



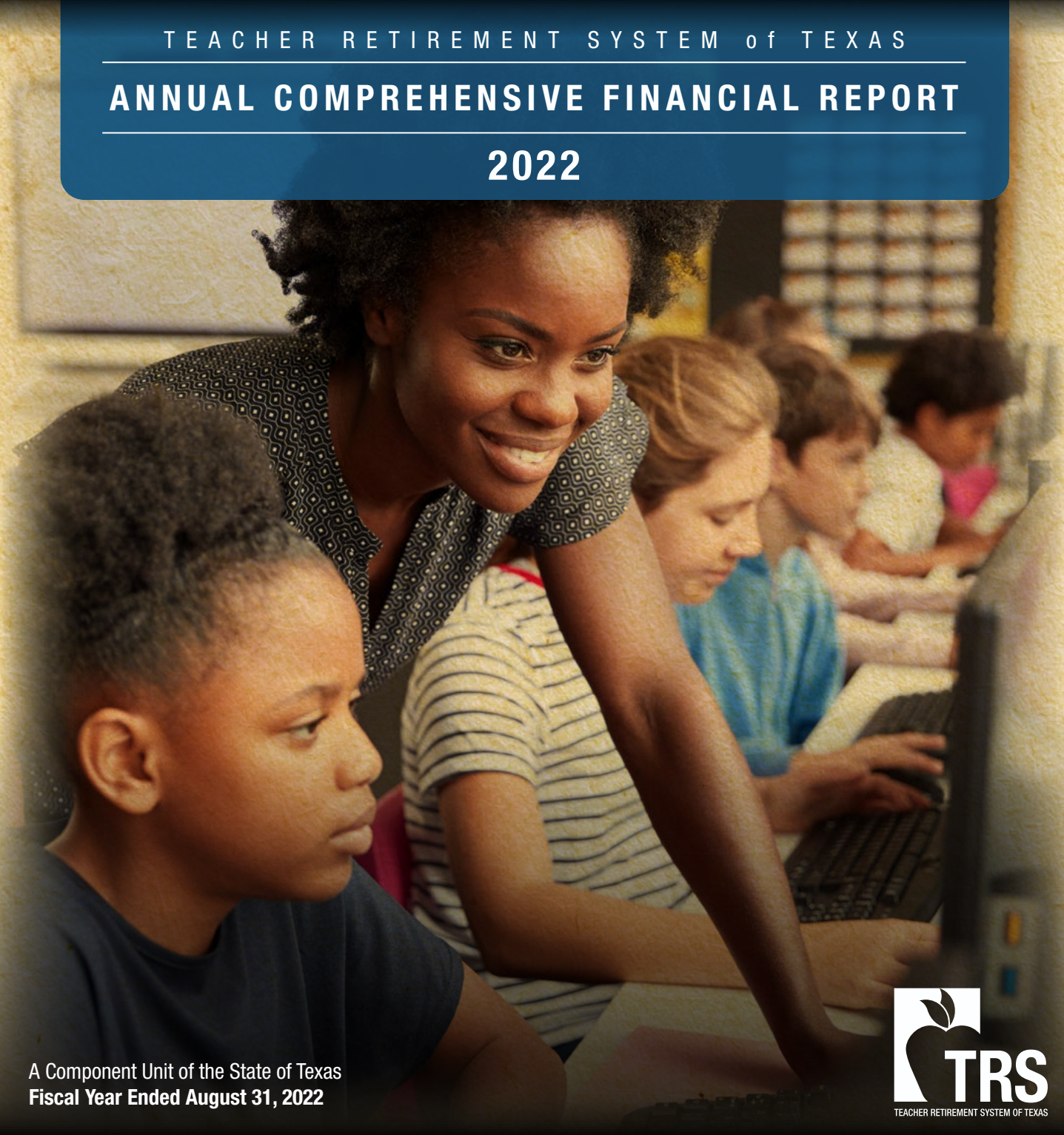
*"If you have to put someone on a pedestal, put teachers.
They are society's heroes."*

— Guy Kawasaki

TEACHER RETIREMENT SYSTEM of TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

2022



A Component Unit of the State of Texas
Fiscal Year Ended August 31, 2022



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.



As a part of this year's Annual Comprehensive Financial Report, we are proud to spotlight some thought-provoking quotes that demonstrate the importance of both education and the dedicated teachers that help make the future brighter.



2022
Annual Comprehensive
Financial Report

A Component Unit of
the State of Texas

FISCAL YEAR ENDED AUGUST 31, 2022
PREPARED BY TRS STAFF

Introductory Section

Board of Trustees	3
Professional Awards	4
Letter of Transmittal	6
Organization Chart	10
Staff and Advisors	11
Membership Information	12

Financial Section

Independent Auditor's Report	16
Management's Discussion and Analysis	21

Basic Financial Statements

Exhibit I: Statement of Fiduciary Net Position	34
Exhibit II: Statement of Changes in Fiduciary Net Position	38
Exhibit III: Statement of Net Position - Proprietary Funds	42
Exhibit IV: Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	43
Exhibit V: Statement of Cash Flows - Proprietary Funds	44
Notes to the Financial Statements	45

Required Supplementary Information**Pension Trust Fund**

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios	92
Notes to the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios	94
Schedule of the Net Pension Liability	94
Schedule of Employer and Non-Employer Contributing Entity Actuarially Determined Contributions	95
Notes to the Schedule of Actuarially Determined Contributions	95
Schedule of Investment Returns	96
Schedule of Employer's (TRS) Proportionate Share of ERS' Net OPEB Liability	96
Schedule of Employer's (TRS) Contributions to ERS' OPEB Plan	96

TRS-Care

Schedule of Changes in Employers' Net OPEB Liability and Related Ratios	98
Notes to the Schedule of Changes in Employers' Net OPEB Liability and Related Ratios	100
Schedule of the Net OPEB Liability	100

Other Supplementary Information

Schedule 1: Schedule of Administrative and Investing Activity Expenses	102
Schedule 2: Schedule of Professional and Consulting Services	104

Investment Section

Investment Overview	108
---------------------------	-----

Report on Investment Activities

Table 1: Asset Allocation	113
Table 2: Investment Summary	114
Table 3: Investment Allocations	115
Table 4: Largest Fixed Income Investments	116
Table 5: Largest Equity Investments	116
Table 6: Policy Benchmarks	117
Table 7: Investment Performance: Time-Weighted Returns	118
Table 8: Investment Manager Fees	120
Table 9: External Managers	121
Table 10: Broker Commissions	123
Table 11: Broker Commissions by Asset Class	124
Table 12: Summary of PPP Payments and Contingent Liabilities	125

Actuarial Section

Pension Trust Fund

Actuary's Certification Letter 130

Actuarial Disclosure 135

Table 1: Actuarial Present Value of Future Benefits 135

Table 2: Summary of Cost Items 135

Financing Objective and Funding Policy 135

Plan Provisions 136

Actuarial Methods and Assumptions 136

Table 3: Post Retirement Mortality Projections 137

Table 4: Assumed Retirement Age 137

Table 5: Probability of Decrement Due to Disability 138

Table 6: Probability of Decrement Due to Death 138

Table 7: Probability of Decrement Due to Termination 138

Table 8: Rates of Salary Increase Due to Merit and Promotion 139

Funding of Unfunded Actuarial Accrued Liability 140

Table 9: Active Member Payroll Valuation Data 140

Table 10: Retirees, Beneficiaries, and Disabled Participants Added to and Removed from Membership 141

Table 11: Analysis of Financial Experience 141

Solvency Test 141

Table 12: Solvency Test 142

Schedule of Funding Progress 142

Table 13: Schedule of Funding Progress 142

TRS-Care

Actuary's Certification Letter 144

Actuarial Disclosure 146

Funding Objective and Funding Policy 146

Table 1: Retirees and Beneficiaries Added to and Removed from Membership 146

Statistical Section

Statistical Section Overview 149

Financial Trends Information

Changes in Fiduciary Net Position - Pension Trust Fund 150

Changes in Fiduciary Net Position - TRS-Care 152

Revenues, Expenses, and Changes in Net Position - TRS-ActiveCare 154

Benefit and Refund Deductions from Net Position by Type - Pension Trust Fund 156

Benefit Deductions from Net Position by Type - TRS-Care 156

Benefit Deductions from Net Position by Type - TRS-ActiveCare 156

Operating Information

Average Benefit Payments - Pension Trust Fund 158

Average Monthly Benefits - Pension Trust Fund 159

Average Benefit Payments - TRS-Care and TRS-ActiveCare 160

Health Benefits by Plan - TRS-Care and TRS-ActiveCare 161

Retired Members by Type of Benefit - Pension Trust Fund 163

Principal Participating Employers - Pension Trust Fund and TRS-Care 164

List of Participating Employers 165

Benefits Section

Changes in the Law 176

Summary of Benefits 181

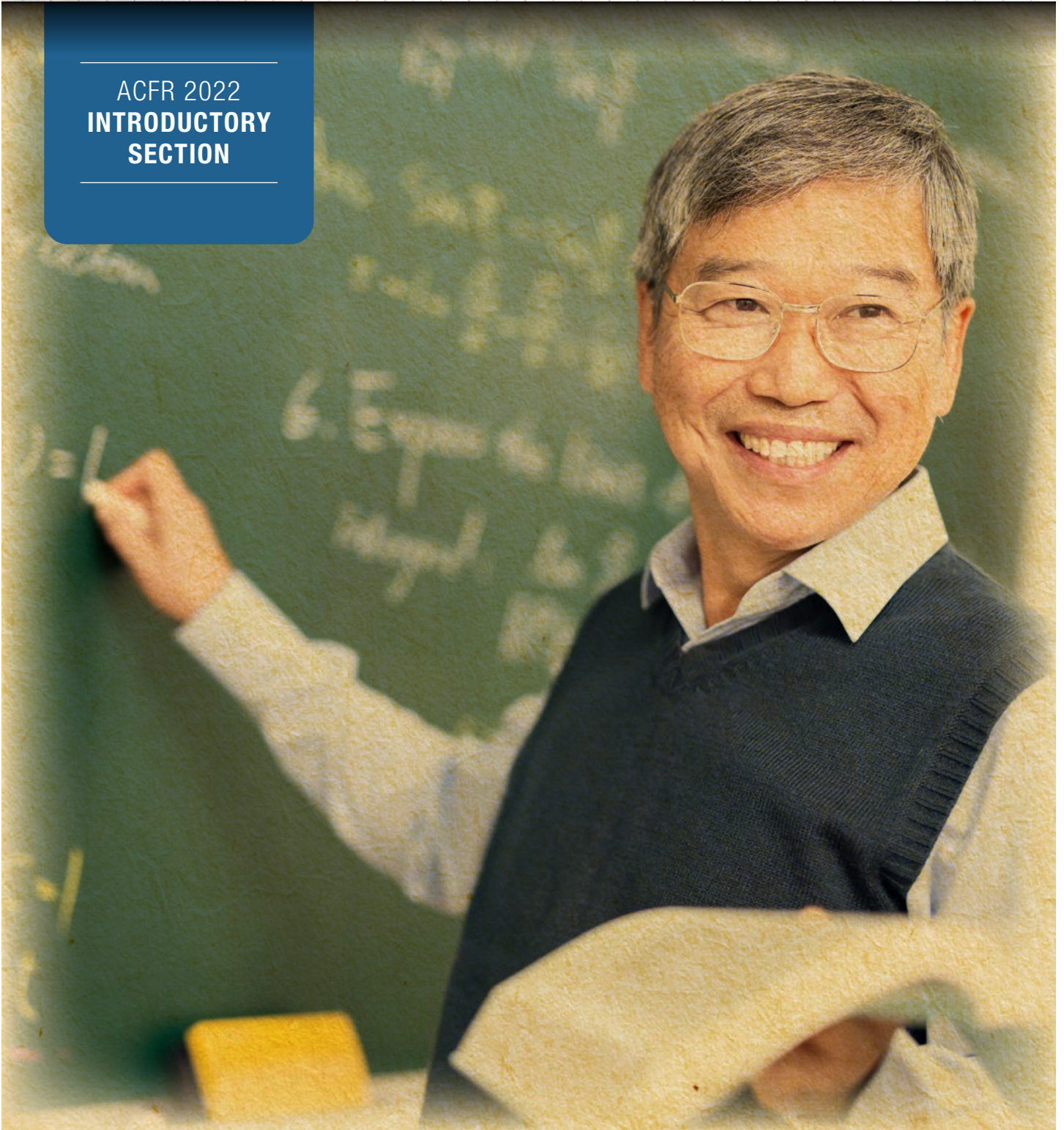
This page is intentionally left blank.

"The job of an educator is to teach students to see vitality in themselves."

— Joseph Campbell



ACFR 2022
**INTRODUCTORY
SECTION**



This page is intentionally left blank.



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



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



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



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



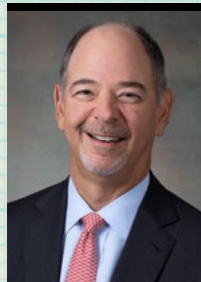
Michael Ball
 Senior Vice President
 Hilltop Securities, Inc.
 Argyle
 Active public education position
 Term expires 2025



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



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



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

The Active Public Education Board position is currently vacant.
 For information on the board election process, please refer to Note 1 in the Financial Section.



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2021***

Presented to

Teacher Retirement System of Texas

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Teacher Retirement System of Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2021

Christopher P. Morill

Executive Director/CEO



1.800.223.8778
www.trs.texas.gov

Brian K. Guthrie
Executive Director
1000 Red River Street
Austin, Texas 78701-2698

November 20, 2022

Honorable Greg Abbott, Governor
Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty, Legislative Budget Board
Lisa Collier, State Auditor
The Board of Trustees and Members of the Teacher Retirement System

Ladies and Gentlemen,

On behalf of the board of trustees, I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the Teacher Retirement System of Texas (TRS or System) for the fiscal year ended August 31, 2022, the System's 84th year of operation. During the past fiscal year, the System experienced growth as membership increased by 70,988, ending the year with 1,948,907 participants. The Pension Trust Fund experienced market volatility resulting in negative returns for the fund, ending the 2022 fiscal year with a net position of \$184.2 billion compared to \$201.8 billion at the close of the 2021 fiscal year. TRS investment earnings, combined with contribution increases and benefit changes approved by the 86th Texas Legislature, are continuing to enable TRS to provide secure benefits for current and future retirees.

The State Auditor's Office performed an audit, in accordance with generally accepted auditing standards, of the System's financial statements. The opinion letter is presented in this report preceding the financial statements.

Management Responsibility

This report consists of management's representations concerning TRS finances. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management maintains a comprehensive internal control framework designed to protect assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of TRS' financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The objective of the internal control framework is to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement since the cost of controls should not exceed the benefits to be derived. To the best of our knowledge and belief, management asserts this financial report is complete and reliable in all material respects.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TRS the Certificate of Achievement for Excellence in Financial Reporting for the previous fiscal year. To be awarded the certificate, a report must meet or exceed program standards and must satisfy both GAAP and applicable legal requirements. TRS has received a Certificate of Achievement for each ACFR for the last 32 years. We believe that the current report continues to meet program requirements and will be submitted to the GFOA for consideration again this year.

Financial Information

The Basic Financial Statements have been prepared in accordance with GAAP applied on a consistent basis as promulgated by the Governmental Accounting Standards Board (GASB). The Management's Discussion and Analysis (MD&A) includes a narrative introduction, overview, and analysis to accompany the financial statements. The transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

Investments

For the twelve-month period ending August 31, 2022, the total portfolio delivered investment returns of (6.72) percent, which is 1.98 percent below the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$183.5 billion, or \$17.7 billion less than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 7.73 percent, which is 0.01 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2022, were 7.31 percent and 8.14 percent, respectively, exceeding the Board's adopted long-term assumed rate of return of 7.00 percent.

Investment risks are diversified over a very broad range of market sectors and securities. TRS' investment strategy is designed to minimize downside risk while capturing upside performance, and it reduces portfolio risk from adverse developments in sectors and issuers experiencing unusual difficulties and offers opportunity to benefit from future markets.

Pension Plan Benefits

For fiscal year 2022, TRS made pension benefit payments totaling \$13.1 billion to 475,952 retirees and their beneficiaries. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions.

Actuarial Soundness of the Pension Trust Fund

As of August 31, 2022, the System had a funded ratio of 79.0 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$51.7 billion. The UAAL increased \$4.1 billion during the year largely due to unfavorable investment performance for fiscal year 2022 and larger than expected salary increases. In addition, the assumed rate of investment return was lowered from 7.25 percent to 7.00 percent in conjunction with an experience analysis performed during the year. Even with these events, the UAAL is anticipated to be fully amortized by 2048, which is on track with the original projections from SB 12 of the 86th legislature.

SB12 increased contribution rates for the State, employers, and members in a phased approach that concludes in fiscal year 2025. The State's base rate of 7.75 percent in fiscal year 2022 will increase to 8.00 percent in fiscal year 2023 and phase-in to 8.25 percent by fiscal year 2024. In addition, all public education employers paid a supplemental contribution rate of 1.70 percent for fiscal year 2022 and will pay 0.10 percent more each year until the rate reaches 2.00 percent in fiscal year 2025. At the end of the phase-in period, these supplemental contributions will equal approximately 1.24 percent of total payroll. Combined, with additional contributions from retirees, these contributions are ultimately assumed to approximate 9.56 percent of total payroll. The member contribution rate of 8.00 percent in fiscal year 2022 will be retained for fiscal year 2023 and will be 8.25 percent in fiscal year 2024 and thereafter.

The contributions provided by the increased contribution rate pattern are sufficient to amortize the current UAAL of the System over a period of 26 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the Statute are expected to be met, assuming all assumptions are realized.

Retiree Health Benefits Program

TRS administers TRS-Care, a health benefits program for eligible retired public education employees and their eligible dependents that was established in 1985. TRS-Care is the source of health benefits coverage upon which a substantial portion of retired public education employees rely. Funding is provided by premium payments from retiree participants and contributions from the state, public schools, and active public education employees. TRS-Care also receives additional revenue from the Medicare Part D subsidy program.

As of August 31, 2022, TRS-Care had a Net Other Post-Employment Benefit Liability of \$23.9 billion. The program was 11.5 percent funded as of the end of the fiscal year 2022. More detailed information about the valuation results is included in the Notes to the Financial Statements and the Required Supplementary Information.

The 85th Legislature, in regular and special sessions, passed legislation that restructured TRS-Care and provided additional funding to address the solvency and affordability of TRS-Care. The state contribution rate to TRS-Care is 1.25 percent of public school payroll and the district contribution is 0.75 percent. Active employee contributions remained unchanged at 0.65 percent. No additional contributions were needed from the 86th Texas Legislature to keep TRS-Care premiums consistent through fiscal year 2023.

Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2002, is a self-funded health benefits program that offers plan options that range from catastrophic coverage with reduced premiums to a comprehensive plan at higher premiums. TRS-ActiveCare covers active employees currently employed by public education employers that participate in the program, along with the employees' eligible dependents. TRS-ActiveCare is funded by State, employer, and active employee contributions. Each plan year, the TRS Board of Trustees has made plan changes and increased premiums to sustain the program.

Agency Highlights

New Headquarters - After almost 50 years in its current home, TRS obtained a new headquarters consisting of a newly completed building along with a second building currently under construction in the Mueller development. The two-building campus will house the entire agency and moves TRS out of downtown Austin. The buildings are designed to serve TRS members for the next generation and will be fully occupied by 2024.

Ombuds - In September 2021, the TRS Board of Trustees selected an Ombuds who officially started in November 2021. The Ombuds provides TRS members and retirees with an additional contact for addressing concerns or issues related to TRS pension and health care benefits, including their rights and responsibilities under applicable benefits and health programs, and explanations of TRS' processes for customer service, complaints, and appeals. The Ombuds provides quarterly updates during board meetings and via an annual report to the Trustees.

TRS Classification Plan - The TRS Board of Trustees authorized TRS to transition from the State Classification Plan to a new TRS-specific classification structure. This marks the beginning of the official implementation of a TRS Compensation Plan that is tailored to meet TRS' specific business needs, tied to market data for talent, and provides an efficient and flexible framework to effectively recruit and retain staff. Developing this new system allows TRS to respond timely and more competitively to shifts in the labor market.

Fellowship Program - Following authority provided during the 2019 legislative session, TRS established a three-year fellowship program for recent undergraduate and graduate school graduates to create talent pipelines for mission critical positions and increase organizational diversity, equity, and inclusion initiatives.

New and Improved MyTRS - The new MyTRS member self-service portal was launched in April 2022. MyTRS provides both members and employees access to manage their TRS pension benefits accounts and perform many actions that previously required a phone call or paper form submission to TRS. Benefit Counselors are also able to use a new co-browse feature to see member screens and guide them through the new self-service functionality. Additional security and fraud prevention features include multi-factor authentication (MFA) and identity proofing features on enrollment.

Customer Service Improvement Initiative - TRS is in the process of implementing a multi-year customer service improvement initiative to address customer service levels and member demands. The initiative includes procedure changes, system changes, process improvements, and enhanced staffing. Since implementing system and staffing enhancements, TRS has already seen improvements in key performance measures

El Paso Office - To best meet growing customer needs across the state, TRS successfully completed several major tasks in 2022 to open its first regional office in El Paso. This included securing office space inside the Region 19 Education Service Center and hiring and training staff to provide benefits counseling. The office opened in November 2022. If data suggests the office is valuable to TRS members, TRS will consider establishing an additional regional office during the 2024-25 biennium. El Paso was selected as the pilot following extensive research and assessment of member needs

COVID Relief - TRS received \$721 million in federal relief funding to offset COVID-19-related expenses. After covering many out-of-pocket costs, sufficient funds remained to allow TRS to send TRS-Care policyholders a one-time \$448.12 payment in March of 2022. The federal funds also allowed TRS to avoid increasing TRS-ActiveCare premiums and reduce premiums in many regions of the state, despite cost increases in the larger health care market.

ActiveCare Legislation – Legislation passed in 2021 created the opportunity for districts to leave TRS-ActiveCare and choose a different health plan for the 2022-23 school year. TRS implemented regional rates for TRS-ActiveCare to ensure that employers across Texas receive rates that reflect the cost of health care in their area and are competitive relative to comparable options in the market. In the first year of the new law, 90 percent of participating employers chose to remain with TRS, and TRS retained 97 percent of enrollment.

Acknowledgments

We wish to express our appreciation for the support of the Governor's, Lieutenant Governor's, and Speaker's Offices, as well as members of the legislature, in maintaining a strong retirement system, which provides valuable benefits for public education employees and retirees.

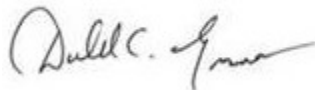
We are grateful for the dedicated service of all of our trustees. Trustee willingness to accept the substantial responsibilities of directing system administration is a great service to the State and to the members served by TRS.

TRS trustees and staff are keenly focused on prudent Pension Trust Fund portfolio management and efficient, service-oriented delivery of valuable retirement and related benefits for public education employees and retirees. We are pleased to report on operational results for the year and to acknowledge the substantial support of state leadership, trustees, members, interested associations, and TRS staff.

