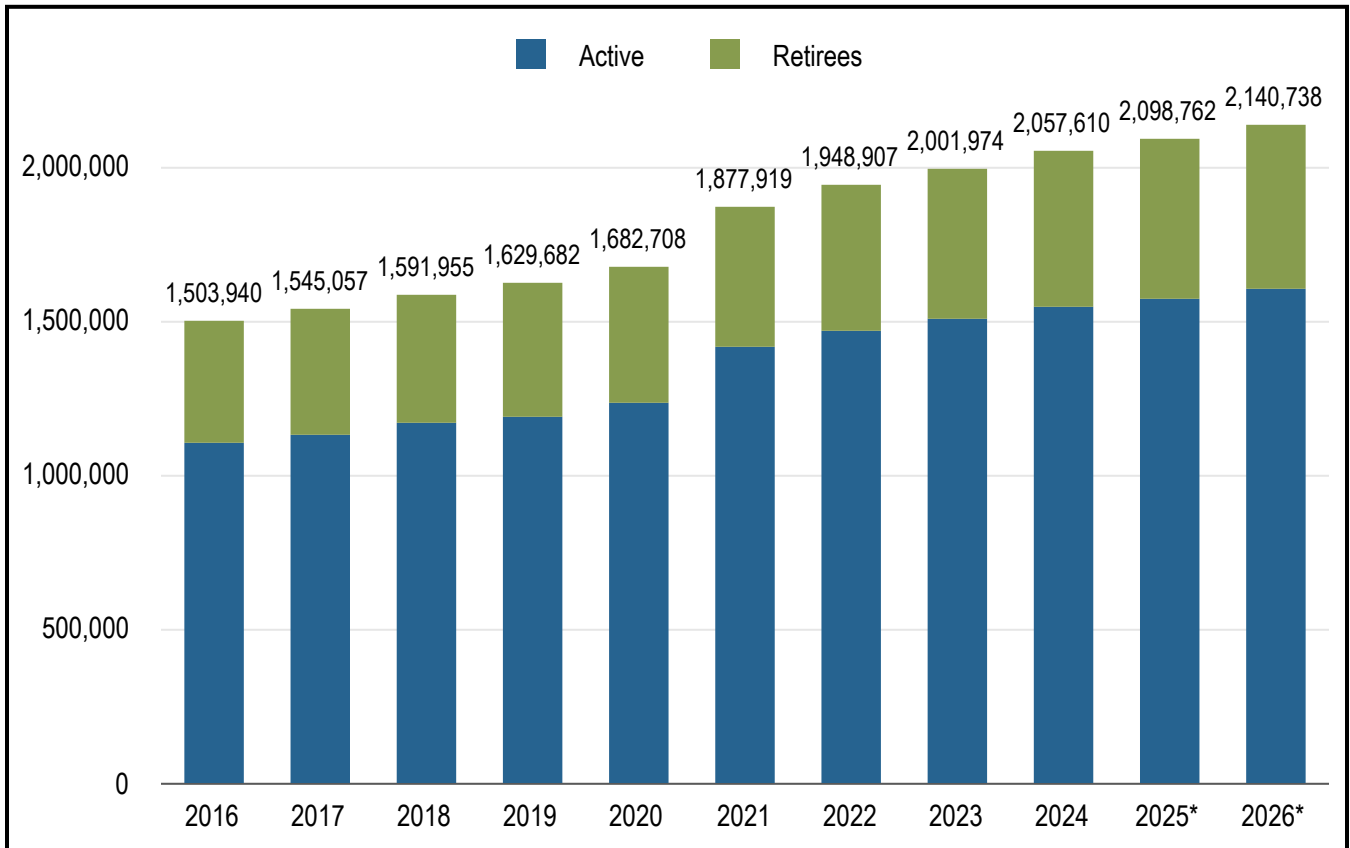
### Investments

Investments (as of 8/31)

	Value (in Billions)	Annual Rate of Return
<b>2015</b>	\$127.0	(0.3)%
<b>2016</b>	\$132.8	7.40 %
<b>2017</b>	\$145.9	12.60 %
<b>2018</b>	\$154.7	8.20 %
<b>2019</b>	\$157.4	5.20 %
<b>2020</b>	\$164.6	7.2%
<b>2021</b>	\$201.2	25.0%
<b>2022</b>	\$183.5	(6.7)%
<b>2023</b>	\$186.6	3.9%
<b>2024</b>	\$209.5	12.8%

Source: 2024 Annual Comprehensive Financial Report  
<https://www.trs.texas.gov/sites/default/files/migrated/trs-acfr-2024.pdf>