Respectfully submitted,




Brian K. Guthrie
Executive Director




Donald C. Green
Chief Financial Officer


TRS Board of Trustees




Amanda Jenami
Chief Audit Executive




Brian K. Guthrie
Executive Director




Lori LaBrie
Ombuds




Heather Traeger
General Counsel & Chief Compliance Officer




Jase Auby
Chief Investment Officer



Andrew Roth
Deputy Director




Merita Zoga
Director of Governmental Relations



Caasi Lamb
Chief Strategy Officer




Janet Bray
Chief Organizational Excellence Officer



Martin Cano
Chief Business Administration Officer




Chris Cutler
Chief Information Officer



Katrina Daniel
Chief Health Care Officer




Don Green
Chief Financial Officer



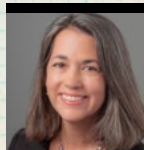
Barbie Pearson
Chief Benefit Officer



Frank Williams
Chief Information and Security Officer



Kellie Sauls
Director of Diversity, Equity and Inclusion



Elizabeth Hallmark
Senior Director of Communications

Executive Administrative Staff

Brian K. Guthrie, *Executive Director*
Andrew Roth, *Deputy Director*
Jase Auby, *Chief Investment Officer*
Heather Traeger, *General Counsel*
and Chief Compliance Officer
Amanda Jenami, *Chief Audit Executive*
Barbie Pearson, *Chief Benefit Officer*
Don Green, *Chief Financial Officer*
Katrina Daniel, *Chief Health Care Officer*
Chris Cutler, *Chief Information Officer*
Frank Williams, *Chief Information and Security Officer*
Janet L. Bray, *Chief Organizational Excellence Officer*
Caasi Lamb, *Chief Strategy Officer*
Martin Cano, *Chief Business Administration Officer*
Elizabeth Hallmark, *Senior Director, Communications*
Merita Zoga, *Director, Governmental Relations*
Kellie Sauls, *Director, Diversity, Equity and Inclusion*
Lori LaBrie, *Ombuds*

General Investment Advisors and Consultants

Aon Hewitt Investment Consulting, Inc., Chicago, IL
Keith C. Brown, Ph.D., Austin

Consulting Actuary

Gabriel, Roeder, Smith & Company, Dallas

International Tax Consulting and Compliance Services

Ernst & Young, L.L.P., Austin and London, England

Investment Consultants

Albourne America, L.L.C.,
San Francisco, CA
(Hedge Funds and Private Markets)
BlackRock Investment Management, L.L.C.,
New York, NY (Private Equity Co-investments)
Grosvenor Capital Management, L.P.,
Chicago, IL (Emerging Managers)
KPMG, L.L.P.,
Philadelphia, PA (Tax Services and Investment Advice)
LaSalle Investment Management, Inc.,
Chicago, IL (Real Estate)
PPCP, L.L.C.
Los Angeles, CA (Real Assets)
The Rock Creek Group, L.P.,
Washington, D.C. (Emerging Managers)
Valuation Research Corporation,
New York, NY (Private Investment Valuation)
W.D. Von Gonten & Co.,
Houston (Oil and Gas)

Audit Services

Texas State Auditor's Office, Austin
Crowe, L.L.P., Chicago, IL

Fiduciary Counsel

Cohen Milstein Sellers & Toll, P.L.L.C.
Washington, D.C.

Medical Board

Dr. Brian C. Buck, Austin
Dr. Alice Cox, Paris
Dr. David Rothschild, Austin

Texas Public School Retired Employees Group Insurance Program Advisory Committee

Nancy Byler, Early
Grace Mueller, McQueeney
Dr. H. John Fuller, Mineola
Dr. Mary Widmier, Kingwood
Dr. Sonya Haidusek-Niazy, Liberty
Sherry Miller, Harker Heights
Anita Kay Young, Mesquite

Health Care and Actuarial Consultant

Gabriel, Roeder, Smith & Company, Dallas
Gallagher Benefit Services, Inc., Houston
Milliman, Inc., Dallas
Segal Company, Dallas
Pharmaceutical Strategies Group, L.L.C., Dallas
Ice Miller, L.L.P., Indianapolis, IN

Master Custodian and Securities Lending Agent

State Street Bank and Trust Company, Boston, MA

Performance Measurement

State Street Bank and Trust Company, Boston, MA

For a schedule of fees and commissions, please refer to the Investment Section, Report on Investment Activities tables for Investment Manager Fees and Broker Commissions.

Pension Trust Fund

Membership of the Teacher Retirement System of Texas includes employees and retirees of state-supported educational institutions in Texas. Participating employers for fiscal year 2022 are disclosed in the following table.

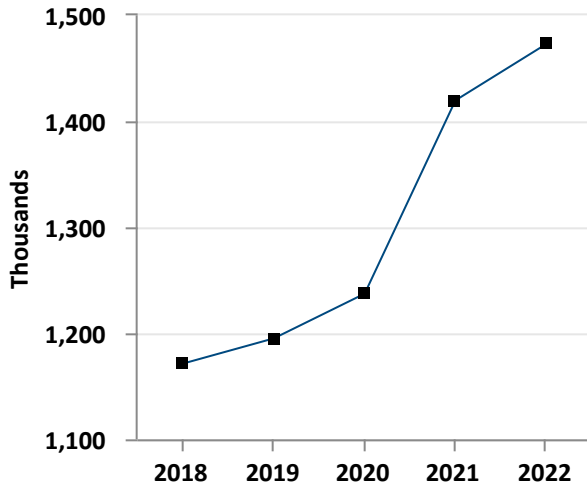
Number of Participating Employers	
Participating Employers	2022
Public School Districts	1,021
Charter Schools	197
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	2
State Agencies	1
Total Participating Employers	1,348

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

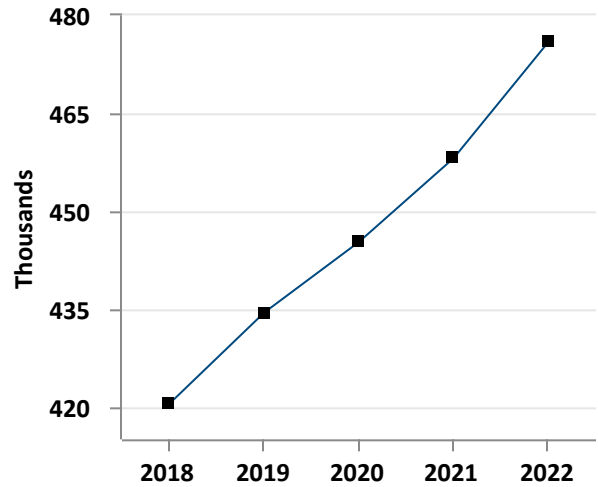
Membership Profile			
	As of August 31,		
	2022	2021	
Active Membership			
Average Annual Salary	\$ 55,639	\$	53,732
Average Age	44.7		44.8
Average Years of Service	10.5		10.5
Annuitant and Beneficiary			
Average Monthly Annuities			
Life Annuities	\$ 2,174	\$	2,145
Disability Annuities	\$ 1,256	\$	1,235
Annuities Certain	\$ 1,185	\$	1,148
Average Age of Current Retirees	72.3		72.2
Average Age at Retirement			
All Retirees	60.5		60.4
Current Year Retirees	62.3		62.4
Average Years of Service			
All Retirees	24.1		24.1
Current Year Retirees	22.8		23.0
Average Salary at Retirement			
All Retirees	\$ 48,343	\$	47,490
Current Year Retirees	\$ 57,254	\$	55,947
Ratio of Members to Retirees	3.1 to 1		3.1 to 1

Net Membership Changes		
Population Changes	As of August 31,	
	2022	2021
Active Membership:		
New Members	115,133	90,891
Members Withdrawing	(43,227)	(36,398)
Service Retirements	(25,679)	(22,764)
Disability Retirements	(662)	(669)
In-Service Deaths	(2,109)	(2,196)
Other Changes	9,713	153,488
Net Increase	53,169	182,352
Retired Membership:		
Retirements	26,341	23,433
Deaths After Retirement	(12,069)	(12,293)
Option Continuations	4,238	3,360
Other Changes	(691)	(1,641)
Net Increase	17,819	12,859

**Current Membership by Year
Pension Trust Fund**



**Retirement Recipients by Year
Pension Trust Fund**



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

Membership of TRS-Care is eligible to TRS public school retirees. There were 1,239 participating employers during fiscal year 2022.

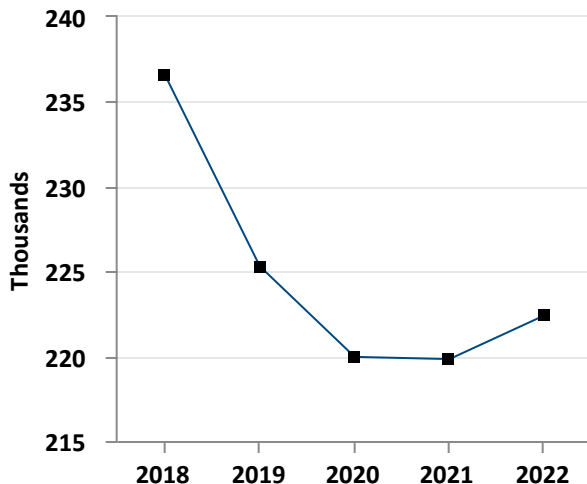
Membership Numbers by Category		
Member Categories	As of August 31,	
	2022	2021
Retirees	182,607	179,594
Surviving Spouses	5,925	6,005
Surviving Children	123	112
Dependent Spouses and Children	33,747	34,120
Total Membership	222,402	219,831

Texas School Employees Uniform Group Health Coverage (TRS-ActiveCare)

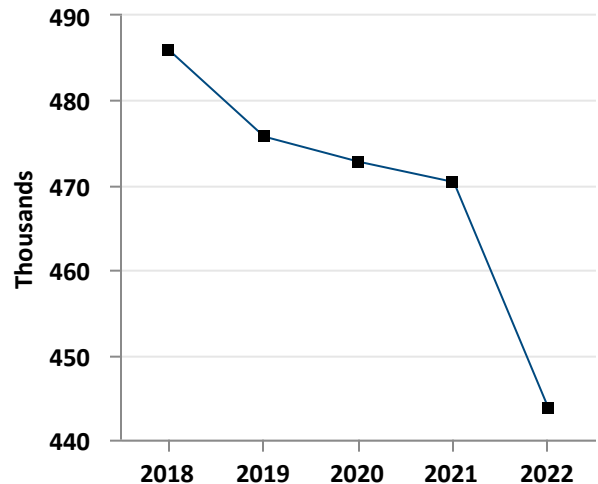
Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers, and other educational districts. There were 1,095 participating employers during fiscal year 2022.

Membership Numbers by Category		
Member Categories	As of August 31,	
	2022	2021
Employees	284,388	302,627
Dependents	159,291	167,752
Total Membership	443,679	470,379

**Membership by Year
TRS-Care**



**Membership by Year
TRS-ActiveCare**



This page is intentionally left blank.

*"Teaching is the one profession that creates
all other professions."*

– Unknown

ACFR 2022
**FINANCIAL
SECTION**





Lisa R. Collier,
CPA, CFE, CIDA,
State Auditor

Independent Auditor's Report

Teacher Retirement System Board of Trustees
Mr. Jarvis V. Hollingsworth, Chairman
Ms. Nanette Sissney, Vice Chair
Mr. Michael Ball
Mr. David Corpus
Mr. John Elliott
Mr. Christopher Moss
Mr. James Nance
Mr. Robert H. Walls, Jr.

Report on the Audit of the Financial Statements


Opinions

We have audited the financial statements of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds of the Teacher Retirement System (System), a component unit of the State of Texas, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds of the System, as of August 31, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

 Robert E. Johnson
Building
1501 N. Congress Avenue
Austin, Texas 78701

 P.O. Box 12067
Austin, Texas 78711-2067

 Phone:
(512) 936-9500

 Fax:
(512) 936-9400

 Internet:
www.sao.texas.gov

SAO Report No. 23-305

Emphasis of Matters

Teacher Retirement System Financial Statements

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and, where applicable, cash flows, of only that portion of the major enterprise fund and the aggregate remaining funds information consisting of the fiduciary funds of the State that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2022, the changes in its financial position, or, where applicable, its cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Investments with Values That Are Not Readily Determined

As discussed in Note 3, the financial statements include investments valued at approximately \$98.4 billion as of August 31, 2022, whose fair values have been estimated by management in the absence of readily determinable fair values. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if

there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, auditors:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Pension Trust Fund and TRS-Care Required Supplementary Schedules, as presented in the Table of Contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The information in Schedules 1 and 2, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information in Schedules 1 and 2, as listed in the Table of Contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory, Investment, Actuarial, Statistical, and Benefits sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue a separate report on our consideration of the System's internal control over financial reporting and on our tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



Lisa R. Collier, CPA, CFE, CIDA
State Auditor

November 18, 2022

Management's Discussion and Analysis

We are pleased to provide this overview of the Teacher Retirement System's (TRS or System) financial performance for the fiscal year ended August 31, 2022. The information presented herein should be read in conjunction with other areas within the Financial Section.

Financial Highlights

- The net position of the TRS Pension Trust Fund was \$184.2 billion as of August 31, 2022, a decrease of \$17.6 billion from fiscal year 2021.
- The net pension liability was \$59.4 billion, a \$33.9 billion increase from the fiscal year 2021 liability of \$25.5 billion.
- Fiscal year 2022 investment income was \$(13.4) billion, a decrease of \$53.9 billion from fiscal year 2021.
- Pension Plan investments experienced a (6.72) percent annual rate of return for the year ended August 31, 2022, compared to a 24.98 percent annual rate of return for fiscal year 2021.
- The net position of TRS-Care was \$3.1 billion as of August 31, 2022, an increase of \$578.7 million from fiscal year 2021.
- TRS-Care's net Other Post-Employment Benefit (OPEB) liability was \$23.9 billion. The liability decreased \$14.6 billion from fiscal year 2021 liability of \$38.6 billion.
- TRS-ActiveCare had a net position of \$547.5 million as of August 31, 2022, an increase of \$491.3 million from fiscal year 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the TRS financial presentation, which consists of the following components:

- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information
- Other Supplementary Information

This information presents the net position available for the funds TRS administers as of August 31, 2022 and any changes in net position for the year then ended. The information available in each of these sections is summarized below.

Basic Financial Statements

Basic Financial Statements are presented for the major funds for the fiscal year ended August 31, 2022, along with comparative data for the prior year. Financials presented include the Pension Trust Fund, TRS-Care Fund, TRS-ActiveCare Fund, and Custodial Fund.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the financial position and are considered an integral part of the financial statements.

Required Supplementary Information

Required Supplementary Information (RSI) consists of the Governmental Accounting Standards Board (GASB) related requirements for the Pension and TRS-Care Funds.

Other Supplementary Information

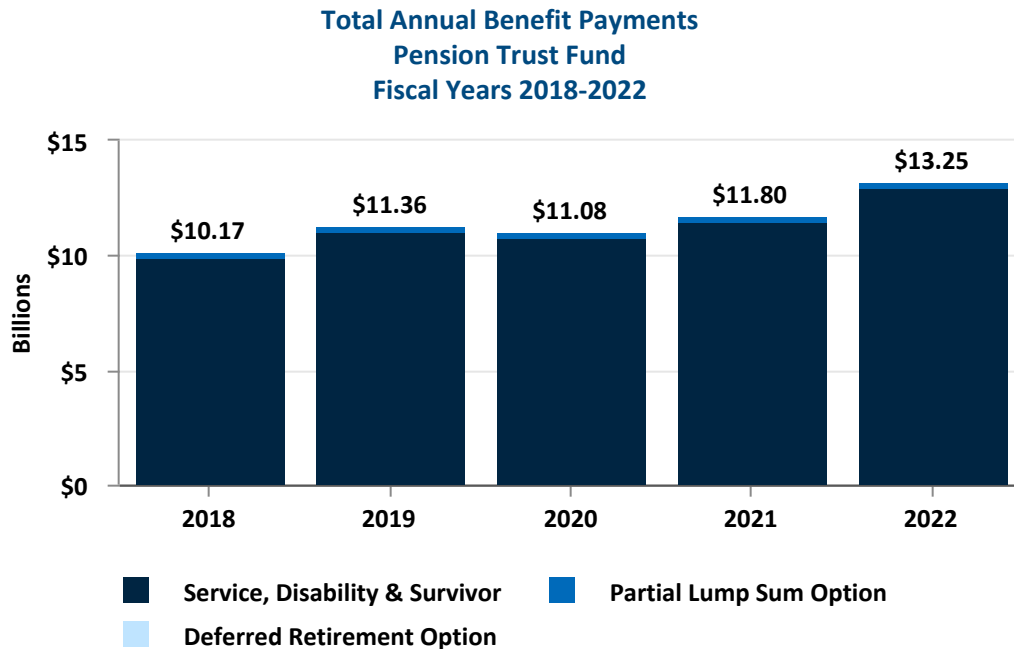
Other Supplementary Information includes administrative and investing activity expenses and payments for professional and consulting services.

Growth of the System

As of August 2022, the monthly annuity payroll increased to \$1,080.2 million, and TRS was paying benefits to 475,952 recipients. Benefit payments by type of recipient are illustrated in the Total Annual Benefit Payments chart below.

Pension recipients include retirees and beneficiaries. Disability recipients are disabled members who are receiving disability payments. Survivor recipients are beneficiaries who have elected to receive death benefits in the form of monthly payments. The number of retiree accounts increased by 17,819 during fiscal year 2022.

Of the current TRS member accounts, 928,418 active contributing and deferred retirement option participants were employed during fiscal year 2022 and made contributions to the System. The remaining 544,537 members were no longer employed by TRS covered employers but maintained their membership in TRS by leaving their contributions in the System. The number of total current member accounts increased by 53,169 during fiscal year 2022.



Financial Analysis of TRS Funds

Pension Trust Fund

Net position held in trust for benefits at August 31, 2022 was \$184.2 billion, a decrease of \$17.6 billion from the \$201.8 billion at August 31, 2021.

Through this unpredictable time in the financial markets during fiscal year 2022, the System remained focused on monitoring risk and safeguarding assets for the Trust's members. The Trust returned (6.72) percent for the fiscal year ended August 31, 2022. Fiscal year 2022 investment income was \$(13.4) billion, a decrease of \$53.9 billion over 2021.

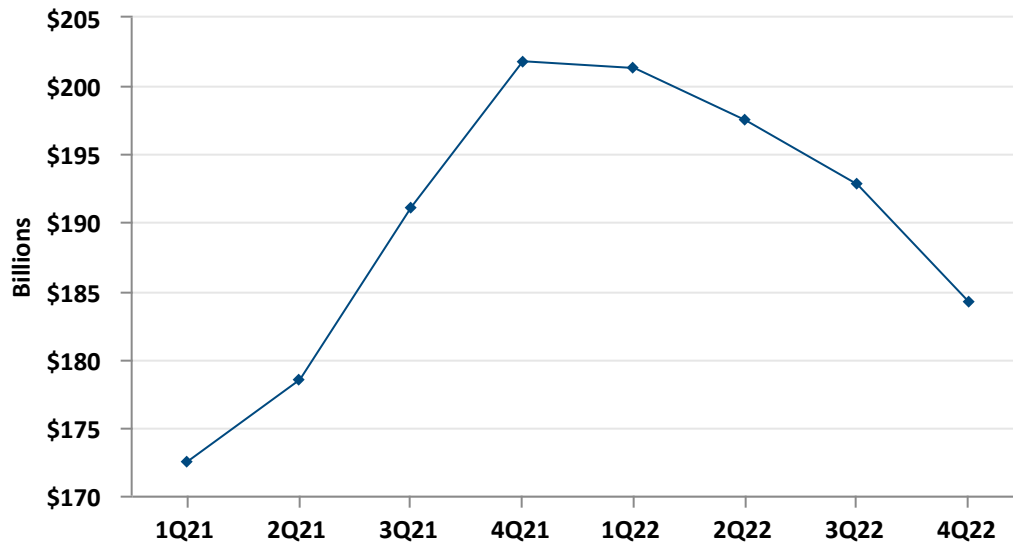
Total contributions and other additions increased \$1,454.7 million, or 17.7 percent, during fiscal year 2022. The increase is due to receiving supplemental funding for a one-time payment and normal payroll growth.

Deductions from net position are primarily retirement pension payments. Fiscal year 2022, benefit payments totaled \$13.2 billion, an increase of \$1.4 billion. This is in line with the increase in the number of retirees and issuing a one-time payment. For fiscal year 2022, refund of contributions were \$579.5 million, an increase of \$130.3 million over fiscal year 2021, largely due to an increase in member withdrawals.

Administrative expenses, excluding investing activities expenses, on a cost per member basis were \$31.84 for fiscal year 2022 compared to \$38.00 in fiscal year 2021.

Investment cost per member was \$129.81 for fiscal year 2022 as compared to \$130.08 in fiscal year 2021. Investment expense in basis points of net position was 13.0 for fiscal year 2022 and was calculated using the average net asset value. Investment expense in basis points for fiscal year 2021 was 13.5.

**Quarterly Net Position
Pension Trust Fund
Fiscal Years 2021-2022**



Statement of Fiduciary Net Position				
Pension Trust Fund				
As of August 31				
(Dollars in Thousands)				
	2022	2021	Dollar Change	Percentage Change
Assets				
Cash and Receivables	\$ 5,347,981	\$ 4,420,746	\$ 927,235	21.0 %
Investments	195,157,348	210,460,436	(15,303,088)	(7.3)
Invested Securities Lending Collateral	6,957,898	8,239,393	(1,281,495)	(15.6)
Capital and Right to Use Assets	158,671	52,180	106,491	204.1
Total Assets	\$ 207,621,898	\$ 223,172,755	\$ (15,550,857)	(7.0)%
Total Deferred Outflow of Resources	\$ 51,449	\$ 45,752	\$ 5,697	12.5 %
Liabilities				
Benefits Payable	\$ 273,747	\$ 85,174	\$ 188,573	221.4 %
Net Other Post-Employment Benefit Liability	124,038	105,874	18,164	17.2
Investments Purchased Payable and Other Investment Liabilities	15,921,601	12,556,007	3,365,594	26.8
Collateral Obligations	6,963,789	8,324,434	(1,360,645)	(16.3)
Accounts Payable and Other	190,194	153,425	36,769	24.0
Total Liabilities	\$ 23,473,369	\$ 21,224,914	\$ 2,248,455	10.6 %
Total Deferred Inflow of Resources	\$ 14,361	\$ 186,591	\$ (172,230)	(92.3)%
Total Net Position	\$ 184,185,617	\$ 201,807,002	\$ (17,621,385)	(8.7)%
Prior Period Adjustment		(519)		
Restated Net Position	\$ 184,185,617	\$ 201,806,483	\$ (17,620,866)	(8.7)%

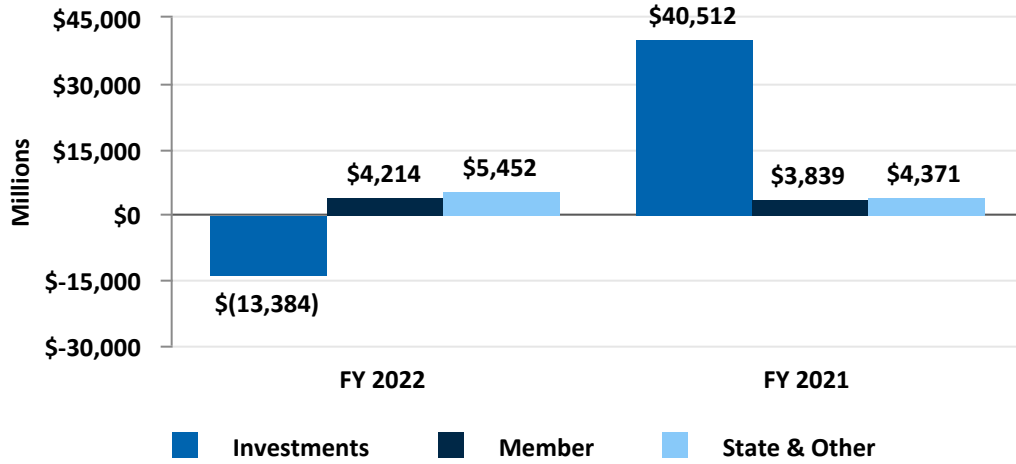
Statement of Changes in Fiduciary Net Position**Pension Trust Fund**

For the Fiscal Years Ended August 31

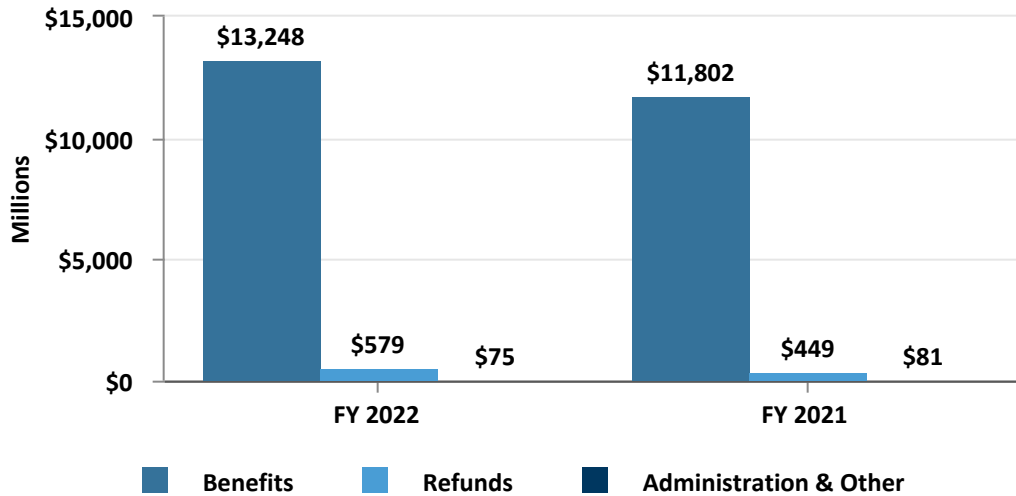
(Dollars in Thousands)