## PENSION MEMBERSHIP GROWTH

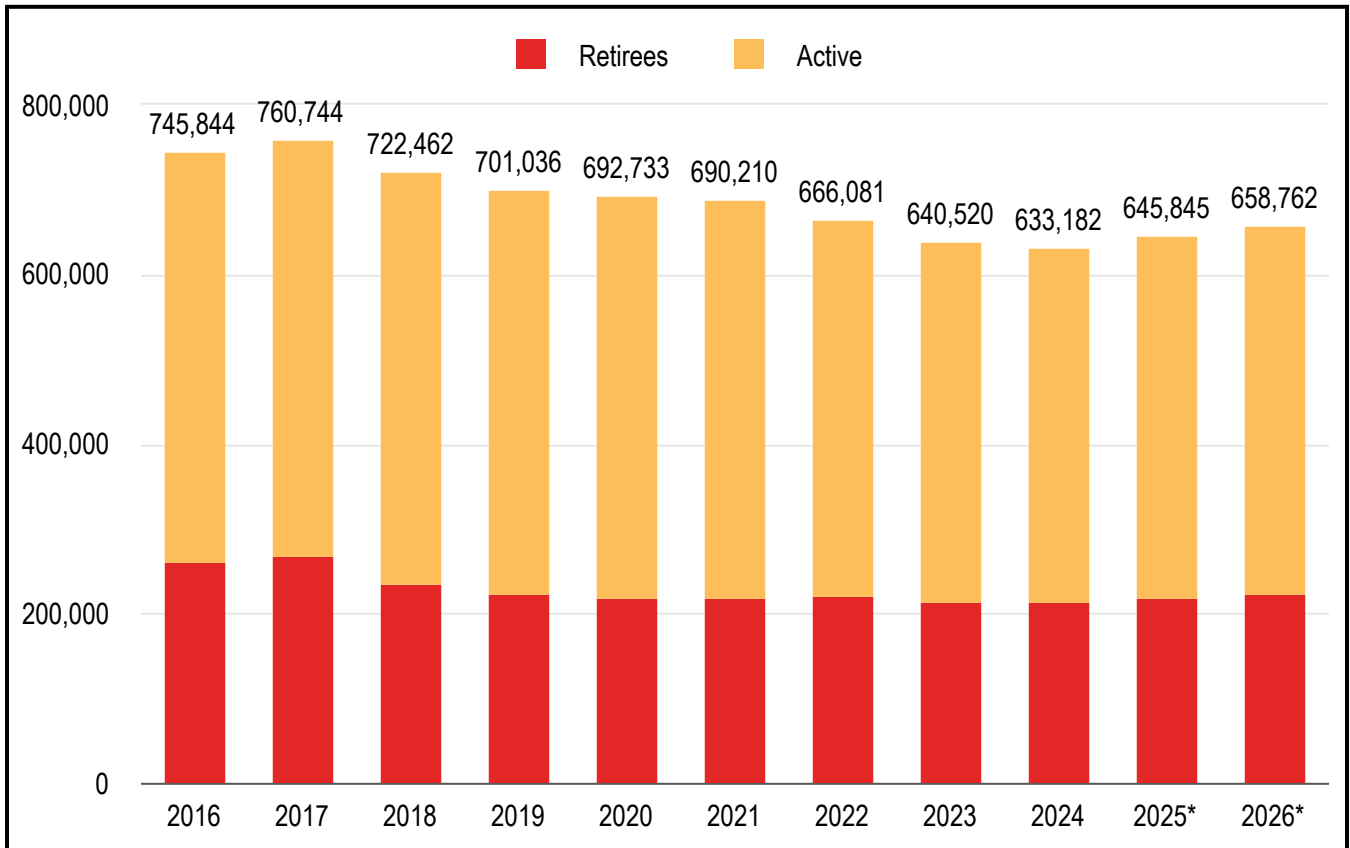


\*Projected based on historical trending

**Active members – 43.2% growth | Retired members – 34.7% 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 2% 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

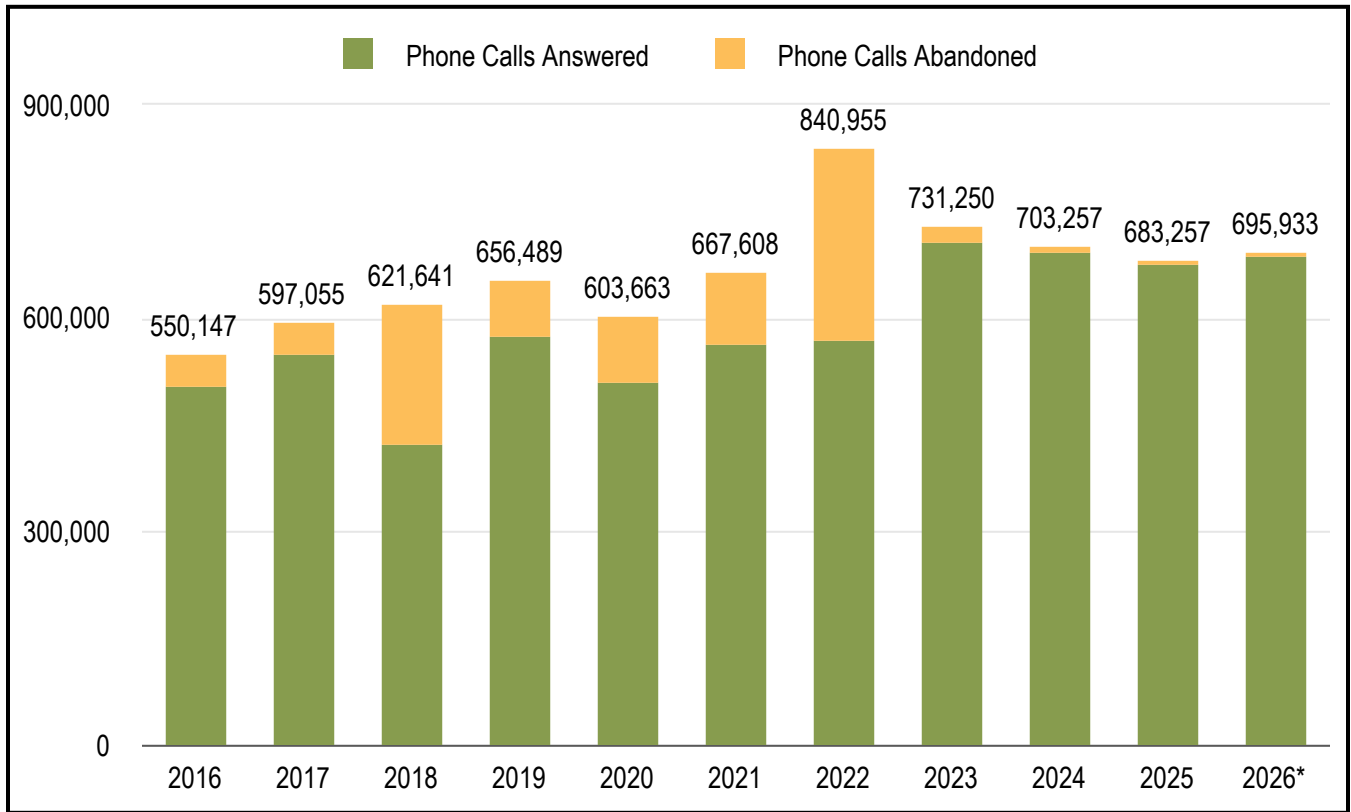


\*Projected based on historical trending

**TRS-Care Membership – (14.8%) growth | TRS-ActiveCare Membership – (13.4%) 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.

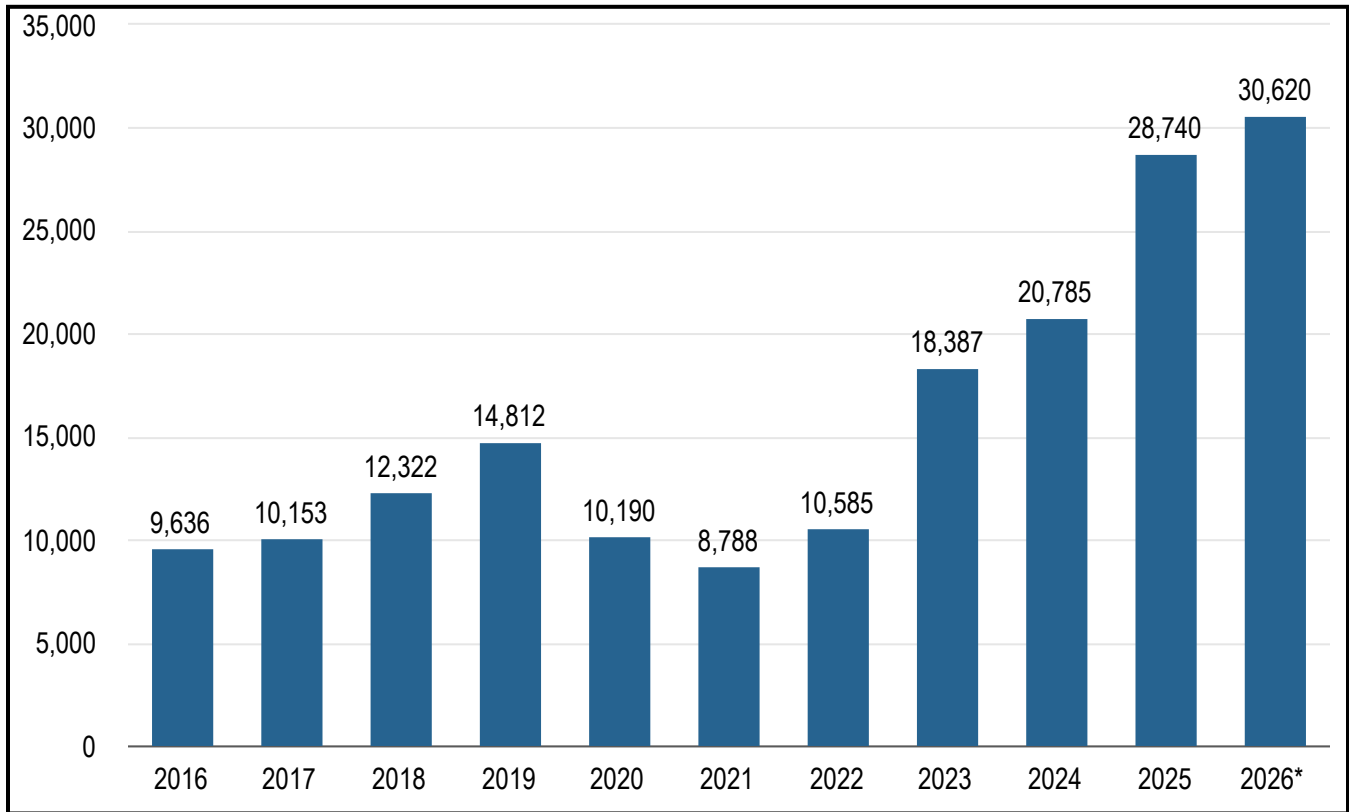
## CONTACT CENTER CALL VOLUME



\*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 Pension Services division in that calls can create processing actions which consume additional staff time.

## OFFICE COUNSELING VISITS



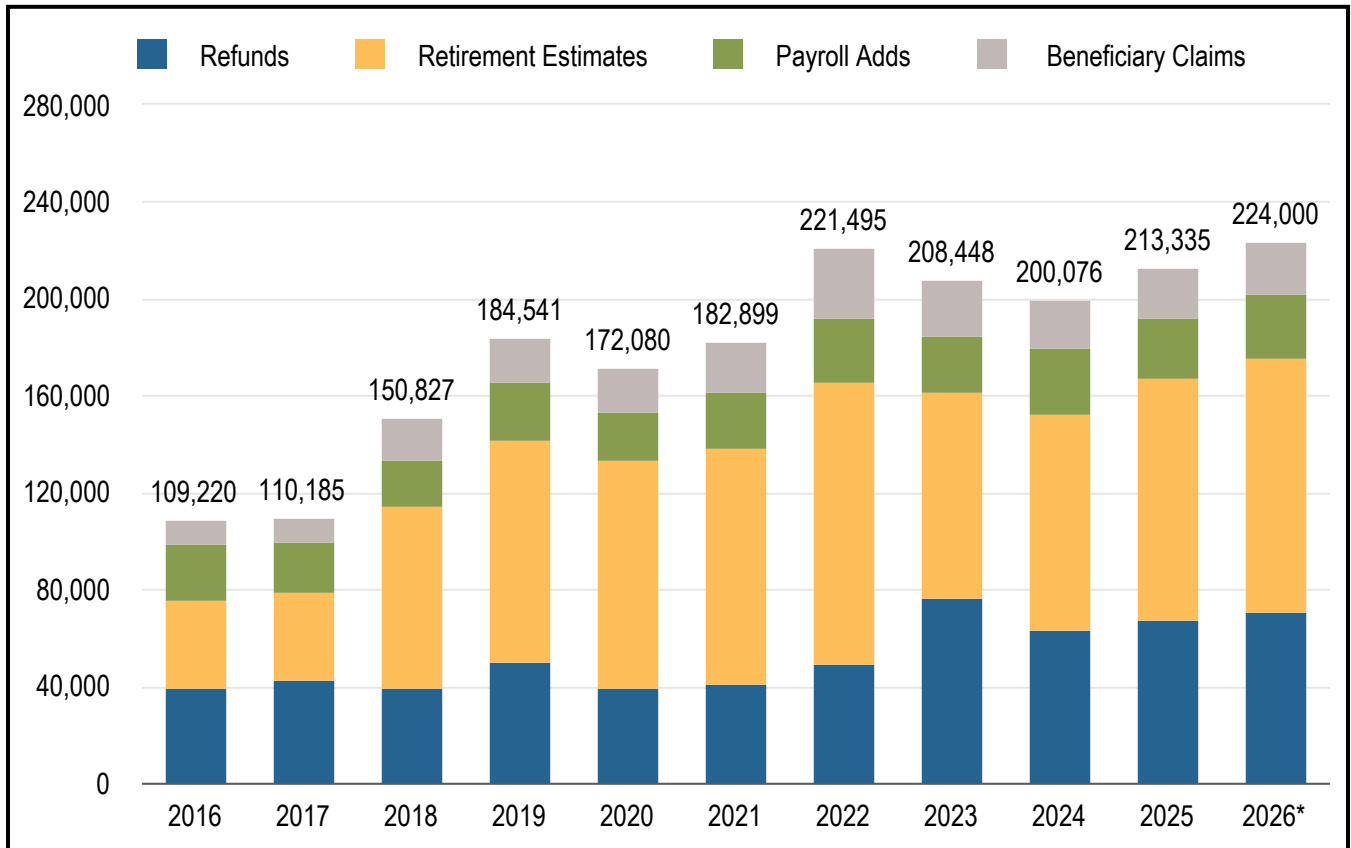
\*Projected based on historical trending