	2022	2021	Dollar Change	Percentage Change
Additions				
Member Contributions	\$ 4,213,622	\$ 3,839,244	\$ 374,378	9.8 %
Non-Employer Contributing Entity Contributions	2,153,483	1,879,553	273,930	14.6
Employer Contributions	2,504,170	2,124,028	380,142	17.9
Supplemental Funding - Appropriations	701,101	—	701,101	—
Supplemental Appropriation - Non-Employer Contributing Entity	—	261,000	(261,000)	(100.0)
Other Revenue	93,012	106,854	(13,842)	(13.0)
Investment Income	(13,383,751)	40,512,139	(53,895,890)	(133.0)
Total Additions	\$ (3,718,363)	\$ 48,722,818	\$ (52,441,181)	(107.6)%
Deductions				
Retirement Benefits and Other	\$ 13,248,393	\$ 11,802,310	\$ 1,446,083	12.3 %
Refunds of Contributions	579,462	449,136	130,326	29.0
Other Post-Employment Benefit Expense	12,595	9,255	3,340	36.1
Administrative Expenses	62,053	71,360	(9,307)	(13.0)
Total Deductions	\$ 13,902,503	\$ 12,332,061	\$ 1,570,442	12.7 %
Change in Net Position	\$ (17,620,866)	\$ 36,390,757	\$ (54,011,623)	(148.4)%
Prior Period Adjustment		(519)		
Restated Change in Net Position	\$ (17,620,866)	\$ 36,390,238	\$ (54,011,104)	(148.4)%

**Additions to Fiduciary Net Position
Pension Trust Fund
Fiscal Years 2021-2022**



**Deductions from Fiduciary Net Position
Pension Trust Fund
Fiscal Years 2021-2022**



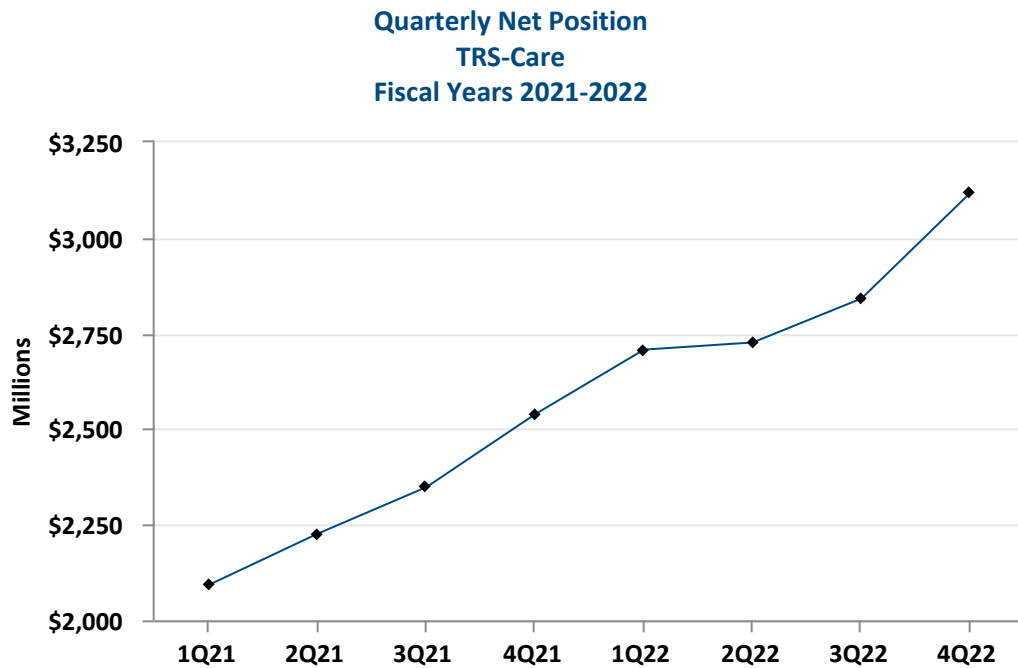
TRS-Care

The net position of TRS-Care at August 31, 2022 was \$3.1 billion, an increase of \$578.7 million from the \$2.5 billion at August 31, 2021.

Total contributions of \$1.09 billion increased \$53.6 million from \$1.03 billion over 2021 due to an increase in the number of participating employers and members. Rebates increased by \$92.2 million from fiscal year 2021 due to an increase in minimum rebate guarantees. Federal revenue decreased by \$32.9 million due to a change in the calculation for Medicaid and Medicare services. Investment income totaled \$13.5 million, which was an increase of \$4.3 million from fiscal year 2021. This increase was due to higher earnings on cash held in state treasury.

Additionally, supplemental funding provided by Senate Bill 8 for COVID-19 health care related costs was allocated to TRS-Care in the amount of \$83 million. TRS-Care also received \$28.4 million in credits to cover health care claims.

Deductions from net position totaled \$1.3 billion during fiscal year 2022 which was an increase of \$187.3 million from fiscal year 2021. This is mainly due to an increase in COVID vaccine claims and health care related costs .



Statement of Fiduciary Net Position					
TRS-Care					
As of August 31					
(Dollars in Thousands)					
	2022	2021	Dollar Change	Percentage Change	
Assets					
Cash and Receivables	\$ 3,298,185	\$ 2,721,100	\$ 577,085	21.2 %	
Capital Assets	10,206	12,811	(2,605)	(20.3)	
Total Assets	\$ 3,308,391	\$ 2,733,911	\$ 574,480	21.0 %	
Liabilities					
Accounts Payables and Other	\$ 9,912	\$ 8,177	\$ 1,735	21.2 %	
Health Care Fees Payable	8,119	8,137	(18)	(0.2)	
Health Care Claims Payables	172,423	163,935	8,488	5.2	
Total Liabilities	\$ 190,454	\$ 180,249	\$ 10,205	5.7 %	
Total Deferred Inflow of Resources	\$ —	\$ 14,420	\$ (14,420)	(100.0)%	
Net Position	\$ 3,117,937	\$ 2,539,242	\$ 578,695	22.8 %	

Statement of Changes in Fiduciary Net Position**TRS-Care**

For the Fiscal Years Ended August 31

(Dollars in Thousands)

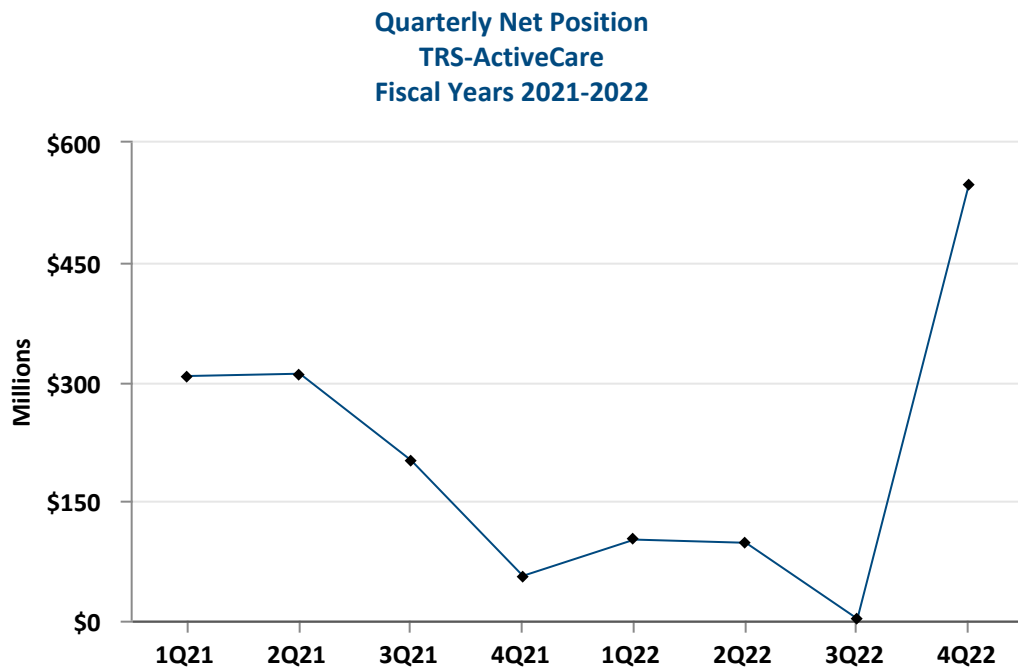
	2022	2021	Dollar Change	Percentage Change
Additions				
Member Contributions	\$ 263,328	\$ 250,414	\$ 12,914	5.2 %
Non-Employer Contributing Entity Contributions	451,341	447,338	4,003	0.9
Participating Employers Contributions	370,736	334,028	36,708	11.0
Rebates and Discount Income	508,932	416,754	92,178	22.1
Federal Revenue	141,003	173,912	(32,909)	(18.9)
Supplemental Funding - Appropriations	83,000	—	83,000	—
Supplemental Appropriation - Non-Employer Contributing Entity	—	5,520	(5,520)	(100.0)
Other Revenue	28,360	—	28,360	—
Investment Income	13,538	9,227	4,311	46.7
Total Additions	\$ 1,860,238	\$ 1,637,193	\$ 223,045	13.6 %
Deductions				
Health Care Claims	\$ 1,635,850	\$ 1,553,439	\$ 82,411	5.3 %
Less: Health Care Premiums Paid by Retirees	(399,788)	(533,596)	133,808	(25.1)
Health Care Claims Processing	26,848	30,726	(3,878)	(12.6)
Insurance Premium Payments	6	15,490	(15,484)	(100.0)
Health Care Fees	162	20,303	(20,141)	(99.2)
Administrative Expenses	18,465	7,906	10,559	133.6
Total Deductions	\$ 1,281,543	\$ 1,094,268	\$ 187,275	17.1 %
Change in Net Position	\$ 578,695	\$ 542,925	\$ 35,770	6.6 %

TRS-ActiveCare

The net position was \$547.5 million at August 31, 2022, an increase of \$491.3 million from \$56.2 million the previous fiscal year.

Total revenue of \$2.9 billion increased \$678.6 million from \$2.2 billion in 2021 mostly due to the receipt of \$435 million of Coronavirus Relief Funds (CRF) established by the CARES Act and \$203.3 million via Senate Bill 8 for COVID-19 related health care costs. Rebate and discount income also increased by \$27.6 million because of an increase in minimum rebate guarantees.

Total expenses of \$2.37 billion increased \$75.2 million from \$2.3 billion in fiscal year 2021 due to an increase in health care and prescription claims for COVID-19 related health care costs and vaccines.



Statement of Net Position**TRS-ActiveCare**

As of August 31

(Dollars in Thousands)

	2022	2021	Dollar Change	Percentage Change
Assets				
Cash	\$ 744,871	\$ 312,964	\$ 431,907	138.0 %
Receivables	85,444	55,601	29,843	53.7
Total Assets	\$ 830,315	\$ 368,565	\$ 461,750	125.3 %
Liabilities				
Accounts Payable and Other	\$ 734	\$ 26,658	\$ (25,924)	(97.2)%
Premiums and Fees Payable	1,125	1,093	32	2.9
Health Care Claims Payable	280,408	284,290	(3,882)	(1.4)
Total Liabilities	\$ 282,267	\$ 312,041	\$ (29,774)	(9.5)%
Total Deferred Inflow of Resources	\$ 508	\$ 281	\$ 227	80.8 %
Total Net Position	\$ 547,540	\$ 56,243	\$ 491,297	873.5 %

Statement of Revenues, Expenses, and Changes in Net Position**TRS-ActiveCare**

For the Fiscal Years Ended August 31

(Dollars in Thousands)

	2022	2021	Dollar Change	Percentage Change
Revenues (Operating and Non-Operating)				
Health Care Premiums	\$ 2,044,856	\$ 2,031,686	\$ 13,170	0.6 %
Rebate and Discount Income	174,729	147,047	27,682	18.8
Supplemental Funding - Appropriations	638,338	—	638,338	—
Investment Income	1,656	2,122	(466)	(22.0)
Other Revenue	—	143	(143)	(100.0)
Total Revenue	\$ 2,859,579	\$ 2,180,998	\$ 678,581	31.1 %
Operating Expenses				
Health Care Claims	\$ 2,151,584	\$ 2,041,119	\$ 110,465	5.4 %
Health Care Claims Processing	64,914	73,459	(8,545)	(11.6)
Health Care Fees	1,043	1,088	(45)	(4.1)
Premium Payments to HMOs	146,752	173,298	(26,546)	(15.3)
Administrative Expenses	3,989	4,090	(101)	(2.5)
Total Expenses	\$ 2,368,282	\$ 2,293,054	\$ 75,228	3.3 %
Change in Net Position	\$ 491,297	\$ (112,056)	\$ 603,353	(538.4)%

Request for Information

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Communications Department of the Teacher Retirement System, 1000 Red River Street, Austin, Texas 78701.

This page is intentionally left blank.

Basic Financial Statements

Exhibit I: Statement of Fiduciary Net Position 34

Exhibit II: Statement of Changes in Fiduciary Net Position 38

Exhibit III: Statement of Net Position - Proprietary Funds 42

Exhibit IV: Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds 43

Exhibit V: Statement of Cash Flows - Proprietary Funds 44

Exhibit I**Statement of Fiduciary Net Position****Fiduciary Funds**

As of August 31, 2022 (With Comparative Data as of August 31, 2021)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Assets		
Cash		
Cash in State Treasury	\$ 431,448,718	\$ 2,946,414,981
Cash in Bank (Note 3B)	514,875,806	—
Cash on Hand (Note 3B)	4,594,376	—
Total Cash	\$ 950,918,900	\$ 2,946,414,981
Receivables		
Sale of Investments	\$ 3,519,302,816	\$ —
Interest and Dividends	314,756,830	4,614,302
Member and Retiree	3,225,679	—
Service Credit Purchase	15,282,764	5,683
Due from Employers	515,853,023	42,798,462
Due from State's General Fund	21,461,474	13,997,960
Due from Employees Retirement System of Texas	2,622,347	—
Prepaid Expenses and Deposits	1,746,692	—
Other Receivables	2,810,471	290,354,274
Total Receivables	\$ 4,397,062,096	\$ 351,770,681
Investments (Note 1F and 3)		
Short-Term Investments	\$ 9,060,213,238	\$ —
Equity Investments	44,037,446,699	—
Fixed Income Investments	27,799,209,308	—
Alternative Investments	98,399,389,968	—
Derivative Investments	(194,917,088)	—
Pooled Investments	16,056,005,430	—
Total Investments	\$ 195,157,347,555	\$ —
Invested Securities Lending Collateral	\$ 6,957,897,984	\$ —
Capital Assets (Note 2)		
Intangible Assets	\$ 58,786,954	\$ 13,028,366
Less Accumulated Amortization	(54,337,507)	(2,822,813)
Depreciable Assets	62,853,766	—
Less Accumulated Depreciation	(44,564,467)	—
Non-Depreciable Assets	131,579,013	—
Total Capital Assets	\$ 154,317,759	\$ 10,205,553
Right to Use Assets (Note 2)		
Right to Use Assets	10,946,845	—
Less Accumulated Amortization	(6,593,601)	—
Total Right to Use Assets	\$ 4,353,244	\$ —
Total Assets	\$ 207,621,897,538	\$ 3,308,391,215

(Continued)

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2022	2021	Child Support Employee Deductions	
\$ 3,377,863,699	\$ 2,672,641,837		\$ 6,092
514,875,806	214,740,090		—
4,594,376	6,599,065		—
\$ 3,897,333,881	\$ 2,893,980,992		\$ 6,092
\$ 3,519,302,816	\$ 2,866,430,116		—
319,371,132	296,579,031		—
3,225,679	9,711,299		—
15,288,447	21,989,955		—
558,651,485	701,387,227		—
35,459,434	—		—
2,622,347	2,518,573		—
1,746,692	1,224,125		—
293,164,745	348,024,938		—
\$ 4,748,832,777	\$ 4,247,865,264		\$ —
\$ 9,060,213,238	\$ 8,832,598,665		—
44,037,446,699	52,859,244,546		—
27,799,209,308	33,611,573,005		—
98,399,389,968	96,097,159,693		—
(194,917,088)	346,207,523		—
16,056,005,430	18,713,652,591		—
\$ 195,157,347,555	\$ 210,460,436,023		\$ —
\$ 6,957,897,984	\$ 8,239,392,879		\$ —
\$ 71,815,320	\$ 69,902,533		—
(57,160,320)	(43,548,506)		—
62,853,766	62,162,448		—
(44,564,467)	(42,478,208)		—
131,579,013	18,953,083		—
\$ 164,523,312	\$ 64,991,350		\$ —
10,946,845	—		—
(6,593,601)	—		—
\$ 4,353,244	\$ —		\$ —
\$ 210,930,288,753	\$ 225,906,666,508		\$ 6,092

Exhibit I**Statement of Fiduciary Net Position****Fiduciary Funds**

As of August 31, 2022 (With Comparative Data as of August 31, 2021)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Deferred Outflow of Resources		
Related to Participation in ERS' OPEB Plan	\$ 51,448,955	\$ —
Total Deferred Outflow of Resources	\$ 51,448,955	\$ —
Liabilities (Note 1F)		
Accounts Payable	\$ 81,096,069	\$ 553,160
Payroll Payable	8,484,802	974,741
Investment Fees Payable	28,723,884	—
Benefits Payable	273,747,454	—
Health Care Claims Payable	—	172,422,729
Fees Payable	—	8,119,399
Net Other Post-Employment Benefit Liability	124,038,376	—
Investments Purchased Payable	3,146,183,242	—
Securities Sold Short	805,579,869	—
Obligations Under Reverse Repurchase Agreements	11,969,837,625	—
Collateral Obligations	6,963,787,316	—
Due to State's General Fund	42,658,408	6,998,980
Due to Employees Retirement System of Texas	10,186,062	—
Due to Office of Governor	—	121,315
Employee Compensable Absences Payable (Note 4)	14,448,102	1,263,673
Right to Use Lease Obligations (Note 5)	4,454,479	—
Other Liabilities	142,517	—
Funds Held for Others	—	—
Total Liabilities	\$ 23,473,368,205	\$ 190,453,997
Deferred Inflow of Resources		
Unrealized Lease Incentives	\$ —	\$ —
Deferred Revenue - School Districts	—	—
Related to Participation in ERS' OPEB Plan	14,361,092	—
Total Deferred Inflow of Resources	\$ 14,361,092	\$ —
Net Position		
Net Investment in Capital Assets	\$ 154,216,524	\$ 10,205,553
Restricted for Pensions	184,031,400,672	—
Restricted for Other Post Employment Benefits	—	2,807,731,665
Restricted for OPEB - 60 Day Contingency	—	300,000,000
Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 184,185,617,196	\$ 3,117,937,218

See accompanying Notes to the Financial Statements.

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2022	2021	Child Support	Employee Deductions
\$ 51,448,955	\$ 45,751,908	\$	—
\$ 51,448,955	\$ 45,751,908	\$	—
\$ 81,649,229	\$ 84,041,974	\$	—
9,459,543	12,111,993		—
28,723,884	26,410,231		—
273,747,454	85,174,026		—
172,422,729	163,935,428		—
8,119,399	8,137,359		—
124,038,376	105,874,471		—
3,146,183,242	2,818,397,399		—
805,579,869	1,607,091,349		—
11,969,837,625	8,130,517,912		—
6,963,787,316	8,324,434,060		—
49,657,388	15,257,192		—
10,186,062	9,423,002		—
121,315	—		—
15,711,775	14,268,432		—
4,454,479	—		—
142,517	86,989		—
—	—		6,092
\$ 23,663,822,202	\$ 21,405,161,817	\$	6,092
\$ —	\$ —	\$	—
—	177,097,762		—
14,361,092	23,913,871		—
\$ 14,361,092	\$ 201,011,633	\$	—
\$ 164,422,077	\$ 64,991,350	\$	—
184,031,400,672	201,754,822,373		—
2,807,731,665	2,255,120,243		—
300,000,000	271,311,000		—
\$ 187,303,554,414	\$ 204,346,244,966	\$	—

Exhibit II**Statement of Changes in Fiduciary Net Position****Fiduciary Funds**

For the Fiscal Year Ended August 31, 2022 (With Comparative Data for August 31, 2021)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Additions		
Contributions		
Member	\$ 4,213,621,873	\$ 263,328,449
Non-Employer Contributing Entity - State	2,153,483,006	451,341,296
Employer (Notes 9, 11)		
Employer	1,677,023,965	303,838,757
State - Higher Education	234,702,946	—
Employer - Paid at State Rate	—	55,047,334
Employer Surcharges (Notes 9, 11)		
Employment after Retirement - Employee Rate	18,211,193	—
Employment after Retirement - Employer Rate	17,642,093	11,849,525
Public Education Employers	556,589,918	—
Supplemental Appropriation - Non-Employer Contributing Entity	—	—
Service Credit Purchase - Refundable	18,586,693	—
Service Credit Purchase - Non-Refundable	32,679,308	—
State Contributions for 415 Excess Benefit Arrangement	4,876,548	—
Employees Retirement System of Texas		
Service Contributions	30,824,009	—
415 Excess Benefit Arrangement	91,878	—
Total Contributions	\$ 8,958,333,430	\$ 1,085,405,361
Net Investment Income		
Investment Income (Loss)	\$ (13,154,506,946)	\$ 13,537,557
Less: Investing Activity Expenses (Schedule 1)	(252,990,936)	—
Total Investment Income (Loss)	\$ (13,407,497,882)	\$ 13,537,557
Securities Lending Income (Loss)	\$ 74,414,095	\$ —
Less: Securities Lending Expenses	(50,666,779)	—
Total Securities Income (Loss)	\$ 23,747,316	\$ —
Total Net Investment Income	\$ (13,383,750,566)	\$ 13,537,557
Other Additions		
Federal Revenue (Note 6)	\$ —	\$ 141,003,332
Rebate and Discount Income	—	508,931,631
Supplemental Funding - Appropriations	701,100,535	83,000,000
Miscellaneous Revenue	5,953,359	28,359,830
Funds Received for Others	—	—
Total Other Additions	\$ 707,053,894	\$ 761,294,793
Total Additions	\$ (3,718,363,242)	\$ 1,860,237,711

(Continued)

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2022	2021	Child Support Employee Deductions	
\$ 4,476,950,322	\$ 4,089,657,218		—
2,604,824,302	2,326,890,867		—
1,980,862,722	1,709,841,584		—
234,702,946	171,186,024		—
55,047,334	34,226,988		—
18,211,193	15,288,232		—
29,491,618	25,767,964		—
556,589,918	501,744,908		—
—	266,520,343		—
18,586,693	36,919,256		—
32,679,308	33,699,533		—
4,876,548	3,704,048		—
30,824,009	29,299,864		—
91,878	100,877		—
\$ 10,043,738,791	\$ 9,244,847,706	\$	—
\$ (13,140,969,389)	\$ 40,746,151,720		—
(252,990,936)	(244,271,586)		—
\$ (13,393,960,325)	\$ 40,501,880,134	\$	—
\$ 74,414,095	\$ 33,185,250		—
(50,666,779)	(13,699,197)		—
\$ 23,747,316	\$ 19,486,053	\$	—
\$ (13,370,213,009)	\$ 40,521,366,187	\$	—
\$ 141,003,332	\$ 173,912,657		—
508,931,631	416,754,264		—
784,100,535	—		—
34,313,189	3,130,786		—
—	—		\$ 72,825
\$ 1,468,348,687	\$ 593,797,707	\$	72,825
\$ (1,858,125,531)	\$ 50,360,011,600	\$	72,825

Exhibit II**Statement of Changes in Fiduciary Net Position****Fiduciary Funds**

For the Fiscal Year Ended August 31, 2022 (With Comparative Data for August 31, 2021)

	Pension and Other Post-Employment Benefit (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Deductions		
Benefits	\$ 13,125,893,718	\$ —
Refunds of Contributions - Active	564,468,143	—
Refunds of Contributions - Death	14,993,742	—
415 Excess Benefit Arrangement	4,680,058	—
Benefits Paid to Employees Retirement System of Texas		
Service Contributions	117,530,565	—
415 Excess Benefit Arrangement	288,368	—
Other Post Employment Benefit Expense	12,595,488	—
Health Care Claims	—	1,635,849,839
Less: Health Care Premiums Paid by Retirees (Note 1)	—	(399,788,260)
Health Care Claims Processing	—	26,847,878
Insurance Premium Payments	—	5,998
Affordable Care Act Fees	—	161,906
Funds Paid to Others	—	—
Administrative Expenses, Excluding Investing Activity Expenses		
Salaries and Wages	29,949,669	7,682,849
Payroll Related Costs	1,220,478	1,155,144
Professional Fees and Services	2,189,426	2,090,999
Travel	81,996	37,755
Materials and Supplies	3,607,368	1,790,862
Communications and Utilities	509,086	64,214
Repairs and Maintenance	4,538,912	542,323
Rentals and Leases	289,994	201,142
Printing and Reproduction	268,476	44,424
Depreciation Expense	2,070,345	—
Amortization Expense	11,067,594	2,605,673
Gain/Loss on Capital Assets	—	—
Other Expenses	6,259,436	2,250,217
Total Deductions	\$ 13,902,502,862	\$ 1,281,542,963
Net Increase (Decrease) in Net Position	\$ (17,620,866,104)	\$ 578,694,748
Beginning Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 201,807,002,496	\$ 2,539,242,470
Prior Period Adjustments (Note 15)	(519,196)	—
Beginning Net Position, as Restated	201,806,483,300	2,539,242,470
Ending Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 184,185,617,196	\$ 3,117,937,218

See accompanying Notes to the Financial Statements.

Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds		Custodial Funds	
2022	2021	Child Support Employee Deductions	
\$ 13,125,893,718	\$ 11,686,211,054	\$	—
564,468,143	440,690,976		—
14,993,742	8,444,658		—
4,680,058	3,569,248		—
117,530,565	112,294,348		—
288,368	235,677		—
12,595,488	9,255,187		—
1,635,849,839	1,553,439,820		—
(399,788,260)	(533,595,349)		—
26,847,878	30,725,591		—
5,998	15,489,580		—
161,906	20,302,785		—
—	—		72,825
37,632,518	37,176,999		—
2,375,622	1,770,348		—
4,280,425	4,548,657		—
119,751	11,621		—
5,398,230	4,183,709		—
573,300	1,291,335		—
5,081,235	6,042,003		—
491,136	436,303		—
312,900	212,308		—
2,070,345	1,884,655		—
13,673,267	10,872,247		—
—	—		—
8,509,653	10,836,049		—
\$ 15,184,045,825	\$ 13,426,329,809	\$	72,825
\$ (17,042,171,356)	\$ 36,933,681,791	\$	—
204,346,244,966	167,412,563,175	\$	—
(519,196)	—		—
204,345,725,770	167,412,563,175		—
\$ 187,303,554,414	\$ 204,346,244,966	\$	—

Exhibit III**Statement of Net Position****Proprietary Funds**

As of August 31, 2022 (With Comparative Data as of August 31, 2021)

	Enterprise Funds-Major TRS-ActiveCare	
	2022	2021
Assets		
Current Assets		
Cash		
Cash In State Treasury	\$ 744,870,637	\$ 312,963,644
Cash On Hand	—	—
Total Cash	\$ 744,870,637	\$ 312,963,644
Receivables		
Interest	\$ 1,049,754	\$ 1,667,199
Health Care Premiums	—	469,624
Rebate and Discount Income	84,394,663	53,464,792
Total Receivables	\$ 85,444,417	\$ 55,601,615
Total Assets	\$ 830,315,054	\$ 368,565,259
Liabilities (Note 1F)		
Current Liabilities		
Accounts Payable	\$ 288,944	\$ 26,266,518
Payroll Payable	208,838	148,326
Fees Payable	1,124,500	1,093,492
Premiums Payable to HMOs	—	—
Health Care Claims Payable	280,408,186	284,289,922
Employee Compensable Absences Payable (Note 4)	156,522	163,798
Total Current Liabilities	\$ 282,186,990	\$ 311,962,056
Non-Current Liabilities		
Employee Compensable Absences Payable (Note 4)	\$ 80,310	\$ 79,706
Total Non-Current Liabilities	\$ 80,310	\$ 79,706
Total Liabilities	\$ 282,267,300	\$ 312,041,762
Deferred Inflow of Resources		
Deferred Revenue - School Districts	\$ 507,779	\$ 280,544
Total Deferred Inflow of Resources	\$ 507,779	\$ 280,544
Net Position		
Restricted for Health Care Programs	\$ 547,539,975	\$ 56,242,953
Total Net Position	\$ 547,539,975	\$ 56,242,953

See accompanying Notes to the Financial Statements.

Exhibit IV**Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds**

For the Fiscal Year Ended August 31, 2022 (With Comparative Data for August 31, 2021)

	Enterprise Funds-Major	
	TRS-ActiveCare	
	2022	2021
Operating Revenues		
Health Care Premiums	\$ 2,044,855,892	\$ 2,031,686,347
Rebate and Discount Income	174,729,133	147,047,176
Administrative Fees	—	142,718
Total Operating Revenues	\$ 2,219,585,025	\$ 2,178,876,241
Operating Expenses		
Health Care Claims	\$ 2,151,584,283	\$ 2,041,118,606
Health Care Claims Processing	64,914,013	73,459,141
Premium Payments to HMOs	146,752,232	173,297,782
Affordable Care Act Fees	1,043,018	1,087,842
Administrative Expenses		
Salaries and Wages	1,835,309	1,918,036
Payroll Related Costs	191,451	204,835
Professional Fees and Services	1,490,358	1,247,051
Travel	26,232	348
Materials and Supplies	32,139	81,910
Communications and Utilities	27,101	29,714
Repairs and Maintenance	161,136	580,371
Rentals and Leases	1,803	639
Printing and Reproduction	—	—
Other Expenses	222,785	28,081
Total Operating Expenses	\$ 2,368,281,860	\$ 2,293,054,356
Operating Income (Loss)	\$ (148,696,835)	\$ (114,178,115)
Non-Operating Revenues		
Supplemental Funding - Appropriations	\$ 638,337,761	\$ —
Investment Income	\$ 1,656,096	\$ 2,121,724
Other Non-Operating Revenues	—	—
Total Non-Operating Revenues	\$ 639,993,857	\$ 2,121,724
Change in Net Position	\$ 491,297,022	\$ (112,056,391)
Beginning Net Position	\$ 56,242,953	\$ 168,299,344
Ending Net Position	\$ 547,539,975	\$ 56,242,953

See accompanying Notes to the Financial Statements.

Exhibit V**Statement of Cash Flows****Proprietary Funds**

For the Fiscal Year Ended August 31, 2022 (With Comparative Data for August 31, 2021)

	Enterprise Funds-Major TRS-ActiveCare	
	2022	2021
Cash Flows from Operating Activities		
Receipts from Health Care Premiums	\$ 2,045,552,751	\$ 2,030,602,671
Receipts from Rebate and Discount Income	143,799,262	153,450,044
Receipts from Long-Term Care Administrative Fees	—	142,718
Payments for Administrative Expenses	(29,912,048)	(9,068,604)
Payments for Health Care Claims	(2,155,466,019)	(1,985,552,118)
Payments for Health Care Claims Processing	(64,914,013)	(73,459,141)
Payments for HMO Premiums	(146,752,232)	(173,297,782)
Payments for Affordable Care Act Fees	(1,012,010)	(947,346)
Net Cash Provided (Used) by Operating Activities	\$ (208,704,309)	\$ (58,129,558)
Cash Flows from Non-Capital Financing Activities		
Proceeds from Other Non-Operating Revenues	\$ 638,337,761	\$ —
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ 638,337,761	\$ —
Cash Flows from Investing Activities		
Interest Received	\$ 2,273,541	\$ 2,121,724
Net Cash Provided (Used) by Investing Activities	\$ 2,273,541	\$ 2,121,724
Net Increase (Decrease) in Cash	\$ 431,906,993	\$ (56,007,834)
Beginning Cash and Cash Equivalents	\$ 312,963,644	\$ 368,971,478
Ending Cash and Cash Equivalents	\$ 744,870,637	\$ 312,963,644
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (148,696,835)	(114,178,115)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Changes in Assets & Liabilities		
(Increase) Decrease in Health Care Premium Receivables	\$ 696,859	\$ (1,083,676)
(Increase) Decrease in Rebate and Discount Income	(30,929,871)	6,402,868
Increase (Decrease) in Premiums Payable to HMOs	—	—
Increase (Decrease) in Health Care Claims Payable	(3,881,736)	55,566,488
Increase (Decrease) in Affordable Care Act Fees Payable	31,008	140,496
Increase (Decrease) in Accounts Payable	(25,977,574)	(5,262,005)
Increase (Decrease) in Payroll Payable	60,512	93,388
Increase (Decrease) in Employee Compensable Absences Payable	(6,672)	190,998
Total Adjustments	\$ (60,007,474)	\$ 56,048,557
Net Cash Provided (Used) by Operating Activities	\$ (208,704,309)	\$ (58,129,558)

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

Note 1: Summary of Significant Accounting Policies 46

Note 2: Capital Assets 51

Note 3: Deposits and Investments 53

Note 4: Employee Compensable Leave 72

Note 5: Leases 72

Note 6: Fringe Benefits Paid by the State of Texas and the Federal Government 73

Note 7: Contingent Liabilities 73

Note 8: Continuance Subject to Review 74

Note 9: Other Post-Employment Benefits (OPEB) - TRS-Care 74

Note 10: Other Post-Employment Benefits (OPEB) - TRS Employees 78

Note 11: TRS Pension Plan 83

Note 12: Risk Management 88

Note 13: Component Units 88

Note 14: Subsequent Events 89

Note 15: Adjustments to Fund Balances and Net Position 89

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Teacher Retirement System of Texas (TRS or System) is a separate legal entity and considered a discrete component unit of the State of Texas. The System is governed by a nine member board of trustees which has significant independence in the operation and management of the System under the provisions of the state constitution and laws. The trustees serve staggered six-year terms that expire on August 31 of odd numbered years and are all appointed by the Governor pursuant to Texas Government Code Title 8, Subtitle C, Chapter 825. The trustees are appointed as follows:

- Three direct appointments by the Governor
- Two appointments from a list nominated by the State Board of Education
- Two appointments from three active member candidates from a public school, charter school, regional service center, nominated by members of those districts
- One appointment from three retired member candidates nominated by TRS retirees
- One at-large appointment selected from three candidates nominated from active members of any public or charter school, regional service center, institute of higher learning, or from TRS retirees

The state legislature confirms trustees appointed by the governor, establishes laws with regard to structure, benefits and contributions, and authorizes Pension Trust Fund administrative expenses. State contributions and appropriations received by TRS are determined by the legislature.

This report includes all activities and programs for which TRS exercises fiscal control and responsibility and includes all funds that comprise the System's legal entity.

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

The System administers the Texas Public School Retired Employees Group Insurance Program and the Texas Active School Employees Uniform Group Benefits Program. These programs provide two separate health care plans, TRS-Care and TRS-ActiveCare, respectively.

TRS-Care is considered an employee benefit trust fund and provides health care coverage for certain persons, and their dependents, who retire under TRS. 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. The inception of the plan was fiscal year 1986.

TRS-ActiveCare 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 September 1, 2002.

A Custodial Fund is used to account for garnishments of salaries and wages for child support payments from TRS employees.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The System's accounts 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 following fund types are used to reflect the System's transactions:

- Fiduciary Funds include the Pension Trust Fund, TRS-Care (employee benefits trust fund), and the Custodial Fund.
- Proprietary Funds include TRS-ActiveCare which is an Enterprise fund. TRS-ActiveCare is considered a major fund.

Fiduciary funds are used to report assets held in a trustee or custodial capacity for 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 the members and beneficiaries of the defined benefit pension plan and the other post-employment benefit plan. Assets and liabilities are recorded using the accrual basis of accounting.

Custodial funds are a type of fiduciary fund used to report assets collected and transferred to the State or other entities. Custodial funds do not measure the results of operations. Custodial funds use the economic resources measurement focus and utilize the accrual basis of accounting.

Enterprise funds are a type of proprietary fund used to report any activity for which a fee is charged to external users for goods or 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. Operating activities generally result from providing services and producing or delivering goods. Operating revenues for the System's proprietary fund is 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.

Separate financial statements are provided for each fund. The fiduciary, excluding custodial funds, and proprietary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. Contributions are recognized in the period in which amounts are due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. All economic resources, including financial and capital assets, and related liabilities, both current and long-term, and the changes therein are reported in each funds' financial statements.

C. New Accounting Pronouncements

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB issued the following statements that relate to TRS.

GASB Statement No. 87, Leases, issued June 2017 and first implemented this year, "increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources...[now] a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources."

GASB Statement No. 99, Omnibus 2022, issued April 2022, was issued "to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees."

D. Comparative Data in Total

The basic financial statements include certain prior year summarized comparative data in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the fiscal year ended August 31, 2021, from which the summarized information was derived.

E. 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.

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. In fiscal year 2022, contributions were made by the State of Texas to the System at the rate of 7.75 percent of the pensionable compensation paid to active members for each year.

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 Fund.

Senate Bill 7 provided a payment to eligible retirees and beneficiaries in either the same amount of their monthly annuity or \$2,400, whichever is less. House Bill 5 provided direct funding from the state to pay for the capped 13th check. The payment did not impact the actuarial soundness of the TRS pension fund.

TRS-Care received contributions from the State's General Fund equal to 1.25 percent of salaries paid to public education employees in fiscal year 2022. Administrative expenses for this program are paid from the TRS-Care trust fund.

TRS-ActiveCare is an Enterprise Fund supported by fees and receives no appropriations from the State for administrative expenses.

The Governor's Office committed \$435 million to offset TRS-ActiveCare rate increases. The allocation comes from federal Coronavirus Relief Funds (CRF) established by the CARES Act. The funds are in addition to \$286 million in federal American Rescue Plan Act (ARPA) relief funds the legislature granted TRS via Senate Bill 8. ARPA funds were committed during the third-called special session for both TRS-Care and TRS-ActiveCare to help defray Covid-19-related health care costs.

TRS administers a governmental excess benefit arrangement under section 415(m) of the Internal Revenue Code of 1986 (26 U.S.C.). Authorized under the provisions of the Texas Government Code, Title 8, Subtitle C, Section 825.517, this program created a separate, non-qualified, unfunded excess benefit arrangement outside the Pension Trust Fund of the retirement system.

Contributions to the excess benefit arrangement are made from the State's general revenue appropriations. These contributions are not held in trust and may not be commingled with other funds of the retirement system. They yield no net position. Therefore, for reporting purposes, only the contributions and benefits are reflected on Exhibit II, Statement of Changes in Fiduciary Net Position.

F. Assets, Liabilities, and Legal Reserves

Cash

Cash consists of cash in state treasury, cash on hand, and cash in banks. TRS does not typically hold cash equivalents. The statement of cash flow for proprietary funds presents the change in cash and cash equivalents. Cash equivalents are defined as investments with an original maturity of three months or less that are used for cash management rather than investing activities.

Receivables

Receivables represent the amount of money owed to TRS for goods or services delivered or used that have not been received at fiscal year-end.

- Sale of Investments receivables occur when the trade date is before the fiscal year-end and the settlement date is in the next fiscal year.
- Interest and Dividends receivables represent distributions of income made on bank accounts and other investments that TRS earned in the current fiscal year but did not receive until after fiscal year-end.
- Member and Retiree receivables represent contributions that are due from members.
- Service Credit Purchase receivables represent the outstanding balance due from members on service credit purchase installment contracts. Payments can be made on a monthly basis for up to five years for purchasing additional creditable service. Receivables are recognized when an agreement is signed.
- Due from Employers receivables represent contributions that are due from participating employers.
- Due from State's General Fund receivables represent amounts owed to TRS for contributions not received from the State.
- Due from Employees Retirement System of Texas (ERS) receivables represent ERS' share of current year retirement benefits that are due to TRS for retirees' service earned from ERS.
- Prepaid Expenses and Deposits Receivables represent expenses paid in advance, such as TRICOT property use tax, and amortized over the applicable period and refundable security deposits paid on lease agreements, respectively.
- Other Receivables represent amounts owed to TRS such as refunds, annuity repayments and healthcare premiums due from retirees.

Investments

Investments are reported at fair value. Fair value is a market-based measurement, not an entity-specific measurement. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Measurement, recognition, or disclosure of an asset or liability depends on the aggregation or disaggregation of the unit of account of the asset or liability. TRS utilizes one or more of the following valuation techniques in order to measure fair value: the market approach, the cost approach, and the income approach. TRS has investments that have values not based on quoted market prices.

Capital Assets

Capital assets associated with the funds' activities are included in the Statement of Net Position. Purchases of capital assets by the fund are reported at cost on the acquisition date. Donated capital assets, donated works of art, and similar items are reported at acquisition value. Depreciation of all exhaustible capital assets is charged as an expense against the fund's operations. Depreciation is calculated using the straight-line method over the asset's useful life. Note 2 includes a table identifying the capitalization threshold and estimated useful life by asset type.

Right to Use assets are initially reported at present value of the lease payments. Amortization of these assets is charged as an expense against operations. Amortization is calculated using the straight-line method over the lease contract period.

Deferred Outflow of Resources

Deferred outflow of resources represent a consumption of net assets that applies to a future period and will not be recognized as an expense until that future period.

- Related to Participation in ERS' Other Post-Employment Benefit (OPEB) plan represents amounts for OPEB expenses that will be recognized in future periods. See Note 10.

Liabilities

Liabilities represent the amount of money TRS owes to others for goods or services purchased that have not been paid at fiscal year-end.

- Accounts Payable represents the liability that exists for goods and services purchased.
- Payroll Payable represents the liability for employee salaries.
- Investment Fees Payable represents fees due to external investment managers and the custodian bank.
- Benefits Payable represents the liability for retirement, disability, and death benefits due at fiscal year-end and payable within the next 30 days.
- Health Care Claims Payable includes an estimate for health care claims incurred but not reported to the System.
- Fees Payable represents health insurance provider fees.
- Net Other Post-Employment Benefit Liability represents TRS' share of the ERS plan Net OPEB Liability.
- Investments Purchased Payable represents the liability for securities purchased. Foreign investments purchased payable is reported at current exchange rates.
- Securities Sold Short represents obligations to deliver securities which include Equities and Rights.
- Obligations Under Reverse Repurchase Agreements represent the short-term capital borrowed from lending institutions or investors.
- Collateral Obligations represent cash collateral received from borrowers for derivative instruments and the securities lending program.
- Due to State's General Fund represents amounts owed to the State for excess contributions received during the year.
- Due to Employees Retirement System of Texas represents amounts owed for current year retirement benefits due to ERS for retirees' service earned from TRS.
- Employee Compensable Absences Payable represents amounts owed to employees for compensatory time earned.
- Other Liabilities represent taxes payable by the blended component unit, Teacher Retirement Investment Company of Texas, Ltd. (TRICOT). See Note 13.
- Right to Use Lease Obligations represent the present value of lease payments due for Right to Use assets.

Deferred Inflow of Resources

Deferred Inflow of Resources represent an acquisition of net assets that applies to a future period and will not be recognized as income until that future period.

- Unrealized Lease Incentives represent amounts for lease incentives granted to TRS at the inception of a lease that is amortized over future periods.
- Deferred Revenue represents payments for future contributions received during the fiscal year.
- Related to Participation in ERS' OPEB Plan represents amounts for OPEB revenues that will be recognized in future periods. See Note 10.

G. Interfund/Interagency Transactions and Balances

The Pension Trust Fund provides various administrative services to other TRS programs and accounts for these services as reciprocal interfund activity. These transactions are reported using the appropriate classification accounts for additions/revenues or deductions/expenses as if transacted with parties external to the State. They are not presented as transfers. The interfund receivables and payables related to reciprocal interfund activity are classified as receivables and accounts payable on the financial statements.

Interagency transactions have been classified using the above criteria for reciprocal interfund activity.

Note 2: Capital Assets

Capital assets are presented at historical cost or, if not purchased, at acquisition value. When appropriate, straight-line depreciation and amortization have been charged over the shorter of the estimated useful lives of the assets or the lease period.

All capital assets belong to either the Pension Trust Fund or the TRS-Care Fund. Asset and depreciation balances, capitalization thresholds, and depreciable lives for all capital asset classes are shown in the following tables.

Asset Class	Capitalization Threshold	Depreciable Life
Land	\$ —	—
Construction in Progress	—	—
Artwork	—	—
Buildings and Building Improvements	100,000	10-30 years
Furniture and Equipment	5,000	3-12 years
Vehicles, Boats, and Aircraft	5,000	7 years
Leasehold Improvements	100,000	10-22 years
Facilities and Other Improvements	100,000	10-20 years
Internally Generated Computer Software	1,000,000	5 years
Other Computer Software	100,000	5 years
Intangible Right to Use (IRTU) Buildings	100,000	1-9 years

Table 2.2: Capital Asset Activity

Asset Class	Balance 9/1/2021	Adjustments	Reclasses & Completed CIP	Additions	Deletions	Balance 8/31/2022 (Exhibit I)
Non-Depreciable Assets						
Land and Land Improvements	\$ 1,658,310	\$ —	\$ —	\$ 7,305,019	\$ —	\$ 8,963,329
Construction in Progress	17,170,637	(2,700,000)	—	108,020,911	—	122,491,548
Artwork	124,136	—	—	—	—	124,136
Total Non-Depreciable Assets	\$ 18,953,083	\$ (2,700,000)	\$ —	\$ 115,325,930	\$ —	\$ 131,579,013
Depreciable Assets						
Buildings and Building Improvements	\$ 43,048,735	\$ —	\$ —	\$ —	\$ —	\$ 43,048,735
Furniture and Equipment	14,712,200	—	—	691,318	—	15,403,518
Vehicle, Boats, and Aircraft	47,113	—	—	—	—	47,113
Leasehold Improvements	3,712,318	—	—	—	—	3,712,318
Facilities and Other Improvements	642,082	—	—	—	—	642,082
Total Depreciable Assets	\$ 62,162,448	\$ —	\$ —	\$ 691,318	\$ —	\$ 62,853,766
Accumulated Depreciation						
Buildings and Building Improvements	\$(27,513,862)	\$ —	\$ —	\$(992,415)	\$ —	\$(28,506,277)
Furniture and Equipment	(11,280,381)	—	—	(1,050,176)	—	(12,330,557)
Vehicles, Boats, and Aircraft	(45,264)	—	—	(739)	—	(46,003)
Leasehold Improvements	(3,236,630)	—	—	(28,006)	—	(3,264,636)
Facilities and Other Improvements	(402,071)	—	—	(14,923)	—	(416,994)
Total Accumulated Depreciation	\$(42,478,208)	\$ —	\$ —	\$(2,086,259)	\$ —	\$(44,564,467)
Total Net Depreciable Assets	\$ 19,684,240	\$ —	\$ —	\$ (1,394,941)	\$ —	\$ 18,289,299
Intangible Assets						
Computer Software	\$ 69,902,533	\$ —	\$ —	\$ 1,912,787	\$ —	\$ 71,815,320
Accumulated Amortization						
Computer Software	\$(43,548,506)	\$ —	\$ —	\$(13,611,814)	\$ —	\$(57,160,320)
Total Net Intangible Assets	\$ 26,354,027	\$ —	\$ —	\$(11,699,027)	\$ —	\$ 14,655,000
Total Net Capital Assets	\$ 64,991,350	\$ (2,700,000)	\$ —	\$ 102,231,962	\$ —	\$ 164,523,312

Table 2.3: Intangible Right to Use (IRTU) Asset Activity

Asset Class	Balance 9/1/2021	Adjustments	Additions	Deletions	Balance 8/31/2022 (Exhibit I)
Amortizable Assets - Intangible Right to Use Assets					
Buildings and Building Improvements	\$ —	\$ 10,420,100	\$ 526,745	\$ —	\$ 10,946,845
Less Accumulated Amortization					
Buildings and Building Improvements	—	(3,214,685)	(3,378,916)	—	(6,593,601)
Total Net Amortizable Assets	\$ —	\$ 7,205,415	\$ (2,852,171)	\$ —	\$ 4,353,244

Note 3: Deposits and Investments

A. Investment Policy and Target Asset Allocation

The Board of Trustees has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board adopts the Investment Policy Statement which establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of a qualified and competent investment staff (Investment Management Division) and legal staff. The Board also monitors the actions of staff, consultants, and advisors to ensure compliance with its policies. The current Investment Policy Statement has been in effect since July 18, 2022, and there were no significant investment policy changes during the reporting period. For the fiscal year ended August 31, 2022, there were no significant violations of state statute, investment policy, or contractual provisions. The Statement in its entirety can be accessed at www.trs.texas.gov.