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 has 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

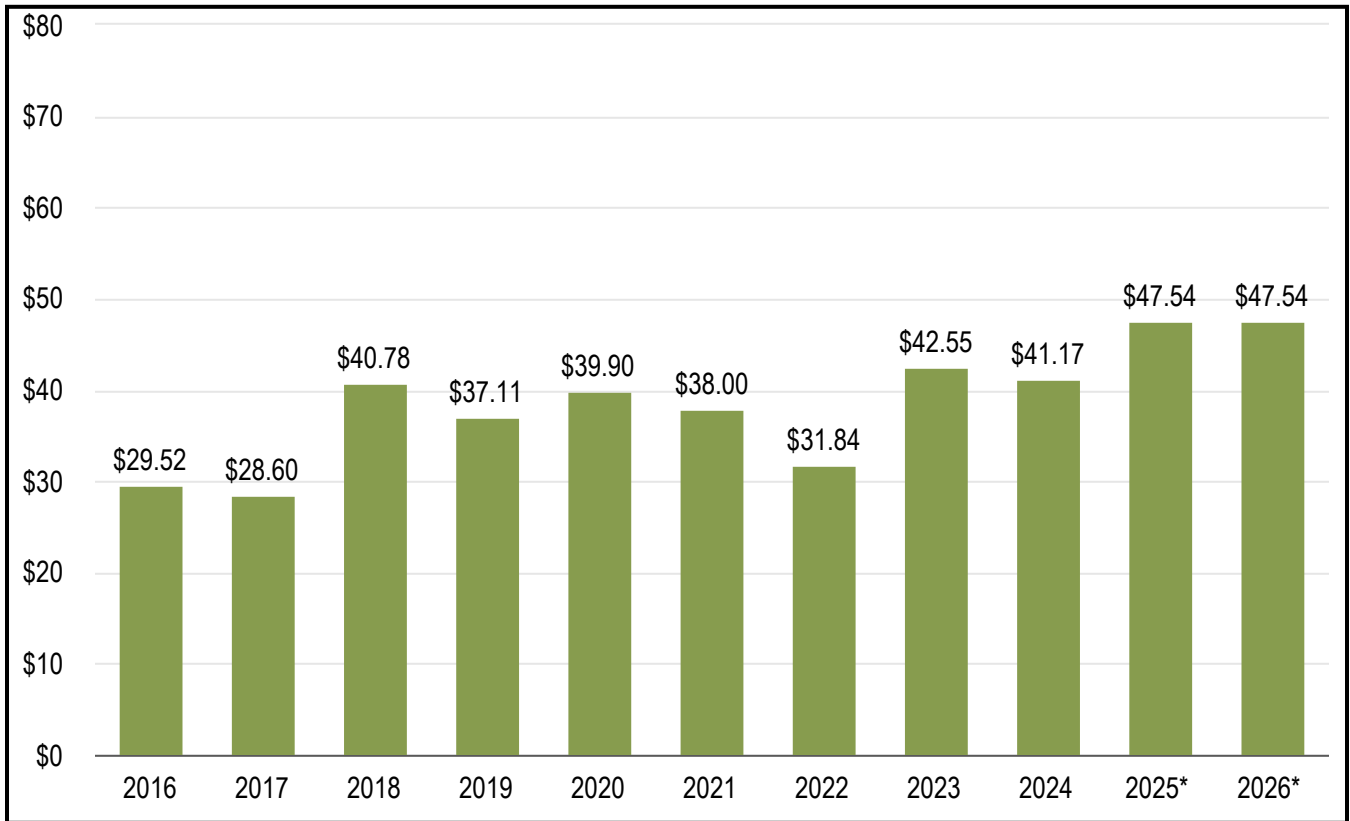
### Overall 105% Growth

**Refunds – 80% | Retirements – 184% | Payroll Adds - 17% | Beneficiary Claims – 111%**

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.

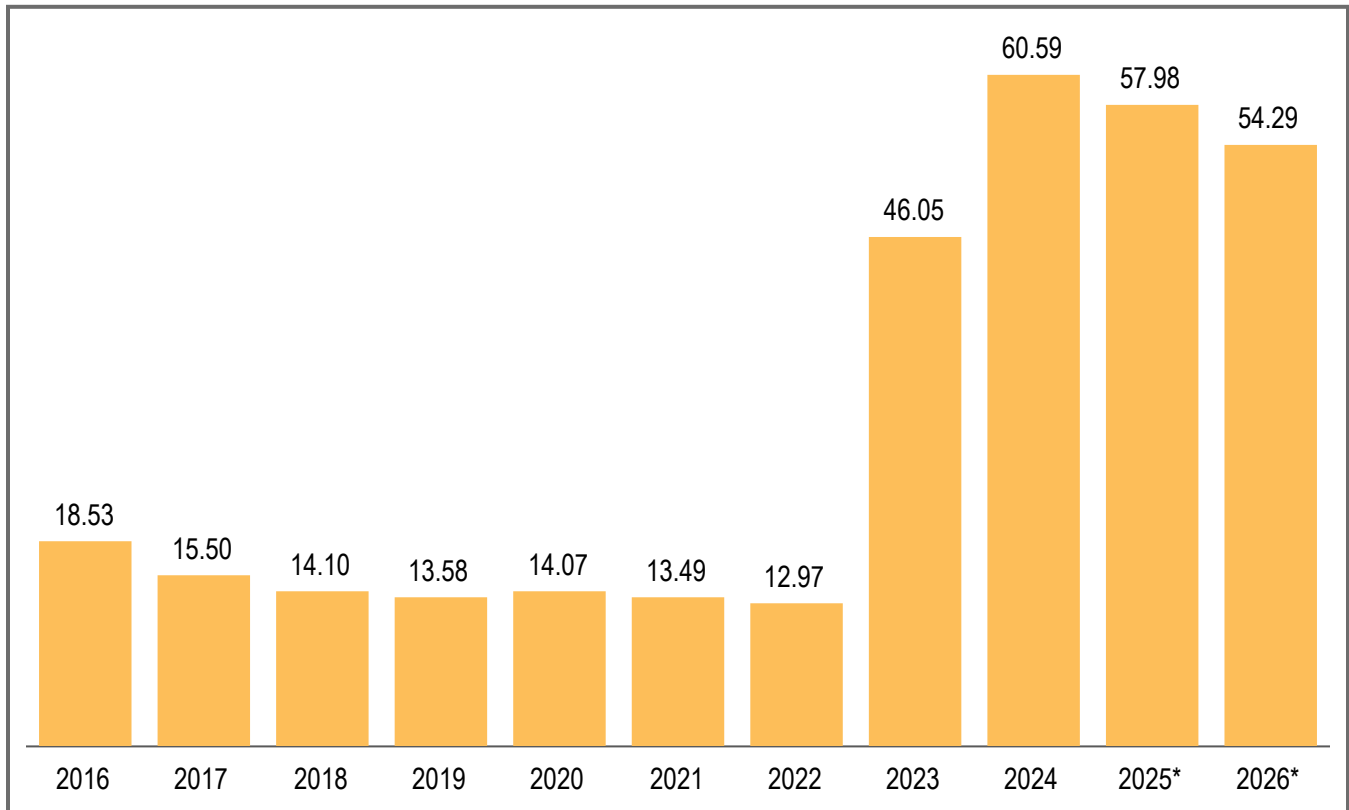
## BENEFIT COST PER MEMBER



\*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.

## INVESTMENT EXPENSES AS BASIS POINTS OF NET ASSETS

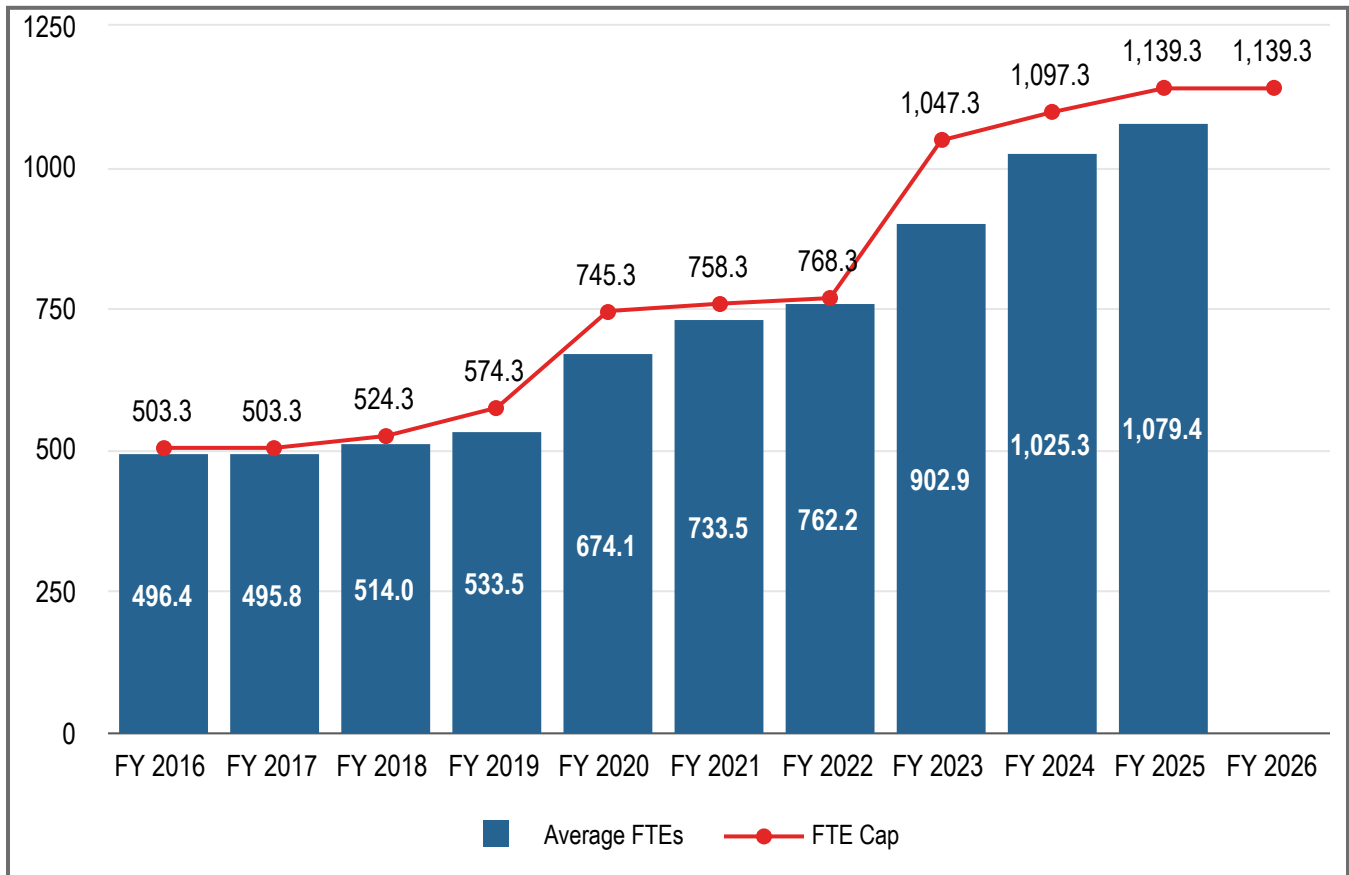


\*Projected based on historical trending

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.