The total or overall investment portfolio includes all assets invested by TRS to provide retirement, death, health, and disability benefits administered by the System, and is structured and managed to achieve the following objectives:

- a. Control risk through proper diversification of asset classes and by establishing long-term risk and return expectations; and
- b. As applicable to the pension plan, achieve a long-term rate of return that:
 - i. Exceeds the assumed actuarial rate of return adopted by the Board;
 - ii. Exceeds the long-term rate of inflation by an annualized 5 percent; and
 - iii. Exceeds the return of the Fund Policy Benchmark.

Categories of permissible investments include cash equivalents, debt securities, private markets, derivative instruments, mutual funds, closed-end funds, publicly traded or Rule 144A assets, and commingled funds. The target asset allocation, long-term expected real rate of return, and expected contribution to long-term portfolio returns by asset class set forth in the Investment Policy Statement is shown as of August 31, 2022.

Table 3.A.1: Asset Allocations

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00 %	4.60 %	1.12 %
Non-US Developed	13.00	4.90	0.90
Emerging Markets	9.00	5.40	0.75
Private Equity*	14.00	7.70	1.55
Stable Value			
Government Bonds	16.00	1.00	0.22
Absolute Return*	0.00	3.70	0.00
Stable Value Hedge Funds	5.00	3.40	0.18
Real Return			
Real Estate	15.00	4.10	0.94
Energy, Natural Resources & Infrastructure	6.00	5.10	0.37
Commodities	0.00	3.60	0.00
Risk Parity	8.00	4.60	0.43
Asset Allocation Leverage			
Cash	2.00	3.00	0.01
Asset Allocation Leverage	(6.00)	3.60	(0.05)
Inflation Expectation			2.70
Volatility Drag****			(0.91)
Expected Return	100.00 %		8.19 %
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2022 policy model.			
***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).			
****The volatility drag results from the conversion between arithmetic and geometric mean returns.			

For the fiscal year ended August 31, 2022, the annual money-weighted rate of return on pension plan investments was (6.70) percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

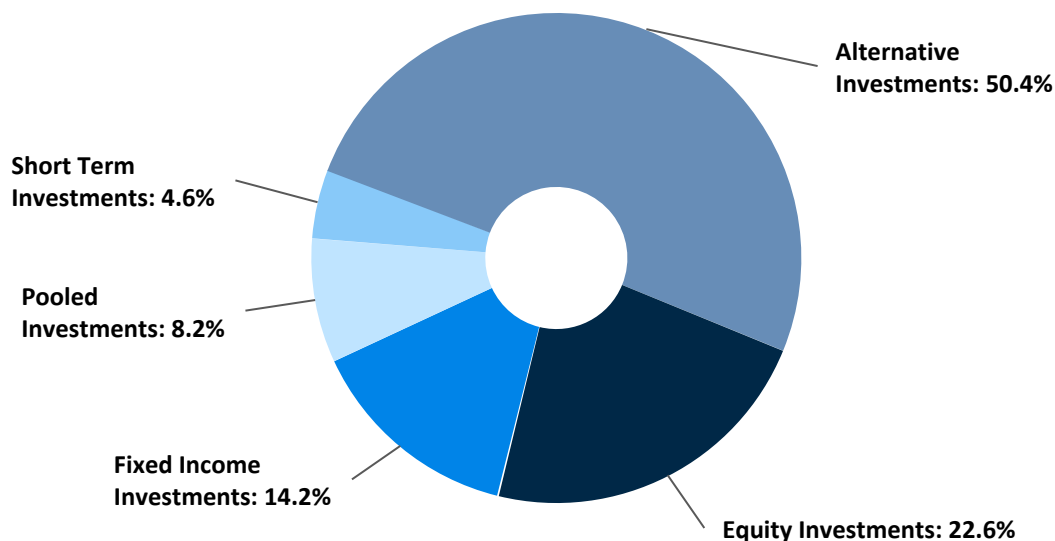
B. Cash and Deposits

Cash and deposits of the System are maintained in bank accounts and in the State of Texas Treasury. The Treasury invests funds in time deposits, repurchase and reverse repurchase agreements, obligations of the United States government, and obligations of federal credit organizations. The Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance. As of August 31, 2022, the carrying amount of the system's bank accounts totaled \$514,875,806, the bank balance totaled \$495,443,735, and cash on hand totaled \$4,594,376.

C. Investments

The chart below presents net investments of the System (excluding securities lending collateral and obligations) allocated based on investment classifications within the Statement of Fiduciary Net Position as of August 31, 2022.

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



*An overview of each investment type is provided in Note 3.C. of the Notes to the Financial Statements, including the fair value of each component. Derivative instruments are reported on a net basis, and the details of which are described in Note 3.D. Derivative instruments are not presented in the chart above because the percentage is small.

Fair Value Measurement Techniques

Fair value maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value, assigning the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Fair value inputs are categorized into the following three levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the System's measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly;
- Level 3 - Unobservable inputs for an asset or liability.

For investments that do not have a readily determinable fair value and fall outside of the fair value hierarchy, the System establishes fair value by utilizing the Net Asset Value Per Share (NAVPS), or its equivalent, as a practical expedient, provided all of the following criteria are met:

- Fair value is not readily determinable;
- The NAVPS is calculated consistently with the Financial Accounting Standards Board's measurement principles for investment companies (Accounting and Standards Codification Topic 946);
- The NAVPS represents a proportionate share of the net assets to which it is attributed;
- And the NAVPS is provided by the investee.

The System obtains the NAVPS from the most recent capital account statement or audited financial statement issued by a General Partner or Fund Administrator. If either statement's fiscal year-end does not coincide with the System's fiscal year-end, the NAVPS is adjusted for any distributions or contributions that occur subsequent to the statement's measurement date through the System's fiscal year-end.

Short-Term Investments

Short-Term Investments include Short-Term Foreign Currency Contracts, Short-Term Investment Funds (STIF), Short-Term Commingled Funds, and Treasury Bills.

Short-Term Foreign Currency Contracts are priced at the spot rate in active markets and valued at Level 1. U.S. Treasury Bills are priced at the last sale price of the primary exchange and valued at Level 1.

The STIF is a 2a-7 like fund and is priced at the NAVPS by the custodian bank, State Street Bank and Trust Company. Short-Term Commingled Funds are valued at the NAVPS by the General Partner or Fund Administrator.

Equity Investments

Equity Investments include both Domestic and International Equities.

Equities priced at the last sale price in their respective active markets are valued at Level 1.

Equities that are not actively traded and have a stale price as of the System's measurement date are valued at Level 3.

Fixed Income Investments

Fixed Income Investments include Asset and Mortgage Backed Bonds, Domestic Corporate Bonds, International Corporate Bonds, Sovereign Government Issue Bonds, U.S. Government Agency Bonds, U.S. Treasury Bonds, U.S. Treasury STRIPS, and U.S. TIPS.

U.S. Treasury Bonds priced at the last sale price of the primary exchange are valued at Level 1.

Fixed Income Investments priced using a bid evaluation matrix pricing technique that is based on their relationship to non-proprietary index market quotations, yields, maturities, call features, and ratings are valued at Level 2.

Corporate Bonds priced at Level 3 are valued by a third party.

Alternative Investments

Alternative Investments include Privately Held Equity, Privately Held Debt, Absolute Return, Hedge Funds, Energy, Natural Resources and Infrastructure, Private Equity, Real Estate, and Risk Parity.

Privately Held Equity and Debt are priced by a third party who uses a guideline market multiples approach and a sum of parts valuation analysis. Therefore, they are valued at Level 3.

All other Alternative Investments are valued at the NAVPS by the General Partners or Fund Administrators.

Derivative Instruments

Derivative Instruments include Forwards, Futures, Options, Rights, Swaps, and Warrants, and they are either executed on an exchange or in a bilateral deal in an over-the-counter (OTC) market with an International Swaps and Derivatives Association (ISDA) counterparty as a broker.

Derivative Instruments priced at the last sale price in their respective active markets are valued at Level 1.

Derivative Instrument that are valued using a matrix pricing technique that are based on their relationship to benchmark quoted prices are valued at Level 2.

Derivative Instruments that are not actively traded and have a stale price as of the System's measurement date are valued at Level 3.

Pooled Investments

Pooled Investments include Commingled Equity, Commingled Fixed Income, and Mutual Funds and are priced at the NAVPS by the General Partners or Fund Administrators.

Other Fair Value Measurements

Invested Securities Lending Collateral is comprised of the reinvested cash collateral received from borrowers in the securities lending program. Securities priced at the last sale price in their respective active markets are valued at Level 1. Securities priced using a bid evaluation matrix pricing technique that is based on their relationships to non-proprietary index market quotations, yields, maturities, call features, and ratings are valued at Level 2. Securities priced at amortized cost and not exchange traded are valued at Level 3.

Securities Sold Short represent obligations to deliver securities which include Equities and Rights. These obligations are priced at fair value at the last sale price in their respective active markets and valued at Level 1 in the fair value hierarchy.

Fair Value Measurements and Unfunded Commitments

The recurring fair value measurement of the System as of August 31, 2022 are reported on the following page.

The System manages unfunded capital commitments that it is legally obligated to fund when called by a General Partner. Funding of committed capital occurs over an extended time period and may take several years before the total allocation to each asset class is fully invested. Because an individual investment may begin to return capital to the system prior to the full funding of the system's commitment, the outstanding invested capital of the investment might at times be substantially less than the total commitment.

The System's unfunded capital commitment balance is presented as of August 31, 2022. Additionally, as of August 31, 2022, the System reported an unfunded capital commitment balance of \$1,741,063,558 that has not yet been allocated to a specific Alternative Investment and an unfunded capital commitment balance of \$14,478,640 that has not yet been allocated to a specific Privately Held Equity Investment.

As of August 31, 2022, the System has no plans to sell investments for an amount different from the NAVPS (or its equivalent), and all investments to be sold have been identified.

Table 3.C.1: Fair Value Measurement

Investments and Other Items	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-Term Investments				
Short-Term Foreign Currency Contracts	\$ 170,990	\$ 170,990		
U.S. Treasury Bills	746,357,598	746,357,598		
Total Short-Term Investments	\$ 746,528,588	\$ 746,528,588	\$ —	\$ —
Equity Investments				
Domestic Equity	\$ 17,906,622,527	\$ 17,863,268,433		\$ 43,354,094
International Equity	26,130,824,172	26,125,895,503		4,928,669
Total Equity Investments	\$ 44,037,446,699	\$ 43,989,163,936	\$ —	\$ 48,282,763
Fixed Income Investments				
Domestic Corporate Bonds	\$ 418			\$ 418
International Corporate Bonds	922		\$ 922	
Sovereign Government Issue Bonds	1,517,893,266		1,517,893,266	
U.S. Treasury Bonds	24,224,367,804	\$ 24,224,367,804		
U.S. Treasury STRIPS	9,660,257		9,660,257	
U.S. TIPS	2,047,286,641		2,047,286,641	
Total Fixed Income Investments	\$ 27,799,209,308	\$ 24,224,367,804	\$ 3,574,841,086	\$ 418
Alternative Investments				
Privately Held Debt	\$ 17,244,800			\$ 17,244,800
Privately Held Equity	944,050,593			944,050,593
Total Alternative Investments	\$ 961,295,393	\$ —	\$ —	\$ 961,295,393
Derivative Instruments				
Forwards	\$ 43,458,378		\$ 43,458,378	
Futures	(91,377,966)	\$ (91,377,966)		
Options	(40,571,596)	—	(40,571,596)	
Swaps	(117,484,756)	—	(117,484,756)	
Warrants	11,058,852	352		\$ 11,058,500
Total Derivative Instruments	\$ (194,917,088)	\$ (91,377,614)	\$ (114,597,974)	\$ 11,058,500
Other Fair Value Measurements				
Invested Securities Lending Collateral*	\$ 6,957,897,984		\$ 6,696,899,984	\$ 260,998,000
Securities Sold Short	(805,579,869)	\$ (805,579,869)		
Total Other Fair Value Measurements	\$ 6,152,318,115	\$ (805,579,869)	\$ 6,696,899,984	\$ 260,998,000
Total	\$ 79,501,881,015	\$ 68,063,102,845	\$ 10,157,143,096	\$ 1,281,635,074

*Excludes receivables and payables related to the Securities Lending Pool.

Table 3.C.2: Net Asset Value and Unfunded Capital Commitments

Investments	Net Asset Value Per Share (NAVPS)		Unfunded Capital Commitments
Short-Term Investments			
Short-Term Investment Funds	\$	8,313,684,650	
Total Short-Term Investments	\$	8,313,684,650	\$ —
Alternative Investments			
Absolute Return	\$	4,338,512,835	\$ 2,615,474,124
Hedge Funds		17,037,214,404	566,683,178
Energy, Natural Resources, and Infrastructure		11,370,804,350	6,203,691,136
Private Equity		31,177,783,245	12,992,365,809
Real Estate		29,453,175,774	15,536,312,090
Risk Parity		4,060,603,967	
Total Alternative Investments	\$	97,438,094,575	\$ 37,914,526,337
Pooled Investments			
Commingled Domestic Equity	\$	5,384,495,643	\$ 182,018,564
Commingled Fixed Income		1,507,272	
Commingled International Equity		9,762,254,227	
Domestic Mutual Funds		907,748,288	
Total Pooled Investments	\$	16,056,005,430	\$ 182,018,564
Total	\$	121,807,784,655	\$ 38,096,544,901

Significant Investment Strategies

The System achieves portfolio diversification by investing in a variety of strategies, geographies, and industry sectors for investments reported at the NAVPS.

Absolute Return

U.S. Investment Grade - Invests in U.S. dollar-denominated investment grade securities.

U.S. High Yield - Invests in U.S. dollar-denominated, high-yield corporate bonds issued in the U.S.

U.S. Securitized/Structured - Invests in bonds backed by securities.

Non-U.S. Developed Fixed Income - Primarily invests in sovereign debt issued by developed countries outside of the U.S.

Emerging Market Debt - Invests in debt issued by corporations or governments in emerging market countries.

Partnerships - Invests in fixed income related portfolios managed by strategic partners.

Commingled Equity, Fixed Income, and Mutual Funds

External Public Total Non-U.S. Developed - Invests in long positions in equity securities as well as certain derivative instruments in non-U.S. developed markets.

External Public Total U.S. - Invests in long positions in equity securities as well as certain derivative instruments in US markets.

External Public Total World Equity - Invests in equity securities in countries represented in the MSCI ACWI Index, as well as certain other global markets. Instruments used include but are not limited to ADRs, swaps, warrants, and other derivative instruments, money market instruments, and currency forwards and/or futures.

External Public Strategic Partnership - Allocations to strategic partners that have a broad mandate to invest in a variety of public markets.

External Public Total Emerging Markets - Invests mainly in equity and equity-related securities traded in the securities markets of newly industrializing countries and emerging markets.

Energy, Natural Resources, and Infrastructure

Energy Diversified - Invests in exploration, production, or distribution of oil, gas and other energy sources.

Infrastructure - Invests in infrastructure projects like roads, railways, ports, airports, telecommunications facilities, etc.

Natural Resources - Invests in companies engaged in extractive practices of commodities, including mining for coal, metallic ore, sand, gravel and oil shale; logging of naturally occurring trees; and drilling for oil and gas.

Hedge Funds

Commodities and Trends - Trades in a number of debt, equity, foreign exchange and commodity instruments and derivative instrument contracts relating to those instruments, including swaps, indices, forwards, futures and option contracts.

Equity Market Neutral - Seeks to exploit differences in stock prices by being long and short in stocks within the same sector, industry, market capitalization, country, etc.

Event Driven - Seeks to exploit pricing inefficiencies that may occur before or after a corporate event, such as an earnings call, bankruptcy, merger, acquisition, or spinoff.

Fixed Income - Assumes opposing positions in fixed income products to take advantage of small price discrepancies while limiting interest rate risk.

Long Short Equity - Involves buying long equities that are expected to increase in value and selling short equities that are expected to decrease in value.

Macro and Volatility - Invests in instruments whose prices fluctuate based on the changes in economic policies, along with the flow of capital around the globe.

Multi-Strategy - Engages in a variety of investment strategies with the objective to smooth returns, reduce volatility, and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.

Other - Trades in a broad range of instruments.

Reinsurance - Provides property catastrophe and specialty reinsurance coverages to insurers and reinsurers on a worldwide basis.

Private Equity

Buyouts - Acquires shares of a company to gain a controlling interest.

Credit/Special Situations - Invests and trades in public and private debt obligations or equity securities or other indebtedness of companies undergoing financial distress, a turn-around in business operations, or companies which management believes are undervalued because of a discrete extraordinary event.

Emerging Managers - Trades in a broad range of instruments with emerging managers.

Venture/Growth Equity - Invests in companies with potential for significant growth.

Real Assets

Core - Invests in stable, fully leased, multi-tenant properties typically within strong, diversified metropolitan markets.

Emerging Managers - Trades in a broad range of instruments with emerging managers.

Opportunistic - Targets underperforming and/or under managed properties, or properties that are temporarily depressed in value.

Other - Trades in a broad range of instruments.

REIT - Invests in companies that own or finance income-producing real estate.

Special Situations - Typically provides both equity and debt capital to distressed properties.

Value Added - Involves buying a property, improving it in some way, and selling it at an opportune time for gain. Properties are considered value added when they exhibit management or operational problems, require physical improvement, and/or suffer from capital constraints.

Risk Parity

Targets specific levels of risk to certain factors and/or assets in order to achieve increased portfolio diversification.

Short-Term Investment and Commingled Funds

Invests in highly liquid short-term (cash-like) funds.

Redemptions

The System's Hedge Funds, Commingled Domestic Equity, and Commingled International Equity are subject to redemption restrictions that constrain the System's ability to redeem these types of Alternative and Pooled Investments. The following table details the redemption frequency, redemption notice period, redemption restrictions, such as lockups and gates, and an estimate of the eventual lapse of those restrictions, or, if an estimate cannot be made, the fiscal year in which the restriction took place, by fair value as of August 31, 2022.

Table 3.C.3: Redemptions and Terms				
Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Redemption Restrictions Lapse
\$ 27,689,165	Daily	5 Days	NA	NA
1,795,860,599	Monthly	10-30 Days	NA	Lockup Lapsed
18,640,472	Quarterly	45 Days	NA	NA
703,876,619	Quarterly	3 Months	Investor Level Gate 16.66%; Soft Lockup 0-12 Months	Lapse on each four quarters
136,780,739	Two Years	105 Days	NA	Lockup Lapsed
860,620,172	Illiquid and	30 Days	Illiquid	NA
1,841,027,877	NA	NA	NA	NA
\$5,384,495,643	Total Commingled Domestic Equity			
\$ 52,625,394	Daily	5-30 Days	NA	NA
1,539,136,700	Biweekly	9 Days	Fund Level Gate 30%	Lockup Lapsed
389,196,095	Monthly	15 Days	NA	NA
746,944,204	Monthly	20 Days	Soft Lockup 0-12 months	Partial Locked Up Lapsed
4,006,562,375	Monthly	30-90 Days	NA	Lockup Lapsed
350,808,294	Monthly	90 Days	Soft Lockup 0-36 months	NA
267,920,478	Quarterly	60 Days	Fund Level Gate 15%	NA
246,565,614	Quarterly	60 Days	Investor Level Gate 25%	Lockup Lapsed
544,766,609	Quarterly	95 Days	NA	Lockup Lapsed
588,838,099	Three Years	45 Days	Hard Lockup 36 months	Lockup Lapsed
1,028,890,365	NA	NA	NA	NA
\$9,762,254,227	Total Commingled International Equity			

Table 3.C.3: Redemptions and Terms (Continued)

Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Redemption Restrictions Lapse
\$ 275,677,563	Daily	1 Day	NA	Lockup Lapsed
64,051,538	Daily	1-20 Days	NA	NA
545,385,691	Biweekly	7 Days	NA	Lockup Lapsed
1,168,480,312	Monthly	5-30 Days	NA	Lockup Lapsed
126,787,298	Monthly	25 Days	Investor Level Gate 25%	Lockup Lapsed
605,754,067	Monthly	33 Days	Fund Level Gate 10%	Lockup Lapsed
20,873,663	Monthly	60 Days	Investor Level Gate 25%; Hard Lockup 12 months	NA
12,299,382	Monthly	90 Days	Hard Lockup 12 months	Lockup Lapsed
103,987,923	Monthly	90 Days	Soft Lockup 0-12 months	Lockup Lapsed
851,579,266	Monthly and Quarterly	30 Days	NA	Lockup Lapsed
586,272,100	Quarterly	30 Days	Investor Level Gate 25%; Hard Lockup 12 months	Lockup Lapsed
877,797,694	Quarterly	30-180 Days	NA	Lockup Lapsed
78,870,370	Quarterly	60-90 Days	NA	NA
12,885,958	Quarterly	45 Days	Hard Lockup 12 months	NA
502,927,400	Quarterly	45 Days	Investor Level Gate 25%; Soft Lockup 0-24 months	NA
2,748,558,154	Quarterly	45-90 Days	Investor Level Gate 8.33%-25%	Lockup Lapsed
751,136,736	Quarterly	65-180 Days	Investor Level Gate 3.75%-25%	NA
353,263,050	Quarterly	45-90 Days	Hard Lockup 1 Year; Soft Lockup 2 Years	Lock Lapses on 7/2/2023
467,440,305	Quarterly	60 Days	Investor Level Gate 25%; Fund Level Gate 10%	Lockup Lapsed
84,683,376	Quarterly	60-90 Days	Hard Lockup 6-36 months	Lockup Lapsed
616,014,908	Quarterly	60-65 Days	Investor Level Gate 25%; Fund Level Gate 20%-25%; Hard Lockup 12 months	Lockup Lapsed
126,412,010	Quarterly	60-90 Days	Investor Level Gate 8.33%-25%; Hard Lockup 12-24 months	NA
2,187,663,970	Quarterly	90 Days	Investor Level Gate 5%-25%; Soft Lockup 0-12 months	Lockup Lapsed
38,356,940	Quarterly	65 Days	Investor Level Gate 25%	Lapse on 10/1/22, 1/1/23, 4/1/23
49,009,934	Semiannually	60 Days	Investor Level Gate 25%; Fund Level Gate 10%; Hard Lockup 24 months	Lockup Lapsed
666,630,146	Semiannually	90 Days	Investor Level Gate 16.67%; Hard Lockup 12 months	Lockup Lapsed
38,577,255	Annually	61 Days	Hard Lockup 12 months	Lockup Lapsed
643,047,548	Annually	90 Days	NA	Lockup Lapsed

Table 3.C.3: Redemptions and Terms (Continued)

Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Redemption Restrictions Lapse
274,996,816	Annually and Three Years	90 Days	Investor Level Gate 12.5%; Hard Lockup 24-36 months	Lockup Lapsed
539,751,725	Annually and Illiquid	90 Days and 10 Months	Investor Level Gate 50%; Fund Level Gate 25%; Illiquid	Lockup Lapsed; Illiquid
326,613,422	Two Years	3 Months	Investor Level Gate 25%; Hard Lockup 24 months	Lockup Lapsed
234,477,280	Three Years	90 Days	Hard Lockup 36 months	Lockup Lapsed
7,362,836	Illiquid	0 Days	Illiquid; Investor Level Gate 20%	Illiquid
20,027,101	Illiquid	90 Days	Illiquid	NA
4,568,408	Illiquid	Illiquid	Illiquid	Illiquid
778,336,746	Illiquid	Illiquid	Illiquid	NA
25,847,800	NA	NA	Hard Lockup 6 months	Lapse on 7/13/2024
220,807,713	NA	NA	NA	NA
\$17,037,214,404 Total Hedge Funds				

Liquidations

The System receives distributions through the liquidation of the underlying assets of the investees for a majority of its Alternative Investments since these investments can never be redeemed with the investees. The following table discloses the System's estimate of the period over which the underlying assets are expected to be liquidated by the investees as of August 31, 2022.