Investment costs per member increased due to the GASB requirement to include the interest expense on reverse repurchase agreements as part of the total expenses. Prior to FY 2023, the interest expense on reverse repurchase agreements was immaterial and netted against investment income. Therefore, the interest expense was not reported as a separate line item. Beginning from FY 2023, the interest expense on reverse repurchase agreement became material, and therefore, is no longer allowed to be netted against investment income and has to be reported as a separate expense item.

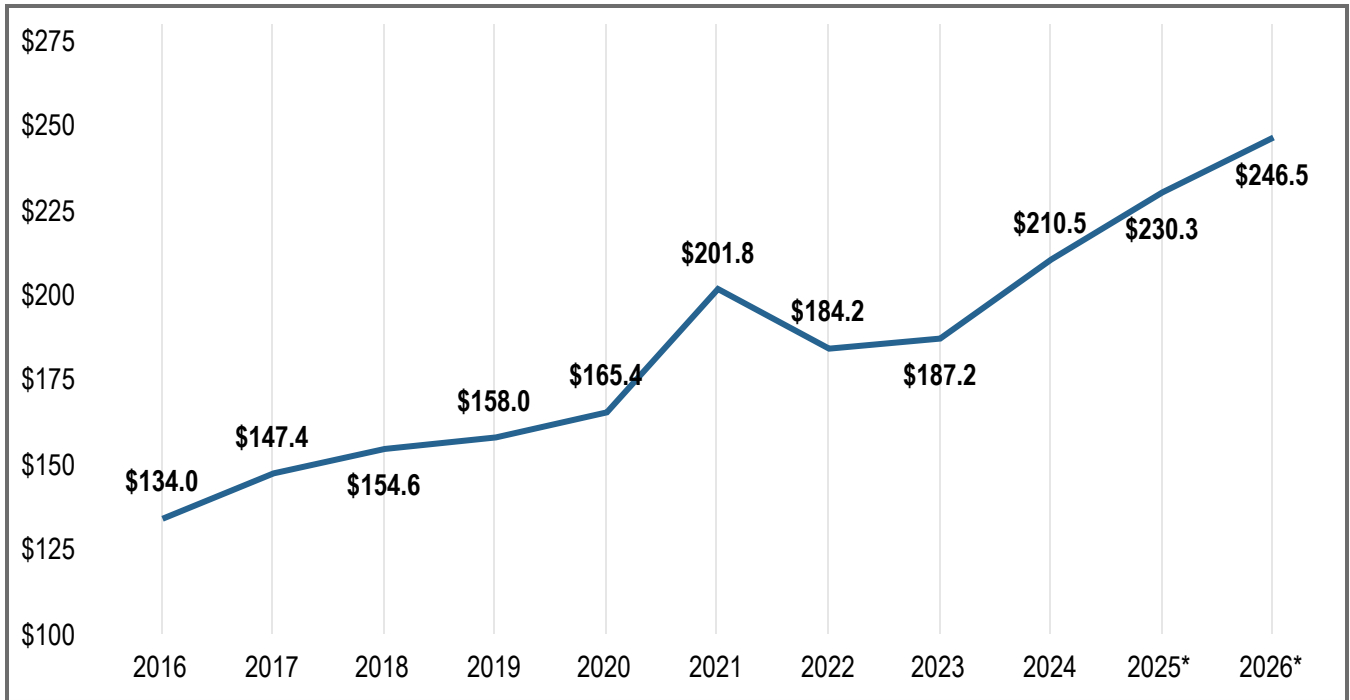
## FULL-TIME EQUIVALENT (FTE) EMPLOYEES



***Actual FTEs reflect an average of the total FTEs reported each quarter in a fiscal year.***

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, intern, and fellow 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 2025, pursuant to Rider 19 Exception to FTE Limitation for Board Fiduciary Finding of the TRS bill pattern in the GAA, the Board found that additional resources are required due to the agency's commitment to completing the Customer Service Improvement Initiative, enhancing the investment competitive advantage through the Investment Data Modernization program, and to address data security and artificial intelligence needs to protect TRS member data and agency information.

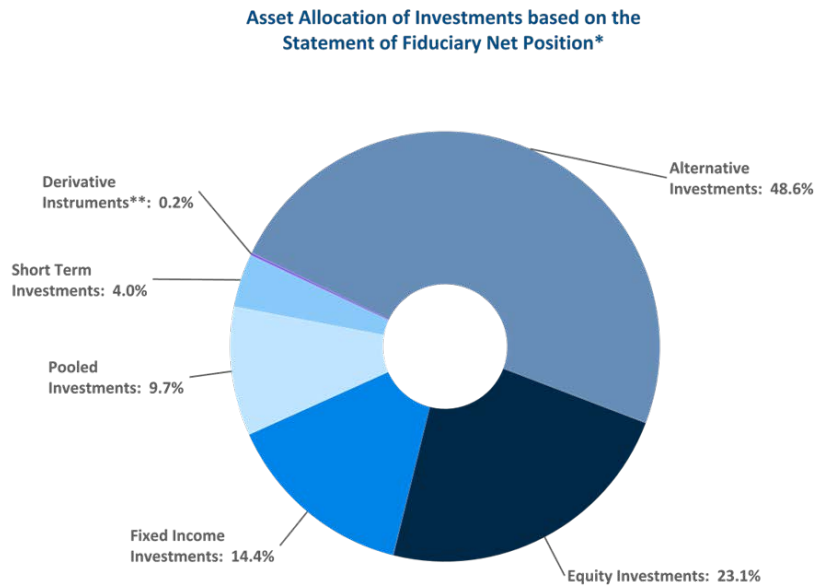
## PENSION TRUST FUND BALANCE (In Billions)



\*Projected based on a rate of return of 9.4% for FY 2025 and 7% for FY 2026.

The annual rate of return on investments for the pension fund for the year ended Aug. 31<sup>st</sup>, 2024 was 12.5%.

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



\*Source: 2024 Annual Comprehensive Financial Report

\*\*Derivative instruments are reported on a net basis in the chart above.

# 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.

**Alpha** – Refers to a measure of how well an investment portfolio performs against a benchmark, such as the stock market. Alpha can be positive or negative. A positive alpha means the investment outperformed the benchmark, while a negative alpha means it underperformed.

**Alpha-Bravo** – TRS' new campus at the Mueller development in Austin, Texas. Consists of two six-story buildings, named Alpha and Bravo.

**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.

**Areas of Focus (AOFs)** – Areas where the Executive Director will focus their time and attention in the coming fiscal year. Most AOFs are tied to an objective in the agency strategic plan. May also be an initiative not in the strategic plan, but will be worked on within the fiscal year.

**Artificial Intelligence (AI)** – A branch of computer science focused on developing data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement.

**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.

**Budget Evaluation** – A comprehensive review conducted by the Budget team to assess agency operations, financial performance, and strategic priorities. The evaluation included analysis of prior-year expenditures, a five-year trend review, and incorporation of various budgeting models to enhance efficiency.

**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.

**Capital Expenditure** – capital project expenditures are assets with a biennial project cost or unit cost in excess of \$500,000.

**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.

**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 Pension 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.

**Enterprise-wide Shared Services** – divisions that provide support across the agency. These divisions include: include Information Technology, Internal Audit, Legal and Compliance, Information Security,

Organizational Excellence (Human Resources), Financial Services, Administrative Services and Contract Services.

**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 Finding** – Refers to a formal determination made by the TRS Board that additional resources such as full-time equivalent (FTE) positions are necessary to fulfill the Board's fiduciary responsibilities to its members and beneficiaries.

**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 2026 runs from Sept. 1, 2025 through Aug. 31, 2026.

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

**FTE cap** - Refers to a statutorily imposed limitation on the number of full-time equivalent employees (FTEs) a state agency is authorized to employ.

**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).

**Goal** – A broad, brief descriptor of what you want to accomplish long-term; usually does not have a specified time frame.

**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.

**Health Savings Account (HSA)** - a type of savings account that allows pretax money to be set aside to pay for qualified medical expenses.

**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.

**Internal Revenue Service (IRS)** – U.S. federal agency responsible for administering tax laws, collecting taxes, processing returns, issuing refunds, and enforcing compliance under the Department of the Treasury.

**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.

**Net Alpha** – Refers to the return (profit or loss made to an investment over a period of time) minus management and performance fees.

**Objective** – A specific, measurable statement of desired outcome, linked to a goal.

**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.

**Payroll, Benefit Adjustment, and Tax (PBT)** – the final and largest deliverable of the TEAM Program which includes automating monthly annuity payroll processing and reconciliation, annuity changes due to salary, service credit changes, option changes beneficiary changes, disability recoveries, tax filing and reporting, etc.

**Pension Plan Design Study** – Legislative mandated report to be completed by TRS comparing the current defined benefit plan with alternative designs. It will evaluate workforce and demographic trends, along with actuarial and fiscal impacts. The report is due to the Legislative Budget Board and Governor by September 1, 2026.

**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.

**Power BI** – a Microsoft business intelligence (BI) platform that helps users analyze, visualize, and share data to make informed decisions.

**Programs** – The FY 2026 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.

**Reverse Repurchase Agreement** – The purchase of assets/securities with the agreement to sell them at a higher price a specified date in the future. These are typically used to raise capital in the short term, the higher price represents the buyer's interest gained in the duration of the deal.

**Rider** – A provision added to a bill (often an appropriations bill) that directs, limits, or conditions how funds are used. Riders may include policy instructions, restrictions, or requirements tied to specific funding allocations.

**Shadow Accounting Book of Record (SABOR)** – An independently maintained financial ledger used to validate or analyze data alongside the official accounting system.

**State Office of Administrative Hearings (SOAH)** – An independent and neutral agency that conducts hearing and mediations for administrative disputes and appeals in Texas.