Table 3.C.4: Alternative Investments Liquidation Periods

Investment Type	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years	N/A	Total
Absolute Return	\$ 1,059,083,007	\$ 1,613,179,810	\$ 1,216,123,157	\$ 248,191,710	\$ 201,935,151	\$ 4,338,512,835
Energy, Natural Resources, and Infrastructure	2,333,633,374	2,904,132,422	5,021,850,987	1,096,866,528	14,321,039	11,370,804,350
Hedge Funds		57,063,714	136,332,921		16,843,817,769	17,037,214,404
Private Equity	2,869,797,024	13,594,284,818	13,195,965,959	1,445,064,123	72,671,321	31,177,783,245
Privately Held Debt					17,244,800	17,244,800
Privately Held Equity					944,050,593	944,050,593
Real Estate	1,320,703,138	8,630,431,943	8,737,626,020	9,474,356,943	1,290,057,729	29,453,175,773
Risk Parity					4,060,603,968	4,060,603,968
Total	\$ 7,583,216,543	\$ 26,799,092,707	\$ 28,307,899,044	\$ 12,264,479,304	\$ 23,444,702,370	\$ 98,399,389,968

D. Derivative Instruments

Derivative instruments are used to efficiently manage and reduce the risk of the overall investment portfolio. Through the use of derivative instruments, the risks that are bound together in traditional cash market investments can be separated and managed independently. Derivative Instruments are classified as Investments on the Statement of Fiduciary Net Position, and the changes in their fair value are classified as Investment Revenue on the Statement of Changes in Fiduciary Net Position. The fair value, changes in fair value, and notional value of the System's Derivative Instruments, classified by derivative instrument type, are displayed in the following table as of August 31, 2022.

The System's over-the counter (OTC) Derivative Instruments include contingent features that require the System to post collateral in the event that the fair value surpasses a specified contractual threshold. The aggregate fair value of all Derivative Instruments with these collateral posting provisions is \$(19,539,490), and as of August 31, 2022, the System has posted \$131,572,909 in collateral. At August 31, 2022, the System has not triggered any events that would require the posting of additional collateral to its counterparties.

Table 3.D.1: Derivative Instruments			
Fiduciary Funds Derivative Instruments	Fair Value	Change in Fair Value Gain/(Loss)	Notional Value
Forwards			
FX Forwards	\$ 43,458,378	\$ 484,254,525	\$ 6,019,821,957
Total Forwards	\$ 43,458,378	\$ 484,254,525	
Futures			
Commodity Futures	\$ (1,854,021)	\$ 514,236,870	\$ 2,138,141,309
Fixed Income Futures	(50,294,495)	(1,531,783,160)	7,036,674,024
Foreign Currency Futures	427,505	6,264,980	(9,958,380)
Index Futures	(39,656,955)	(828,236,391)	5,970,842,045
Total Futures	\$ (91,377,966)	\$ (1,839,517,701)	
Options			
Equity Options	\$ (15,232,812)	\$ (3,842,445)	\$ (8,602,356)
Index Options	(25,338,785)	1,343,301	(11,494,854)
Total Options	\$ (40,571,597)	\$ (2,499,144)	
Rights			
Rights		\$ 1,515,967	
Total Rights	\$ —	\$ 1,515,967	
Swaps			
Credit Default Swaps	\$ (45,399,998)	\$ (127,468,938)	\$ 928,460,899
Interest Rate Swaps	(9,086,889)	(15,387,041)	568,170,001
Total Return Swaps	(62,997,868)	(204,690,230)	6,768,305,832
Total Swaps	\$ (117,484,755)	\$ (347,546,209)	
Warrants			
Warrants	\$ 11,058,852	\$ (27,401,025)	\$ 782,000
Total Warrants	\$ 11,058,852	\$ (27,401,025)	
Total	\$ (194,917,088)	\$ (1,731,193,587)	

E. Securities Lending

The System is authorized by Section 825.303, Govt Code, to lend securities in accordance with the Securities Lending Policy adopted effective May 1, 2019 by the Board of Trustees and as required by statute. The system's custodian and lending agent, State Street Bank and Trust Company, administers the securities lending program for domestic and international equity and fixed income securities. TRS securities held by a prime broker are not eligible for securities lending by the prime broker. The Securities Lending Policy can be accessed at www.trs.texas.gov. There were no significant policy violations during the fiscal year.

Collateral received from borrowers is delivered to the lending agent in the form of cash or government securities eligible for book entry in either the Federal Reserve system or the Participants Trust Company, or their respective successors. The initial collateral delivered to secure a loan of domestic securities must have a fair value of at least 102 percent of the initial fair value of domestic loaned securities and at least 105 percent of the initial fair value of international loaned securities. Collateral is marked to market daily. If, while the loan is outstanding, the current fair value of the collateral initially delivered is less than 100 percent of the current fair value of the loaned

domestic equity securities, international sovereign debts, and non-U.S. corporate debt securities, or less than 103 percent of the current fair value of the international equity securities, the lending agent must require the borrower to deliver additional collateral to restore the value to 102 percent or 105 percent of the current fair value of the loaned securities for domestic or international securities, respectively. The system is authorized to invest cash collateral in the following types of instruments: U.S. government securities or U.S. government-sponsored enterprise (GSE) securities, money market instruments, repurchase agreements, fixed or floating rate debt obligations, and derivative instruments.

The securities lending contracts require the custodian to indemnify the system against loss resulting from borrower default or failure of the agent to properly execute its responsibilities under the lending agreement as required by Section 825.303(b)(3), Govt Code. Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by the System or the borrower, and there are no restrictions on the amount of loans that can be made. During the fiscal year, there were no borrower or custodian default losses, and no recovery of prior-period losses.

The par value, dollar-weighted average maturity of the collective cash collateral investment portfolio may not exceed 120 days. The expected final maturity of any individual fixed-rate instrument and individual floating-rate instrument may not exceed 36 months and seven years, respectively. As of August 31, 2022, the maturities of the investments made with cash collateral generally match the maturities of their securities loans, with the weighted average maturity of the invested cash collateral at 2.12 days, and the weighted average term of all securities on loan at 4.4 days.

As of August 31, 2022, the system reported Invested Securities Lending Collateral worth \$6,957,897,984. The system holds \$6,962,586,091 in cash collateral and \$752,868,130 in non-cash collateral. Securities on loan totaled \$7,748,304,068, which included \$260,807,242 lent to the lending agent. Securities on loan include investments in Domestic Corporate Bonds, Domestic Equities, International Equities, U.S. Government Agency Bonds, and U.S. Treasury Bonds.

F. Deposit and Investment Risk Factors

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Deposits

The System does not have a formal deposit policy for custodial credit risk. Deposits held at the State of Texas Treasury are not subject to custodial credit risk since the Treasury holds collateral in the System's name in excess of depository insurance. Deposits held in bank accounts in excess of depository insurance are uninsured and uncollateralized. As of August 31, 2022, \$494,136,175 of the System's bank balance was uninsured and uncollateralized.

Investments

The System has contracted with State Street Bank and Trust Company and Goldman Sachs to serve as custodians for the System's investments. The System does not have a formal investment policy for custodial credit risk. As of August 31, 2022, the Short-Term Investment Fund is held by the custodian in a 2a-7 like investment pool not evidenced by a security and is not exposed to custodial credit risk. These securities are held in the name of the system by the custodian. All other investments are registered in the name of the Teachers Retirement System of Texas or in the name of the System's custodian.

Securities Lending

The System does not have a formal investment policy for custodial credit risk for its securities lending program. The System reinvests all cash collateral received in an unrated cash collateral pool held by the System's securities lending agent and is, therefore, not exposed to custodial credit risk. Since non-cash collateral is not reported on the balance sheet, it is exposed to custodial credit risk, as is the related underlying securities on loan. The following table shows the underlying securities for the non-cash collateral loans, which are held by the counterparty, the securities lending agent, but not in the System's name and are not insured as of August 31, 2022.

Investment Type	Securities on Loan Fair Value	Non-Cash Collateral Value
Domestic Equity	\$ 431,268,924	\$ 441,352,834
International Equity	302,915,604	311,515,296
Total	\$ 734,184,528	\$ 752,868,130

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Investments

The System does not have a formal credit risk policy for its investments. The credit rating and fair value of the System's Fixed Income Investments as of August 31, 2022 is disclosed in the following table. The investments were rated according to categories from Standard & Poor's and Moody's ratings, whichever is lower. NR represents unrated securities. WR represents the removal of a rating on either an obligation or an issuer due to inadequate information, bankruptcy, reorganization, liquidation, or maturity of obligation.

Credit ratings of U.S. Treasuries, U.S. Treasury STRIPS, and U.S. TIPS are not disclosed since these investments are explicitly guaranteed by the U.S. Government. The System's Short-Term Investment Funds and Short-Term Commingled Funds are unrated.

Rating	Fixed Income Investment Type			Total
	Domestic Corporate Bonds	International Corporate Bonds	Sovereign Government Issue Bonds	
AAA/Aaa			\$ 261,406,026	\$ 261,406,026
AA/Aa2			149,743,284	149,743,284
AA-/Aa3			808,294,407	808,294,407
BBB+/Baa1			32,585,751	32,585,751
BBB-/Baa3			137,543,896	137,543,896
BB-/Ba3			72,314,560	72,314,560
NR	\$ 418	\$ 922	56,005,341	56,006,681
Total	\$ 418	\$ 922	\$ 1,517,893,265	\$ 1,517,894,605

Derivative Instruments

The maximum allowable unsecured counter-party exposure for over-the-counter (OTC) derivative instrument transactions is \$500 million, based on the total net fair value of all OTC positions held with each counterparty. The total counterparty exposure for each counterparty, including the collateralized portions of these agreements, may not exceed 5 percent of the System's total fund fair value. The minimum credit rating, based on a Nationally Recognized Statistical Rating Organization (NRSRO), must be rated at least A- or better at the inception of the contract. For any counterparty that experiences deterioration in credit quality that results in a NRSRO rating below the A- level, subsequent to the inception of transaction, additional eligible collateral may be posted, or the transaction may be terminated. All OTC derivative instruments must be governed by an International Swaps and Derivatives Association (ISDA) Master Agreement and Credit Support Annex or, if centrally cleared by clearing agreements, the close-out netting provisions and collateralization provisions must be included.

The following table discloses the net Derivative Instruments exposure to credit risk by counterparty and their corresponding credit rating by each of the Big Three credit rating agencies as of August 31, 2022.

The aggregate fair value of Derivative Instruments in asset positions as of August 31, 2022, was \$181,104,188, which represents the maximum amount of loss due to credit risk that would be recognized if all counterparties failed to perform as contracted. The exposure is reduced by \$32,325,837 of collateral held and \$145,515,578 of liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$3,262,773.

Collateral held by the System in its custodial accounts are not available for use in any other purposes. If any, this collateral has been excluded from the Statement of Net Position as it does not represent an asset to the System. Additional collateral of \$1,201,225 is held by the System and under the terms of the related ISDAs, may be rehypothecated by the System. Depending on the nature of the collateral held and the ability rehypothecate the collateral, this balance is included within short-term investments within the Statement of Net Position, and is offset by a related Collateral Obligations liability.

The System's net exposure to credit risk is limited to 5 percent of the fair value of the system's total fund value. Significant concentrations of net exposure to credit risk existed, but the net exposure for the counterparty did not surpass 5 percent of the System's total fund fair value. As of August 31, 2022, the credit risk exposure related to derivative counterparty is summarized in the following table.

Counterparty	Net Exposure	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
BNP Paribas SA	\$ 32,325,837	90.83 %	A+	A+	Aa3
JP Morgan Chase Bank N.A.	758,231	2.13	A+	AA	Aa2
Morgan Stanley	2,504,543	7.04	A-	A	A1
Total	\$ 35,588,611	100.00 %			

Reverse Repurchase Agreements

TRS held \$11,969,837,625 in reverse repurchase agreements at August 31, 2022. The System's Investment Policy Statement permits TRS to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing counterparties a margin against a decline in fair value of the securities. If a counterparty defaults on its obligations to resell these securities to TRS or provide securities or cash of equal value, the System would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. No losses were recognized during the year due to default by counterparties to reverse repurchase agreements.

The counterparty limits for reverse repurchase transactions and tri-party reverse repurchase transactions may not exceed 5 percent of the System's total fund fair value, unless the transactions are covered by a third-party indemnification agreement by an organization that bears a long-term NRSRO credit rating of A- or better and is enhanced by acceptable collateral. Each repurchase agreement will be entered into under the Public Securities Association (PSA) and International Securities Market Association (ISMA) Global Master Repurchase Agreement. Each ISDA Master Agreement must also include a table that delineates the excess purchased securities margin (haircut) required, based on the collateral type, duration, and credit quality. There were no significant policy violations during the fiscal year. The System's counterparty credit exposure for reverse repurchase agreements at August 31, 2022 is summarized in the following table.

Table 3.F.4: Credit Risk: Reverse Repurchase Agreements					
	Fair Value of Collateral Held by Counterparty*		Cash and Interest Due to Counterparty*		Net Credit Risk
Counterparty - Term Agreements					
Barclays Bank PLC	\$	621,563,080	\$	618,071,456	\$ 3,491,624
Goldman Sachs & Co., LLC		2,869,420,251		2,826,203,106	43,217,145
JP Morgan Securities, LLC		3,794,442,650		3,760,953,779	33,488,871
Nomura Securities International, Inc.		715,528,919		712,424,866	3,104,053
Canadian Imperial Bank of Commerce		223,226,902		222,471,422	755,480
BNP Paribas		992,343,271		991,796,437	546,834
Bank of New York Mellon		202,216,304		200,359,335	1,856,969
RBC Dominion Securities, Inc.		1,790,910,054		1,764,640,062	26,269,992
Total Term Reverse Repurchase Agreements	\$	11,209,651,431	\$	11,096,920,463	\$ 112,730,968
Counterparty - Overnight Agreements					
State Street Bank & Trust Company	\$	201,983,445	\$	199,984,085	\$ 1,999,360
Total Overnight Reverse Repurchase Agreements	\$	201,983,445	\$	199,984,085	\$ 1,999,360
Total Reverse Repurchase Agreements*	\$	11,411,634,876	\$	11,296,904,548	\$ 114,730,328

*Includes accrued interest.

The cash proceeds from reverse repurchase agreements are reinvested by the System. Purchases made with the proceeds of reverse repurchase agreements are not necessarily restricted to certain investment types or maturities. The cash due to counterparties resulting from reverse repurchase agreements is reported as "Obligation Under Reverse Repurchase Agreements" and the interest due to counterparties is included in "Investment Payables" on the Statement of Fiduciary Net Position. The underlying assets, as well as the reinvested proceeds, are reported in the "Investments at Fair Value" section on the Statement of Fiduciary Net Position.

Securities Lending

Instruments having a maturity at the time of purchase of less than 13 months must be rated in one of the two highest short-term ratings categories of the following Nationally Recognized Statistical Ratings Organizations (NRSRO) - Moody's, Standard & Poor's, Fitch or DBRS - or be considered by the Board of Trustees to be of comparable quality. Instruments having a maturity at the time of purchase greater than 13 months must be rated at the time of purchase within the highest major, long-term rating category of an NRSRO (e.g., Moody's A3 or Standard & Poor's A-), or, if unrated, be determined to be of comparable quality by the Board of Trustees. As of August 31, 2022, there was no credit risk exposure because the amounts owed to borrowers exceeded the amounts owed to the system.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Investments

The System does not have a formal interest rate risk policy for its investments. The following table presents the fair value and the weighted effective duration rate for the System's Fixed Income Investments that are subject to interest rate risk as of August 31, 2022.

Fixed Income Investment Type	Fair Value	Weighted Effective Duration Rate
Domestic Corporate Bonds	\$ 418	16.9
U.S. Treasury STRIPS	9,660,257	17.2
U.S. Treasury Bonds	24,224,367,804	17.0
Sovereign Government Issue Bonds	1,517,893,266	9.4
U.S. TIPS	2,047,286,641	7.0
International Corporate Bonds	922	1.7
Total	\$ 27,799,209,308	15.8

Derivative Instruments

The System does not have a formal interest rate risk policy for its Derivative instruments. The System's investments in Swaps are highly sensitive to interest rate changes because they are based on fluctuating Interbank Offered Rates.

As the Rates fluctuate, the total expected cash flows will fluctuate. The reference rates, embedded options, fair value, and notional value of the system's Interest Rate and Return Swaps that are exposed to interest rate risk, as of August 31, 2022, are presented in the following table.

Table 3.F.6: Interest Rate Risk: Derivative Instruments by Maturities

Reference Rate & Embedded Options	Fair Value	Investment Maturities (in Years)		Notional Value
		Less than 1	1-5	
Interest Rate Swaps				
Receive Fixed 11.85000%, Pay Variable 00-Month BRCDI	\$ 73,059	\$ 73,059	\$ 28,378,691	
Receive Fixed 7.29500%, Pay Variable 01-Month TIIE	(1,278,245)	(1,278,245)	39,738,426	
Receive Fixed 11.52000%, Pay Variable 00-Month BRCDI	(100,470)	(100,470)	23,618,413	
Receive Fixed 6.68000%, Pay Variable 01-Month TIIE	(1,529,672)	(1,529,672)	20,679,395	
Receive Fixed 6.12500%, Pay Variable 01-Month TIIE	(1,127,347) \$	—	(1,127,347)	36,222,106
Receive Fixed 7.37500%, Pay Variable 01-Month TIIE	(928,961)	(928,961)	17,097,355	
Receive Fixed 2.58500%, Pay Variable 00-Month CNRR	2,157,522	2,157,522	187,845,865	
Receive Fixed 7.30500%, Pay Variable 01-Month TIIE	(1,271,534)	(1,271,534)	39,738,426	
Receive Fixed 6.14000%, Pay Variable 01-Month TIIE	(2,231,040)	—	(2,231,040)	72,444,212
Receive Fixed 6.66000%, Pay Variable 01-Month TIIE	(772,052)	(772,052)	10,339,698	
Receive Fixed 7.30000%, Pay Variable 01-Month TIIE	(1,254,993)	(1,254,993)	39,145,315	
Receive Fixed 11.90000%, Pay Variable 00-Month BRCDI	103,911	103,911	28,378,691	
Receive Fixed 7.36000%, Pay Variable 01-Month TIIE	(938,126)	(938,126)	17,097,355	
Receive Fixed 11.80000%, Pay Variable 00-Month BRCDI	11,059	11,059	7,446,053	
Subtotal	\$ (9,086,889) \$	— \$	(9,086,889)	
Total Return Swaps				
Receive Equity, Pay Variable 12-Month SOFR	\$ (36,796,759) \$	(11,758,067) \$	(25,038,692) \$	4,549,967,045
Receive Variable 00-Month FEDL, Pay Equity	2,540,092	—	2,540,092	(63,882,929)
Receive Variable 12-Month FEDL, Pay Equity	226,340	(1,726,380)	1,952,720	(57,494,183)
Receive Equity, Pay Variable 03-Month LIBOR	155,520	155,520		42,090,988
Receive Variable 03-Month BBSW, Pay Equity	466,559	—	466,559	(23,813,585)
Receive Variable 00-Month SOFR, Pay Equity	3,995,978	—	3,995,978	(358,336,303)
Receive Equity, Pay Variable 12-Month FEDL	(18,850,083)	(4,550,647)	(14,299,436)	260,401,315
Receive Equity, Pay Variable 01-Month FED01	(2,166,869)	(2,166,869)		21,133,916
Receive Equity, Pay Variable 01-Month FEDL	(5,536,227)	(5,536,227)		10,171,945
Receive Equity, Pay Variable 01-Month HIBOR	4,443,209	4,443,209		23,390,143
Receive Equity, Pay Variable 00-Month FEDL	(727,639)	—	(727,639)	31,687,879
Receive Equity, Pay Variable 00-Month SOFR	(6,724,617)	(3,520,980)	(3,203,637)	702,192,785
Receive Variable 12-Month SOFR, Pay Equity	5,532,643	4,905,785	626,858	(1,082,792,000)
Receive Equity, Pay Variable 03-Month HIBOR	(1,821,170)	(1,821,170)		7,909,838
Subtotal	\$ (55,263,023) \$	(13,872,730) \$	(41,390,293)	
Total	\$ (64,349,912) \$	(13,872,730) \$	(50,477,182)	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment. The System does not have a formal deposit policy for foreign currency risk. The risk of holding investments in foreign currency is managed by applying currency hedge ratios to the system's public markets and private markets non-dollar exposures. Each currency hedge ratio is the percentage of aggregate, non-dollar currency exposure to be passively hedged, and the hedging horizon is intermediate (one to three years). The System's exposure to foreign currency risk as of August 31, 2022 is presented in the following table.

Table 3.F.7: Foreign Currency Risk

Currency by Country	Cash	Alternative Investments	Derivative Instruments*	Equity Investments*	Fixed Income Investments	Pooled Investments	Short-Term Investments	Total
Australia Dollar	\$ 16,077,112	\$ —	\$ 5,894,994	\$ 980,963,771	\$ 239,682,879	\$ —	\$ (1,094)	\$ 1,242,617,662
Botswana Pula	11,632	—	—	86,588	—	—	—	98,220
Brazil Real	12,784,659	—	(1,251,699)	318,183,981	—	—	(776)	329,716,165
Canada Dollar	39,269,111	—	(9,997,988)	1,645,845,187	—	—	266,105	1,675,382,415
Chile Peso	24,818	—	(349,321)	17,824,763	—	—	—	17,500,260
China Yuan Renminbi	5,886,745	—	2,660,092	288,535,274	—	—	—	297,082,111
China Yuan Renminbi Offshore	(1,879,668)	—	1,067,548	—	—	—	—	(812,120)
Colombia Peso	—	—	841,719	4,092,212	—	—	—	4,933,931
Czech Republic Koruna	3,502,765	—	170,184	21,105,993	—	—	(5,427)	24,773,515
Denmark Krone	5,548,902	—	7,293	404,522,426	—	—	(90)	410,078,531
Egypt Pound	—	—	—	2,859,212	—	—	—	2,859,212
Euro Member Countries	104,814,589	4,292,548,731	(31,439,019)	4,001,539,109	469,915,979	684,612,287	(92)	9,521,991,584
Hong Kong Dollar	11,568,454	—	41,196	2,499,290,394	—	—	(53)	2,510,899,991
Hungary Forint	—	—	(138,251)	3,131,081	—	—	42	2,992,872
India Rupee	906,644	—	161,476	1,537,311,440	922	—	—	1,538,380,482
Indonesia Rupiah	12,768	—	53,639	374,747,815	—	—	—	374,814,222
Israel Shekel	3,275,699	—	(151,703)	90,146,225	—	—	(2,286)	93,267,935
Japan Yen	13,105,700	—	(265,618)	3,738,806,112	—	—	(467)	3,751,645,727
Korea (South) Won	32,073,077	—	(9,285,943)	1,023,722,827	—	—	—	1,046,509,961
Kuwait Dinar	(272)	—	—	61,073,259	—	—	—	61,072,987
Malaysia Ringgit	2	—	—	56,695,392	—	—	—	56,695,394
Mexico Peso	(15,548,443)	—	(10,220,718)	358,238,213	—	—	(35,898)	332,433,154
New Zealand Dollar	636,796	—	357,006	27,489,609	—	—	62	28,483,473
Nigeria Naira	159	—	—	3,670	—	—	—	3,829
Norway Krone	2,080,560	—	(1,069,169)	260,203,373	—	—	1,104	261,215,868
Philippines Peso	—	—	160,430	19,988,779	—	—	—	20,149,209
Poland Zloty	192,337	—	(168,595)	117,492,222	—	—	(563)	117,515,401
Qatar Riyal	(27)	—	—	73,154,639	—	—	—	73,154,612
Romania New Leu	—	—	38,621	—	—	—	—	38,621
Russia Ruble	486,060	—	—	—	—	—	—	486,060
Saudi Arabia Riyal	792,657	—	—	365,791,698	—	—	—	366,584,355
Singapore Dollar	3,779,185	—	(1,412,158)	193,864,946	—	—	6,113	196,238,086
South Africa Rand	282,407	—	(1,081,607)	348,164,601	—	—	1,831	347,367,232
Sweden Krona	10,155,445	—	(5,813,685)	383,985,601	—	—	1,219	388,328,580
Switzerland Franc	17,077,517	—	(553,754)	1,005,951,103	—	—	(46,130)	1,022,428,736
Taiwan New Dollar	1,742,654	—	555,614	1,176,536,765	—	—	(388)	1,178,834,645

Currency by Country	Cash	Alternative Investments	Derivative Instruments*	Equity Investments*	Fixed Income Investments	Pooled Investments	Short-Term Investments	Total
Thailand Baht	653,602	—	(2,245,655)	213,112,199	—	—	—	211,520,146
Turkey Lira	2,456	—	(52,905)	15,291,413	—	—	—	15,240,964
United Arab Emirates Dirham	4,264	—	—	88,877,119	—	—	—	88,881,383
United Kingdom Pound	2,011,238	732,269,157	7,910,521	2,471,454,986	808,294,407	—	(12,221)	4,021,928,088
Vietnamese Dong	1	—	—	91	—	—	—	92
Total	\$271,331,605	\$ 5,024,817,888	\$ (55,577,455)	\$24,190,084,088	\$ 1,517,894,187	\$ 684,612,287	\$ 170,991	\$ 31,633,333,591

*Derivative and Equity Investments are net of securities sold short (Other Fair Value Investments).