**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:

## GENERAL APPROPRIATIONS ACT FY 2026-27 TEACHER RETIREMENT SYSTEM

	For the Years Ending	
	August 31, 2026	August 31, 2027
<b>Method of Financing:</b>		
General Revenue Fund	\$3,692,446,093	\$3,799,036,860
GR Dedicated – Estimated Other Educational and General Income Account No. 770	\$40,680,322	\$41,761,299
Teacher Retirement System Trust Account Fund No. 960	\$291,612,800	\$256,873,800
<b>Total, Method of Financing</b>	<u>\$4,024,739,215</u>	<u>\$4,097,671,959</u>
<b>This bill pattern represents an estimated 2.7% of this agency's estimated total available funds for the biennium.</b>		
<b>Number of Full-Time-Equivalents (FTE):</b>	1,139.3	1,139.3
<b>Schedule of Exempt Positions:</b>		
Executive Director	\$588,500	\$588,500
Chief Investment Officer	800,000	800,000
<b>Items of Appropriation:</b>		
<b>A. Goal: TEACHER RETIREMENT SYSTEM</b> To Administer the System as an Employee Benefit Trust.		
<b>A.1.1. Strategy: TRS - PUBLIC EDUCATION RETIREMENT</b> Retirement Contributions for Public Education Employees. Estimated	\$2,746,403,191	\$2,796,022,682
<b>A.1.2. Strategy: TRS - HIGHER EDUCATION RETIREMENT</b> Retirement Contributions for Higher Education Employees. Estimated.	410,735,594	440,976,927
<b>A.1.3. Strategy: ADMINISTRATIVE OPERATIONS</b>	291,612,800	256,873,800
<b>A.2.1. Strategy: RETIREE HEALTH – STATUTORY FUNDS</b> Health care for Public Ed Retirees Funded by Statute. Estimated.	575,987,630	603,798,550
<b>Total, Goal A: TEACHER RETIREMENT SYSTEM</b>	<u>\$4,024,739,215</u>	<u>\$4,097,671,959</u>
<b>Grand Total, TEACHER RETIREMENT SYSTEM</b>	<u>\$4,024,739,215</u>	<u>\$4,097,671,959</u>
<b>Object-of-Expense Informational Listing:</b>		
Salaries and Wages	\$167,675,400	\$176,048,400
Other Personnel Costs	3,734,656,515	3,842,391,659
Professional Fees and Services	55,735,300	33,835,100
Fuels and Lubricants	4,000	4,000
Consumable Supplies	731,900	731,900
Utilities	2,991,200	2,991,200
Travel	2,994,100	2,994,100
Rent - Building	462,800	462,800
Rent - Machine and Other	950,500	950,500
Other Operating Expense	42,118,200	37,208,300
Capital Expenditures	16,419,300	54,000
<b>Total, Object-of-Expense Informational Listing</b>	<u>\$4,024,739,215</u>	<u>\$4,097,671,959</u>

TEACHER RETIREMENT SYSTEM  
(Continued)

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

<u>Employee Benefits</u>		
Group Insurance	\$ 10,892,871	\$ 11,102,814
Social Security	9,927,779	10,020,108
Benefits Replacement	<u>11,899</u>	<u>9,674</u>
<b>Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act</b>	<b><u>\$ 20,832,549</u></b>	<b><u>\$ 21,132,596</u></b>

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>2026</u>	<u>2027</u>
Outcome (Results/Impact):		
TRs Retirement Fund Annual Operating Expense Per Member in Dollars (Excluding Investment Expenses)	74.41	74.68
TRs Retirement Fund Investment Expense as Basis Points of Net Assets	48.56	45.38
Service Level Percentage of Calls Answered in Specified Time Interval	90%	90%
<b>A.1.3. Strategy: ADMINISTRATIVE OPERATIONS Output (Volume):</b>		
<b>Number of TRS Benefit Applications Processed</b>	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>2026</u>	<u>2027</u>
a. Repair or Rehabilitation of Buildings and Facilities		
(1) Building Renovations	\$ 3,000,000	\$ 0
b. Acquisition of Information Resource Technologies		
(1) IT Infrastructure Upgrades	\$ 7,300,000	\$ 0
(2) Investment Data Modernization	<u>32,100,000</u>	<u>\$ 0</u>
Total, Acquisition of Information Resource Technologies	\$ 39,400,000	\$ 0
c. Data Center/Shared Technology Services		
(1) Data Center Services	<u>\$ 2,180,000</u>	<u>\$ 0</u>
Total, Capital Budget	<u>\$ 44,580,000</u>	<u>\$ 0</u>
Method of Financing (Capital Budget):		
Teacher Retirement System Trust Account Fund No. 960	\$ 44,580,000	\$ 0
Total, Method of Financing	<u>\$ 44,580,000</u>	<u>\$ 0</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, \$2,746,403,191 in fiscal year 2026 and \$2,796,022,682 in fiscal year 2027, and A.1.2, TRS- Higher Education Retirement, \$410,735,594 in fiscal year 2026 and \$440,976,927 in fiscal year 2027 are based on a state contribution of 8.25 percent of payroll in year 2026 and 8.25 percent in year 2027 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, \$575,987,630 in fiscal year 2026 and \$603,798,550 in fiscal year 2027 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 without providing 60 calendar 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 2026 and 2027 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 college students, law school students, graduate school students, or post-graduate fellowship recipients in the Intern Program of the Teacher Retirement System (TRS) shall be exempt from Article IX, Sec. 6.10. Limitation on State Employment Levels. This provision will not change the cap on the Number of Full-Time Equivalents (FTE) for TRS listed elsewhere in this Act. TRS shall provide to the Legislative Budget Board, the Governor, the Comptroller of Public Accounts, and the State Auditor's Office a report of the number of FTEs associated with the Intern Program each fiscal year.
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 2026 and 8.25 percent in fiscal year 2027 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 calendar 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, 2027, 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 from the General Revenue Fund for fiscal year 2026 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 appropriations from the General Revenue Fund in Strategy A.2.1, Retiree Health - Statutory Funds, in fiscal year 2027 to fiscal year 2026 and such funds are appropriated for fiscal year 2026. 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 2026 costs associated with providing retiree health benefits will exceed the funds appropriated for these services for fiscal year 2026.
  - 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 business 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 and 1579.052, and Article IX, Section 7.11, Notification of Certain Purchases or Contract Awards, Amendments, and Extensions, the agency may contract with a third-party vendor for this purpose.
- 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 2026-27 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).

TEACHER RETIREMENT SYSTEM  
(Continued)

- (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. 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 Trust Fund and employ additional FTEs upon a finding of fact by the TRS Board of Trustees that additional resources are necessary to open an additional regional office. No later than 30 business days after such a finding, the TRS Board of Trustees shall notify the Legislative Budget Board (LBB) and the Governor of the amount of funding and number of FTEs anticipated to be necessary for these purposes.
- 21. Pension Plan Design Study.** Out of funds appropriated elsewhere in this Act, the Teacher Retirement System (TRS) shall produce a report that compares TRS' current defined benefit plan with alternative benefit plan designs. The report shall consider workforce and demographic trends among TRS members and retirees and the actuarial and fiscal impacts of the alternative plan designs. The report shall be submitted to the Legislative Budget Board and the Governor no later than September 1, 2026.

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## Loving Every Minute

Every day, the employees of TRS are proud to dedicate their time and hard work to provide our members with the services they've earned and the respect they deserve for 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.



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