Note 4: Employee Compensable Leave

Salary costs related to an employee's right to be compensated for leave balances are accrued as an expense in the period in which the services are rendered. Accumulated compensable leave liabilities are reported in the Statement of Fiduciary Net Position for the Pension and Other Post-Employment Benefit Trust Funds and in the Statement of Net Position for the Proprietary Funds.

Note 5: Leases

In fiscal year 2014, TRS entered into a non-cancelable lease agreement for building space which was due to expire in 2021. This lease has been extended and now expires June 30, 2023. As part of the building lease, TRS received a construction allowance which is being amortized on a straight-line basis over the life of the lease as a reduction of rental expenses. In fiscal year 2022, TRS entered into a non-cancelable lease agreement for regional office building space until January 31, 2027.

During fiscal year 2020, Teacher Retirement Investment Company of Texas (TRICOT) negotiated a non-cancelable lease agreement for building space until September 5, 2029. This lease has a break out clause beginning fiscal year 2025. TRICOT maintained four lease agreements for apartments for the TRS seconded employees. The leases expire June 6, 2022, December 31, 2022, and July 31, 2023. One lease expired and was not renewed.

Variable expenses for common area maintenance excluded from the lease obligations for the fiscal year ended August 31, 2022 were \$1,830,367. The future minimum lease payments for the next ten years are listed in the following table.

Fiscal Year	Principal	Interest	Total Future Min Lease Payments
2023	\$ 2,973,574	\$ 23,387	\$ 2,996,961
2024	285,495	15,971	301,466
2025	288,706	12,760	301,466
2026	291,911	9,555	301,466
2027	232,325	6,442	238,767
2028-2032	382,468	5,496	387,964
Total	\$ 4,454,479	\$ 73,611	\$ 4,528,090

Note 6: Fringe Benefits Paid by the State of Texas and the Federal Government

The State has a joint contributory retirement plan for substantially all its employees. The employees of TRS participate in the same pension plan they administer (Note 11).

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. TRS-Care's Employer Group Waiver Plan (EGWP) reimbursements totaled \$212,425 for Medicare Part D direct subsidies, \$133,525,770 for catastrophic reinsurance subsidies, and \$7,265,137 for low income subsidies.

Note 7: Contingent Liabilities

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is taken only in the event of illness or paid to the estate of an employee in the event of death. Pursuant to Texas Government Code 661.033, the maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The balance of vacation leave, the accumulation of which is limited based on years of service is also paid to the estate of an employee in the event of death. The System's policy is to recognize the cost of any sick leave when paid and to recognize the cost of any vacation leave when earned.

The System is contingently liable for retro-active retirement benefits payable to retiring members who complete the retirement process within one year of applying for retirement benefits. As of August 31, 2022, the maximum liability for pending retirement benefits payable is \$53.9 million.

In addition, under Texas Insurance Code, Article 3.51-7, the System is liable to pay a lump-sum death benefit of \$2,500 when added to the death benefit authorized under Texas Government Code, Title 8, Chapter 824, to the beneficiaries of deceased, retired employees.

A Performance Incentive Compensation Plan was established by the Board in September 2007 and amended effective October 1 2021, to enable the system to remain competitive in its efforts to attract, retain and motivate high caliber investment division staff. The purpose of the Plan is to provide the opportunity for investment division employees to earn performance incentive pay based on the fund's investment performance and the employee's job performance. The performance incentive pay is paid over the subsequent 2 years. The remaining liability for the incentive pay plan year ending September 30, 2021 will not exceed \$8.3 million. For the incentive pay plan year ending September 30, 2022, the liability is estimated not to exceed \$37.4 million. Payments can only be earned following years in which the Pension Trust Fund experiences a positive return, and employees must be employed by TRS on the designated dates in the Plan in order to earn and receive payment. Since the Pension Trust Fund did not experience a positive return in fiscal year 2022, all performance incentive payments disclosed here will be deferred until after a year in which it experiences a positive return. The Board of Trustees may cancel or modify the Plan at any time.

An Executive Performance Incentive Plan was adopted effective July 1, 2016 and revised effective October 1, 2021 in order to remain competitive in its efforts to attract and retain high caliber executives. The purpose of the plan is to provide an opportunity for select executive management to earn performance incentive pay based on key objectives tied to the overall success of TRS. The performance incentive pay is paid over the subsequent 2 years. For the incentive pay plan year ending September 30, 2021, the remaining liability is estimated at \$23,730. For the incentive pay plan year ending September 30, 2022, the maximum award opportunity is estimated at \$240,000.

TRS is a defendant in litigation involving issues arising from its normal activities. The outcome of this litigation cannot be determined at this time. Based upon consultation with legal counsel, management believes there will be no material adverse effect on the basic financial statements as a result of the ultimate outcome of these matters.

Note 8: Continuance Subject to Review

As provided by Texas Government Code, Title 8, Section 825.006, "The Board of Trustees of the Teacher Retirement System of Texas is subject to review under Chapter 325 (Texas Sunset Act), but is not abolished under that chapter. The board shall be reviewed during the period in which state agencies abolished in 2033, and every 12th year after that year, are reviewed."

Note 9: Other Post-Employment Benefits (OPEB) Plan - TRS-Care

A. Plan Description

The Texas Public School Retired Employees Group Insurance Program (TRS-Care) is a multiple-employer, cost-sharing, defined benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The Board of Trustees of TRS administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards. Information regarding the TRS-Care board and its composition can be found on page 3 and in Note 1.

B. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. For more information on TRS-Care eligibility and detailed information on TRS-Care, please refer to the Benefits section.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS-Care premiums at their current level through 2021. The 86th legislature also passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$300,000,000 as of August 31, 2022.

C. Contributors to the Plan

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity.

During fiscal year 2022, the number of participating employers are presented in the following table.

Participating Employers	Number
Independent School Districts*	1,020
Open Enrollment Charter Schools	197
Regional Service Centers	20
Other Educational Districts	2
Total	1,239
*Excludes Windham School District which is not covered by TRS-Care.	

TRS-Care plan membership as of August 31, 2021 is shown in the following table. Because the actuarial valuation was based on a roll-forward from that date (See Section F), the counts are as of that date.

Membership Type	Number
Active plan members	751,105
Inactive plan members currently receiving benefits	188,016
Inactive plan members entitled to but not yet receiving benefits	13,014
Total	952,135

The Average Expected Remaining Service Life (AERSL) of 9.2179 years is based on the membership information as of the beginning of the fiscal year.

D. Contributions

Contribution rates for the TRS-Care plan are established in State Statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions; and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2022. The following table shows contributions to the TRS-Care plan by type of contributor.

Contributor	Rate	Amount
Active Employee	0.65 %	\$ 263,328,449
Non-Employer Contributing Entity (State)	1.25	451,341,296
Participating Employers	0.75	303,838,757
Federal/Private Funding*	1.25	55,047,334
Total		\$1,073,555,836

*Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of \$535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2022 totaled \$11,849,525.

A supplemental appropriation was authorized by Senate Bill 8 of the third-called legislature that granted \$83 million to TRS-Care from the federal American Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022. The premium rates for retirees are reflected in the following table.

Retiree Type	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2022 are disclosed in the following table.

Components of Liability	Amount
Total OPEB Liability	\$ 27,061,942,520
Less: Plan Fiduciary Net Position	(3,117,937,218)
Net OPEB Liability	\$ 23,944,005,302
Net Position as a Percentage of Total OPEB Liability	11.52 %

The Net OPEB Liability decreased by \$14.7 billion, from \$38.6 billion as of August 31, 2021, to \$23.9 billion as of August 31, 2022. The decrease was due to a combination of favorable claims experience, changes in participation assumptions, and a large increase in the discount rate from 1.95 percent to 3.91 percent.

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

Demographic Assumptions

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

Mortality Assumptions

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2018.

Election Rates

Normal Retirement - 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65.
Pre-65 retirees - 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

Health Care Trend Rates

The initial medical trend rates were 8.25 percent for Medicare retirees and 7.25 percent for non-Medicare retirees. The initial prescription drug trend rate was 8.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 13 years.

Table 9.F.1: Actuarial Methods and Assumptions	
Component	Result
Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 3.91 percent was used to measure the total OPEB liability. This was an increase of 1.96 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

G. Change of Assumptions Since the Prior Measurement Date

The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent, as of August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors that decreased the Total OPEB Liability.

H. Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption

The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.91 percent or one percentage point higher, 4.91 percent, than the AA/Aa rate. The source for the rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", as of August 31, 2022.

Table 9.H.1: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption			
1% Decrease	Current Single Discount Rate	1% Increase	
2.91%	3.91%	4.91%	
\$ 28,231,881,036	\$ 23,944,005,302	\$ 20,470,275,606	

I. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher than the assumed healthcare cost trend rate.

Table 9.I.1: Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption			
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase	
\$ 19,729,968,204	\$ 23,944,005,302	\$ 29,406,962,102	

Note 10: Other Post-Employment Benefits (OPEB) Plan - TRS Employees

A. Plan Description

The employees of TRS are provided post-employment health care and basic life insurance benefits through the Texas Employees Group Benefits Program (GBP). The GBP is administered by the board of trustees of the Employees Retirement System (ERS) of Texas and operates under the provisions of the Texas Insurance Code, Chapter 1551. The GBP is a cost-sharing, multiple-employer, post-employment benefit plan with a special funding situation. Benefit and contribution provisions of the plan are authorized by state law and may be amended by the Texas Legislature.

B. Benefits Provided

The Plan covers retired employees of the State and other entities as specified by the State legislature.

Eligibility is limited to retirees:

- with 10 or more years of service credit, and who are at least 65 years of age, or
- when the sum of a member's age and years of service credit equals or exceeds 80, and
- if the individual was employed, as the last state employment before retirement, by a state agency whose employees are authorized to participate in the group benefits program, or
- if the individual retires under the jurisdiction of the Employees Retirement System of Texas or the Teacher Retirement System of Texas

The benefits include a health plan providing medical and prescription drug coverage and \$2,500 of life insurance. A retiree may pay for spouse and dependent coverage as well as coverage for dental, vision, life and dependent life insurance.

C. Contributors to the Plan

Contributors to the plan include state agencies, universities, junior and community colleges, other entities, the State of Texas as the only non-employer contributing entity, active and retired employees and their dependents.

D. Contributions

Employer and employee contribution rates are determined annually by the ERS Board of Trustees based upon the total amount appropriated by the Texas Legislature. The State of Texas is the only non-employer contributing entity in the plan and is required to contribute the cost of the retiree's group health coverage to the plan. The amount the state will contribute to the monthly health insurance premium depends on whether the employee had fewer than five years of eligible service at a GBP-participating agency or institution as of September 1, 2014. If an employee had five years of service by that date, they are "grandfathered" and the state will pay 100 percent of the health insurance premium when they become eligible. (50 percent if they were a part-time employee in the last three months of employment). If an employee had fewer than five years of service as of September 1, 2014, the state's health insurance premium will be "tiered"; based on the number of years of participation in the GBP.

- 100 percent with at least 20 years of service
- 75 percent with 15 years of service
- 50 percent with 10 years of service

Employers are required to contribute 1 percent of base payroll for group health insurance. TRS pays the State contribution for its employees and retirees. For the fiscal year ended August 31, 2022, there are four programs offered by ERS. The table below represents contribution rates for the most prevalent program.

Type of Coverage	Employer Pays	Employee Pays
Employee Only	\$ 624.82	\$ —
Employee + Spouse	982.36	357.54
Employee + Children	864.20	239.38
Employee + Family	1,221.74	596.92

TRS covers 100 percent of a member only premium and 50 percent of the additional premium for family coverage. The retiree contributes any premium over and above the system’s contribution for additional coverage. The amount of TRS contributions recognized by the OPEB plan during the reporting period was \$10,391,403.

E. OPEB Plan Fiduciary Net Position

The fiduciary net position of the Employees Retirement System of Texas (ERS) and their OPEB plan has been determined using the full accrual basis of accounting and the economic resources measurement focus. For purposes of measuring the Net OPEB Liability, this includes deferred outflow of resources and deferred inflow of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to and deductions from ERS’ fiduciary net position. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan.

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The ERS Board of Trustees adopted an amendment to the investment policy in August 2017 requiring that all funds be invested in short-term fixed income securities and specified that the expected rate of return on these investments is 2.4 percent.

F. Net OPEB Liability

At August 31, 2022, the amounts recognized by TRS as its proportionate share of the ERS Net OPEB Liability, the related State support and the Total Net OPEB Liability attributable to TRS are disclosed in the following table.

Components of the ERS OPEB Liability	Amount
TRS' proportionate share of the collective Net OPEB Liability	\$ 124,038,376
State's proportionate share of the collective Net OPEB Liability associated with TRS	N/A*
Total	\$ 124,038,376

*Pursuant to Texas Insurance Code, Sec. 1551.315, TRS paid the State contribution for TRS employees since they were compensated from funds not appropriated in the General Appropriations Act; the State was not allocated any proportionate share of TRS’ Net OPEB Liability.

TRS’ portion of the collective Net OPEB Liability at August 31, 2022 was 0.34574668 percent and was based on TRS’ employer contributions to the OPEB plan relative to the employer contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021. There was an increase of 0.02534828 percent in TRS’ proportionate share from the prior year of 0.32039840 percent.

The Net OPEB Liability at August 31, 2022 was based on a measurement date of August 31, 2021, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2021.

G. Actuarial Assumptions

Significant assumptions and other inputs used to measure the Total OPEB Liability for the Texas Employees Group Benefits Program (GBP) are disclosed in the following table.

Table 10.G.1: Group Benefits Program Actuarial Methods and Assumptions	
Component	Result
Valuation Date	August 31, 2021
Discount Rate	2.14%
Actuarial Cost Method	Entry Age
Salary Increases	2.30% to 9.05% including inflation
Inflation	2.30%
Ad Hoc Post-Employment Benefit Changes	None
Annual Healthcare Trend Rates	<u>HealthSelect</u> 5.25% for FY2023, 5.15% for FY2024, 5.00% for FY2025, 4.75% for FY2026, 4.60% for FY2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2030 and later years <u>HealthSelect Medicare Advantage</u> 0.00% for FY2023, 66.67% for FY2024, 24.00% for FY2025, 4.75% for FY2026, 4.60% for FY2027, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2030 and later years <u>Pharmacy</u> 10.00% for FY2023 and FY2024, decreasing 100 basis points per year to 5.00% for FY2029 and 4.30% for FY2030 and later years

Projections of the sharing of benefit-related costs are based on an established pattern of practice.

The sources of the mortality assumptions for State Agency Members are:

- For Service Retirees, Survivors and other Inactive Members - The 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members and Ultimate MP Projection Scale projected from the year 2020
- For Disability Retirees - The 2020 State Retirees of Texas Mortality table with a 3 year set forward for males and females with minimum rates at all ages of 3 percent for males and 2.5 percent for females, and Ultimate MP Projection Scale projected from the year 2020
- For Active Members - Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members and Pub-2010 Public Safety Active Member Mortality table for CPO/CO members with Ultimate MP Projection Scale from the year 2010

The sources of the mortality assumptions for Higher Education Members are:

- For Service Retirees, Survivors and other Inactive Members - Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018
- Disability Retirees - Tables based on TRS experience with Ultimate MP Projection Scale from the year 2018 using a 3 year set forward and minimum mortality rates of 4 per 100 male members and 2 per 100 female members
- Active Members - Sex Distinct RP-2014 Employee Mortality multiplied by 90 percent with Ultimate MP Projection Scale from the year 2014

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS retirement plan actuary as of August 31, 2019 and the TRS retirement plan actuary as of August 31, 2017.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 2.14 percent. The change in the discount rate since the OPEB plan's prior fiscal year-end is a decrease of 0.06 percent (from 2.20 percent to 2.14 percent).

Projected cash flows into the plan are equal to projected benefit payments out of the OPEB plan.

The long-term expected rate of return on OPEB plan investments, the assumed asset allocation and the arithmetic versus geometric means are not applicable since the plan operates on a pay-as-you-go basis and is not intended to accumulate assets.

The municipal bond rate was 2.14 percent and the source of the rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor Corporation's AA rating.

The periods of projected benefit payments to which the long-term expected rate of return applies is zero years.

H. Sensitivity of the Net OPEB Liability

The sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate assumptions are disclosed in the following table.

Table 10.H.1: Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions			
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase	
\$ 103,867,537	\$ 124,038,376	\$ 150,465,760	

The sensitivity of the Net OPEB Liability to variations in the single discount rate assumption is disclosed in the following table.

Table 10.H.2: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption			
1% Decrease	Current Single Discount Rate	1% Increase	
1.14%	2.14%	3.14%	
\$ 147,734,414	\$ 124,038,376	\$ 105,499,766	

I. Changes of Assumptions Since the Prior Measurement Date

Demographic Assumptions

The following assumptions have been updated since the previous valuation to reflect recent plan experience and expected trends.

- Percentage of current retirees and retiree spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and retiree spouses who will elect to participate in the plan at the earliest date at which coverage can commence
- Proportion of future female retirees assumed to be married and electing coverage for their spouse
- Proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Percentage of Higher Education vested terminated members assumed to have terminated less than one year before the valuation date.

Economic Assumptions

- Assumed per capita health benefit costs, and health benefit costs and retiree contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on short-term expectations.

- Annual rate of increase in the Patient-Centered Outcomes Research Institute (PCORI) fee payable under the Affordable Care Act has been updated to reflect recent health plan experience and its effects on our short-term expectations.
- Assumed expenses directly related to the payment of GBP HealthSelect medical benefits have been updated to reflect recent contract revisions.
- The discount rate was changed from 2.20 percent to 2.14 percent as a result of requirements by GASB Statement 75 to utilize the yield or index rate for 20-year, tax-exempt general obligation bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

J. Changes of Benefit Terms Since Prior Measurement Date

Minor benefit revisions have been adopted since the prior valuation. These changes, which are not expected to have a significant impact on plan costs for FY2022, are provided for in the FY2022 Assumed Per Capita Health Benefit Costs. There were no benefit changes for HealthSelect retirees and the dependents for whom Medicare is primary.

K. OPEB Expense and Deferred Inflow and Outflow of Resources

TRS recognized \$12,595,488 in OPEB expense during fiscal year 2022.

At August 31, 2022, TRS reported its proportionate share of the ERS collective deferred outflow and deferred inflow of resources related to OPEB from the sources listed in the following table.

Category	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ —	\$ (2,693,108)
Changes in assumptions	7,897,016	(11,667,984)
Net difference between projected and actual earnings	19,909	
Changes in proportion and differences between employer's contributions and employer's proportionate share of contributions	33,850,620	
Employer contributions subsequent to the measurement date of the ending Net OPEB Liability	9,681,410	
Total	\$ 51,448,955	\$ (14,361,092)

The OPEB expense that TRS will recognize in future years and the remaining balance of deferred outflow and deferred inflow of resources each year is disclosed in the following table.

Measurement Year Ended August 31,	OPEB Expense Amounts	Balance of Deferred Outflows (Inflows)
2022	\$ 6,834,931	\$ 20,571,522
2023	8,365,940	12,205,582
2024	6,062,287	6,143,295
2025	3,880,100	2,263,195
2026	2,263,195	—
Thereafter	—	
Total	\$ 27,406,453	

L. OPEB Plan Financial Report

ERS issues a publicly available financial report that includes financial statements and required supplementary information for the GBP. The report may be obtained by visiting www.ers.texas.gov, by writing to the Finance Division of the Employees Retirement System of Texas at 200 East 18th Street, Austin, Texas 78701, or by calling 1-877-275-4377.

Note 11: TRS Pension Plan

A. Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board and its composition can be found on page 3 or in Note 1.

Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

B. Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes all employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to the retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers and active employees for the fiscal years 2019 through 2024.

C. Contributors to the Plan

Contributors to the Plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to the plan in accordance with State Statutes and the General Appropriations Act.

The number of participating employers during fiscal year 2022 are disclosed in the following table.

Employer Type	Number
Independent School Districts	1,021
Charter Schools (open enrollment only)	197
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	2
State Agency	1
Total	1,348

Plan membership as of August 31, 2021 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2021 (see Section F), the Plan membership counts are as of August 31, 2021.

Pension Plan Member Type	Number
Inactive plan members or beneficiaries currently receiving benefits	458,133
Inactive plan members entitled to but not yet receiving benefits	501,241
Active plan members	918,545
Total	1,877,919

The Average Expected Remaining Service Life (AERSL) of 5.7052 years is based on membership information as of the beginning of the fiscal year.

D. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.
- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

- On the portion of a member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code
- During a new member's first 90 days of employment
- When any or all of an employee's salary is paid by federal, private, local or non-educational and general funds
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 percent of the state contribution rate for certain instructional or administrative employees and 100 percent of the state contribution rate for all other employees.

The following table shows contributions to the Plan by type of contributor for the fiscal year 2022.

Table 11.D.1: Contribution Rates and Amounts by Contributor		
Contributor	Contribution Rate	Amount
Member	8.00 %	\$4,213,621,873
Non-Employer Contributing Entity (State)	7.75	2,153,483,006
Employers	7.75	1,911,726,911
Total		\$8,278,831,790

Employers are also required to pay surcharges in the following cases:

- All public schools, charter schools and regional education service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of TRS, the employer shall pay an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

Employer surcharges paid for the fiscal year 2022 are shown below.

Table 11.D.2: Employer Surcharges		
Surcharge	Rate	Amount
Public Education Employers	1.70 %	\$ 556,589,918
Employment after Retirement - Employer	7.75	17,642,093
Employment after Retirement - Employee	8.00	18,211,193
Total		\$ 592,443,204

The current and future contribution rates are shown below.

Table 11.D.3: Contribution Rates by Contributor			
Fiscal Year	State	Public Education Employer	Active Employee
2022	7.75 %	1.70 %	8.00 %
2023	8.00	1.80	8.00
2024	8.25	1.90	8.25
2025	8.25	2.00	8.25

Note: SB12 of the 86th Texas Legislature establishes contribution rates through FY 2025. Additional rate changes will require Legislative action.

E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2022 are disclosed below.

Components of Liability	Amount
Total Pension Liability	\$ 243,553,045,455
Less: Plan Fiduciary Net Position	(184,185,617,196)
Net Pension Liability	\$ 59,367,428,259
Net Position as Percentage of Total Pension Liability	75.62 %

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the total pension liability to August 31, 2022.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the four year period ending August 31, 2021 and were adopted in July 2022.

The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 are summarized in Note 3.

The following table discloses the assumptions that were applied to this measurement period.

Table 11.F.1: Actuarial Methods and Assumptions

Component	Result
Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2022	3.91% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Change of Assumptions Since the Prior Measurement Date

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

H. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Table 11.H.1: Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

1% Decrease	Current Single Discount Rate	1% Increase
6.00%	7.00%	8.00%
\$ 92,353,208,735	\$ 59,367,428,259	\$ 32,630,904,839

I. Deferred Retirement Option Program

The Deferred Retirement Option Plan (DROP) was closed to new members on December 31, 2005. The Plan was available for active members who were eligible for normal age retirement with at least 25 years of credited service. Participation options were in 12-month increments for up to five years. For detailed information on the Plan, see the Summary of Benefits section. The balance in the DROP reserve account at August 31, 2022 was \$987,349 and had 4 members.

J. Funding Progress

The required Schedule of Changes in the Employer's Net Pension Liability and Related Ratios immediately following the Notes to the Financial Statements presents multi-year trend information about whether the net position of the Plan is increasing or decreasing relative to the pension liability over time.

Note 12: Risk Management

The 77th Texas Legislature enacted the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343), establishing a new statewide health coverage program for public school employees and their dependents. TRS began administering this program, known as TRS-ActiveCare, September 1, 2002. The plan is available to all public school districts, charter schools with open enrollment, regional service centers and certain other employers. The risk associated with this program is retained by the plan's participants, and no risk is transferred to the plan's administrators, to employers, or to the state.

Note 13: Component Units

A. Description

Teacher Retirement Investment Company of Texas, Ltd. (TRICOT) is a limited liability corporation organized under United Kingdom (UK) law that began operating in November 2015. TRS is the sole shareholder of TRICOT. TRS formed TRICOT for the purpose of increasing investment opportunities for the TRS portfolio. TRICOT is presented as a blended component unit in the Pension Trust Fund fiduciary fund type of TRS with a fiscal year-end of August 31.

B. Criteria for Inclusion as a Component Unit

TRS used the following criteria and determined TRICOT to be a component unit according to GASB 14, as modified by GASB 39 and 61:

- TRICOT is considered a special-purpose government entity engaged only in fiduciary activities on behalf of TRS.
- TRICOT is a part of the System. TRS maintains complete control over TRICOT and all related assets. If TRICOT were dissolved, any remaining assets, net of liabilities, would revert back to TRS.
- As a "private limited liability company" in the UK, TRICOT is legally separate according to GASB 14, paragraph 15.
- TRS' executive director, as a shareholder representative, appoints the sole director of TRICOT.
- TRICOT is financially dependent upon TRS and has no other sources of funding.
- TRICOT provides services exclusively to TRS.
- It would be misleading to exclude TRICOT in the financial statements.

Written requests for TRICOT's financial statements should be addressed to: Communications Department, Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701, 1-800-223-8778.

Note 14: Subsequent Events

In July 2022, the Board of Trustees authorized the Executive Director to finalize the agreements related to the sale of the Red River headquarters. In October 2022, the property was sold for \$108 million.

Note 15: Adjustments to Fund Balances and Net Position

During fiscal year 2022, accounting changes were made that required a restatement of Pension Trust Fund beginning net position. A reclassification of TRS-Care net position restricted for OPEB also occurred.

The reclassification of \$271,311,000 in the TRS-Care Fund is due to reallocating Net Position to reflect the reserve for a 60-day contingency required for TRS-Care per Senate Bill 1682, Section 1575.307 that had not previously been reflected.

The restatement in the Pension Trust Fund of \$519,196 is due to changes in the prior year. Pursuant to the requirements in GASB 87, a \$284,991 restatement was reported to properly report right to use assets and obligations related to leases that had not previously been required. Additionally, the adjustment of \$234,205 is due to electronic fund deposits in the prior period that were returned due to errors in deposit information. The beginning balance and related restatement for 2022 is presented in the table below.

Table 15.1: Adjustment to Net Position	
	2022
Beginning Net Position as Previously Reported	\$201,807,002,496
Prior Period Adjustment	(519,196)
Beginning Net Position as Restated	\$201,806,483,300

This page is intentionally left blank.

Required Supplementary Information

Pension Trust Fund

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios	92
Notes to the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios	94
Schedule of the Net Pension Liability	94
Schedule of Employer and Non-Employer Contributing Entity Actuarially Determined Contributions	95
Notes to the Schedule of Actuarially Determined Contributions	95
Schedule of Investment Returns	96
Schedule of Employer's (TRS) Proportionate Share of ERS' Net OPEB Liability	96
Schedule of Employer's (TRS) Contributions to ERS' OPEB Plan	96

TRS-Care

Schedule of Changes in Employers' Net OPEB Liability and Related Ratios	98
Notes to the Schedule of Changes in Employers' Net OPEB Liability and Related Ratios	100
Schedule of the Net OPEB Liability	100

Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

Pension Trust Fund

For the Fiscal Years Ended August 31

Last Ten Fiscal Years*

(Dollars in Thousands)

	2022	2021	2020	2019
Total Pension Liability				
Service Cost	\$ 6,093,119	\$ 5,793,398	\$ 5,651,647	\$ 5,642,075
Interest on the Total Pension Liability	\$ 16,201,213	15,645,734	15,014,048	14,267,256
Benefit Changes	\$ —	—	—	588,828
Differences between Expected and Actual Experience	\$ 1,043,774	(1,004,527)	(259,157)	(982,694)
Changes of Actuarial Assumptions	\$ 6,651,511	—	—	(7,425,279)
Benefit Payments	\$ (13,130,574)	(11,686,211)	(10,972,292)	(11,253,729)
Refunds of Member Accounts	\$ (579,462)	(449,136)	(421,366)	(486,461)
Net Change in Total Pension Liability	\$ 16,279,582	8,299,259	\$ 9,012,880	\$ 349,996
Beginning Total Pension Liability	\$ 227,273,464	218,974,205	\$ 209,961,325	\$ 209,611,329
Ending Total Pension Liability (a)	\$ 243,553,045	227,273,464	\$ 218,974,205	\$ 209,961,325
Plan Fiduciary Net Position				
Employer Contributions	\$ 2,504,170	2,124,028	\$ 2,016,482	\$ 1,761,822
Member Contributions	\$ 4,213,622	3,839,244	3,736,877	3,482,870
Non-Employer Contributing Entity Contributions	\$ 2,153,483	2,140,553	2,107,999	1,737,852
Net Investment Income	\$ (13,383,751)	40,512,139	11,068,917	7,669,029
Benefit Payments	\$ (13,130,574)	(11,686,211)	(10,972,292)	(11,253,729)
Refunds of Member Accounts	\$ (579,462)	(449,136)	(421,366)	(486,461)
Administrative Expenses	\$ (62,053)	(71,360)	(67,136)	(60,486)
Other	\$ 663,179	(18,500)	(31,435)	558,400
Net Change in Plan Fiduciary Net Position**	\$ (17,621,385)	36,390,757	\$ 7,438,046	\$ 3,409,297
Beginning Plan Fiduciary Net Position	\$ 201,807,002	165,416,245	\$ 157,978,199	\$ 154,568,902
Ending Plan Fiduciary Net Position (b)	\$ 184,185,617	201,807,002	\$ 165,416,245	\$ 157,978,199
Ending Net Pension Liability (a)-(b)	\$ 59,367,428	25,466,461	\$ 53,557,960	\$ 51,983,126

*Schedule is presented on a prospective basis in accordance with GASB 67, paragraph 50.

**Prior period adjustment is reported in Net Change in Plan Fiduciary Net Position.

2018	2017	2016	2015	2014
\$ 4,654,171	\$ 4,489,046	\$ 4,392,077	\$ 4,225,449	\$ 3,965,994
14,109,277	13,515,486	12,896,571	12,555,646	11,813,446
—	—	—	—	—
—	(969,831)	373,669	(1,588,619)	482,639
22,106,679	700,880	—	(1,474,724)	2,028,541
(10,172,997)	(9,775,775)	(9,379,123)	(8,935,112)	(8,548,643)
(422,336)	(420,421)	(373,419)	(391,341)	(410,600)
\$ 30,274,794	\$ 7,539,385	\$ 7,909,775	\$ 4,391,299	\$ 9,331,377
\$ 179,336,535	\$ 171,797,150	\$ 163,887,375	\$ 159,496,076	\$ 150,164,699
\$ 209,611,329	\$ 179,336,535	\$ 171,797,150	\$ 163,887,375	\$ 159,496,076
\$ 1,671,257	\$ 1,588,309	\$ 1,483,390	\$ 1,377,973	\$ 984,552
3,360,773	3,242,556	2,943,669	2,576,024	2,357,686
1,715,785	1,697,963	1,675,631	1,591,483	1,530,624
11,242,814	17,079,807	9,193,281	(412,759)	19,434,430
(10,172,997)	(9,775,775)	(9,379,123)	(8,935,112)	(8,548,643)
(422,336)	(420,421)	(373,419)	(391,341)	(410,600)
(64,926)	(44,190)	(44,403)	(35,557)	(41,904)
(123,390)	(14,964)	(29,095)	(11,248)	84,954
\$ 7,206,980	\$ 13,353,285	\$ 5,469,931	\$ (4,240,537)	\$ 15,391,099
\$ 147,361,922	\$ 134,008,637	\$ 128,538,706	\$ 132,779,243	\$ 117,388,144
\$ 154,568,902	\$ 147,361,922	\$ 134,008,637	\$ 128,538,706	\$ 132,779,243
\$ 55,042,427	\$ 31,974,613	\$ 37,788,513	\$ 35,348,669	\$ 26,716,833

Notes to the Schedule of Changes in the Employers' Net Pension Liability and Related Ratios

2018 - Changes of assumptions: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

2020 - Change of assumptions: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

2021 - Changes of assumptions: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

2022 - Changes of assumptions: The discount rate changed from 7.25% to 7.00%.

Schedule of the Net Pension Liability

Pension Trust Fund

For the Fiscal Years Ended August 31

Last Ten Fiscal Years*

Fiscal Year	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 159,496,075,886	\$ 132,779,243,085	\$ 26,716,832,801	83.25 %	\$ 36,654,290,800	72.89 %
2015	163,887,375,172	128,538,706,212	35,348,668,960	78.43	38,448,124,045	91.94
2016	171,797,150,487	134,008,637,473	37,788,513,014	78.00	40,742,826,333	92.75
2017	179,336,534,819	147,361,922,120	31,974,612,699	82.17	42,111,120,273	75.93
2018	209,611,328,793	154,568,901,833	55,042,426,960	73.74	43,646,405,156	126.11
2019	209,961,325,288	157,978,199,075	51,983,126,213	75.24	45,232,074,364	114.93
2020	218,974,205,084	165,416,245,243	53,557,959,841	75.54	48,530,876,156	110.36
2021	227,273,463,630	201,807,002,496	25,466,461,134	88.79	49,860,307,091	51.08
2022	243,553,045,455	184,185,617,196	59,367,428,259	75.62	52,670,273,413	112.72

*This schedule is presented on a prospective basis in accordance with GASB 67, paragraph 50

Schedule of Employer and Non-Employer Contributing Entity Actuarially Determined Contributions (ADC)

Pension Trust Fund

For the Fiscal Years Ended August 31

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 3,177,927,012	\$ 2,515,176,220	\$ 662,750,792	\$ 36,654,290,800	6.86 %
2015	3,171,970,234	2,969,455,641	202,514,593	38,448,124,045	7.72
2016	3,226,831,846	3,159,020,596	67,811,250	40,742,826,333	7.75
2017	3,343,622,950	3,286,271,953	57,350,997	42,111,120,273	7.80
2018	3,426,242,805	3,387,041,853	39,200,952	43,646,405,156	7.76
2019	4,288,000,650	3,499,674,404	788,326,246	45,232,074,364	7.74
2020	4,527,930,745	4,124,481,029	403,449,716	48,530,876,156	8.50
2021	4,522,329,853	4,264,580,994	257,748,859	49,860,307,091	8.55
2022	4,671,853,252	4,657,653,121	14,200,131	52,670,273,413	8.84

This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 67, paragraph 50

Notes to the Schedule of Actuarially Determined Contributions

The following methods and assumptions were used to determine the Actuarially Determined Contributions.

Component	Result
Valuation Date	August 31, 2021 (to determine contribution rate for fiscal year ending August 31, 2022)
Actuarial Cost Method	Individual Entry Age Normal actuarial cost method
Amortization Method	Level Percentage of Payroll, Floating
Remaining Amortization Period	23 years based on increased employer and member contribution rates enacted during the 2019 legislative session
Asset Valuation Method	5 year smoothed market
Inflation	2.30%
Salary Increases	3.05% to 9.05%, including inflation
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study conducted for the period ending on August 31, 2017.
Mortality	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females with full generational mortality. Post-Retirement: The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projected scale "U-MP".
Benefit Changes	None
Notes	Actuarially determined contribution rates are calculated as of August 31 of the preceding fiscal year. Members and employers contribute based on statutorily fixed rates.

Schedule of Investment Returns

Annual Money-Weighted Rate of Return, Net of Investment Expense

Pension Trust Fund

For the Fiscal Years Ended August 31

Last Ten Fiscal Years

2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
(6.7)%	25.0 %	7.2 %	5.1 %	7.8 %	13.0 %	7.3 %	(0.3)%	16.9 %	9.0 %

Schedule of Employer's (TRS) Proportionate Share of ERS' Net OPEB Liability

Pension Trust Fund

For the Fiscal Years Ended August 31

Last Ten Fiscal Years*

Fiscal Year	Employer's (TRS) Proportionate Share of Collective Net OPEB Liability	Employer's (TRS) Proportionate Share of Collective Net OPEB Liability %	Employer's (TRS) Covered Employee Payroll	Employer's Proportionate Share of Collective Net OPEB Liability as a % of Employer's (TRS) Covered Employee Payroll	ERS Fiduciary Net Position as a % of Total OPEB Liability
2018	\$ 81,850,260	0.24022021 %	\$ 53,125,067	154.07 %	2.04 %
2019	85,009,492	0.28682846	60,679,696	140.10	1.27
2020	104,446,218	0.30219368	67,365,146	155.04	0.17
2021	105,874,471	0.32039840	75,970,957	139.36	0.32
2022	124,038,376	0.34574668	83,160,325	149.16	0.38

The amounts presented above are as of the measurement date of the collective Net OPEB Liability for the respective fiscal year.

*This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 75, paragraph 245.

Schedule of Employer's (TRS) Contributions to ERS' OPEB Plan

Pension Trust Fund

For the Fiscal Years Ended August 31

Last Ten Fiscal Years*

Fiscal Year	Statutory Employer (TRS) Contributions**	Actual Employer (TRS) Contributions***	Contributions Deficiency (Excess)	Employer's (TRS) Covered Employee Payroll	Employer (TRS) Contributions as a % of Covered Employee Payroll
2018	\$ 8,612,958	\$ 8,612,958	\$ —	\$ 60,679,696	14.19 %
2019	8,954,706	8,954,706	—	67,365,146	13.29
2020	9,628,763	9,628,763	—	75,970,957	12.67
2021	10,396,226	10,396,226	—	83,160,325	12.50
2022	10,089,742	10,089,742	—	92,074,281	10.96

The amounts presented above are as of the employer's most recent fiscal year end.

*This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 75, paragraph 245.

**Contributions are not based on a measurement of pay.

This page is intentionally left blank.

Schedule of Changes in Employers' Net OPEB Liability and Related Ratios

TRS-Care

For the Fiscal Years Ended August 31

Last Ten Fiscal Years*

(Dollars in Thousands)

	2022	2021	2020	2019
Total OPEB Liability				
Service Cost	\$ 2,329,444	\$ 2,123,507	\$ 2,580,691	\$ 2,306,961
Interest on the Total OPEB Liability	818,451	951,216	1,304,452	1,904,512
Changes of Benefit Terms	—	—	—	—
Differences between Expected and Actual Experience	(4,519,113)	(4,029,450)	(11,973,222)	(7,950,584)
Changes of Actuarial Assumptions	(12,067,408)	2,553,299	64,950	2,133,219
Benefit Payments	(613,142)	(495,695)	(549,284)	(540,351)
Net Change in Total OPEB Liability	\$ (14,051,769)	\$ 1,102,877	\$ (8,572,413)	\$ (2,146,243)
Beginning Total OPEB Liability	\$ 41,113,711	\$ 40,010,834	\$ 48,583,247	\$ 50,729,490
Ending Total OPEB Liability (a)	\$ 27,061,943	\$ 41,113,711	\$ 40,010,834	\$ 48,583,247
Plan Fiduciary Net Position				
Employer Contributions	\$ 370,736	\$ 334,028	\$ 324,974	\$ 305,363
Non-Employer Contributing Entity Contributions	534,341	452,858	666,588	482,056
Member Contributions	263,328	250,413	243,532	227,338
Net Investment Income	13,538	9,227	25,537	25,047
Benefit Payments **	(613,142)	(495,696)	(549,284)	(540,351)
Administrative Expense	(18,466)	(7,906)	(7,069)	(6,006)
Other	28,360	—	18	—
Net Change in Plan Fiduciary Net Position	\$ 578,695	\$ 542,924	\$ 704,296	\$ 493,447
Beginning Plan Fiduciary Net Position	\$ 2,539,242	\$ 1,996,318	\$ 1,292,022	\$ 798,575
Ending Plan Fiduciary Net Position (b)	\$ 3,117,937	\$ 2,539,242	\$ 1,996,318	\$ 1,292,022
Ending Net OPEB Liability (a)-(b)	\$ 23,944,005	\$ 38,574,469	\$ 38,014,516	\$ 47,291,225

*Total OPEB liability is presented on a prospective basis in accordance with GASB 74, paragraph 62.

** Benefit Payments are shown net of Health Care Premiums paid by Retirees.

2018	2017
\$ 2,284,418	\$ 4,312,406
1,524,880	2,356,367
—	(18,610,363)
2,979,259	(1,027,634)
936,862	(19,563,767)
(881,714)	(995,486)
\$ 6,843,705	\$ (33,528,477)
43,885,785	77,414,262
\$ 50,729,490	\$ 43,885,785
\$ 296,098	\$ 215,361
789,870	324,662
221,325	213,241
10,127	4,697
(881,714)	(995,486)
(6,672)	(4,954)
(29,995)	529
\$ 399,039	\$ (241,950)
\$ 399,536	\$ 641,486
\$ 798,575	\$ 399,536
\$ 49,930,915	\$ 43,486,249

Notes to the Schedule of Changes in Employers' Net OPEB Liability and Related Ratios

2018: Changes of Assumptions: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

2019: Changes of Assumptions: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

2020: Changes of Assumptions: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

2021: Changes of Assumptions: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

2022: Changes of Assumptions: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

Schedule of the Net OPEB Liability

TRS-Care

For the Fiscal Years Ended August 31

Last Ten Fiscal Years*

Fiscal Year	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2017	\$43,885,784,621	\$ 399,535,986	\$43,486,248,635	0.91 %	\$32,806,335,231	132.55 %
2018	50,729,490,103	798,574,633	49,930,915,470	1.57 %	34,050,058,000	146.64
2019	48,583,247,239	1,292,022,349	47,291,224,890	2.66	34,975,146,769	135.21
2020	40,010,833,815	1,996,317,932	38,014,515,883	4.99	37,466,480,000	101.46
2021	41,113,711,083	2,539,242,470	38,574,468,613	6.18	38,525,164,923	100.13
2022	27,061,942,520	3,117,937,218	23,944,005,302	11.52	40,512,069,077	59.10

*This schedule is presented on a prospective basis in accordance with GASB 74, paragraph 62.

Other Supplementary Information

Schedule 1: Schedule of Administrative and Investing Activity Expenses 102
Schedule 2: Schedule of Professional and Consulting Services 104

Schedule 1**Schedule of Administrative and Investing Activity Expenses****All Funds**

For the Fiscal Year Ended August 31, 2022

	Pension Trust Fund				
	Benefits	Investments	TRS-Care	TRS-ActiveCare	Total
Administrative Expenses					
Personnel Services					
Salaries and Wages	\$ 29,949,669	\$ 62,979,216	\$ 7,682,849	\$ 1,835,309	\$ 102,447,043
Payroll Related Costs	1,220,478	5,590,789	1,155,144	191,451	8,157,862
Total Personnel Services	\$ 31,170,147	\$ 68,570,005	\$ 8,837,993	\$ 2,026,760	\$ 110,604,905
Total Professional Fees and Services	\$ 2,189,426	\$ 2,918,270	\$ 2,090,999	\$ 1,490,358	\$ 8,689,053
Other Operating Expenses					
Travel	\$ 81,996	\$ 418,556	\$ 37,755	\$ 26,232	\$ 564,539
Materials and Supplies					
Consumable Supplies and Fuels	204,070	29,016	95,395	1,643	330,124
Subscriptions and Reference Information	239,081	425,846	36,901	12,625	714,453
Postage, Mailing and Delivery Services	2,521,856	12,797	1,593,447	—	4,128,100
Furniture and Equipment - Expensed	642,361	789,289	65,119	17,871	1,514,640
Communications and Utilities	509,086	693,065	64,214	27,101	1,293,466
Repairs and Maintenance					
Software Purchases and Maintenance	3,244,818	4,239,735	466,854	138,863	8,090,270
Computer Hardware Maintenance	731,512	—	—	—	731,512
Buildings and Equipment Maintenance	562,582	556,442	75,469	22,273	1,216,766
Rentals and Leases	289,994	2,055,813	201,142	1,803	2,548,752
Printing and Reproduction	268,476	121,815	44,424	—	434,715
Depreciation Expense	2,070,345	15,914	—	—	2,086,259
Amortization Expense	11,067,594	3,317,462	2,605,673	—	16,990,729
Gain/Loss on Capital Assets	—	—	—	—	—
Other Expenses					
Dues, Fees And Staff Development	100,432	259,750	30,635	20,768	411,585
Insurance Premiums	337,928	430,098	48,620	14,461	831,107
Miscellaneous Expenses	5,821,074	3,841,366	2,170,961	187,556	12,020,957
Total Other Operating Expenses	\$ 28,693,205	\$ 17,206,964	\$ 7,536,609	\$ 471,196	\$ 53,907,974
Total Administrative Expenses	\$ 62,052,778	\$ 88,695,239	\$ 18,465,601	\$ 3,988,314	\$ 173,201,932

Schedule 1

Schedule of Administrative and Investing Activity Expenses

All Funds

For the Fiscal Year Ended August 31, 2022

	Pension Trust Fund				
	Benefits	Investments	TRS-Care	TRS-ActiveCare	Total
Investment Fees					
Bank Fees	\$ —	\$ 26,304,038	\$ —	\$ —	\$ 26,304,038
Research Fees	—	6,501,590	—	—	6,501,590
External Manager Fees*	—	105,744,254	—	—	105,744,254
External Legal and Other Fees	—	3,745,815	—	—	3,745,815
External Custodial Fees	—	22,000,000	—	—	22,000,000
Total Investment Fees	\$ —	\$ 164,295,697	\$ —	\$ —	\$ 164,295,697
Total Administrative Expenses and Investment Fees**	\$ 62,052,778	\$ 252,990,936	\$ 18,465,601	\$ 3,988,314	\$ 337,497,629

*For more information on External Manager Fees, including fees that are netted against returns, please refer to the Investment Section.

** Pension Trust Fund - Investments reported as Investing Activity Expenses under Investment Income on Exhibit II.

Schedule 2**Schedule of Professional and Consulting Services****All Funds**

For the Fiscal Year Ended August 31, 2022

	Amount		Amount
Consulting Services		Oracle America Inc	10,787
Square One Consultants Inc	\$ 387,573	Total IT Consulting Services	\$ 3,145,167
Focus Consulting Group Inc	249,916		
International Center for Management	66,000	Investment Research Fees	
Elite Research LLC	64,295	JP Morgan Securities	\$ 828,056
Myers And Stauffer LC	61,252	Macquarie Group	751,703
Crowe LLP	51,100	Wolfe Advisors LP	700,000
Coleman & Associates Consultants	12,750	Credit Suisse	601,804
Total Consulting Services	\$ 892,886	Jefferies & Company	355,288
		Sanford Bernstein	343,774
Financial & Accounting Services		Bank of America Merrill Lynch	295,451
Ernst & Young LLP	\$ 1,423,475	HSBC Bank	271,575
Segal Company (Southeast) Inc	771,789	Exane BNP	257,311
Gabriel Roeder Smith & Company	629,962	Green Street Advisors	242,720
Milliman Inc	415,888	Kepler Cheuvreux	233,563
Health Management System Inc	325,374	Nomura Group	200,000
Texas State Auditor's Office	295,000	Berenberg Capital Markets	186,385
CEM Benchmarking Inc	125,000	CLSA Limited	138,759
Total Financial & Accounting Services	\$ 3,986,488	Gerson Lehrman Group	109,968
		Smbc Nikko	102,559
Investment Consulting Services		Gartner Research	79,567
Albourne	\$ 1,997,300	Grupo Santander	76,593
AON Hewitt Consulting Services	901,889	Robert W Baird	57,712
PCCP2	350,000	BCA Research	50,000
Keith C Brown	80,000	BMO Capital Markets	50,000
Total Investment Consulting Services	\$ 3,329,189	Cornerstone Macro	50,000
		Deutsche Bank	50,000
IT Consulting Services		Empirical Research Partners	50,000
Accenture	\$ 988,051	Keefe Bruyette & Woods	50,000
Advanced Call Center Technologies LLC	809,647	Redburn (Europe) Limited	50,000
International Business Machines Corporation	497,397	Zelman & Associates	50,000
Gartner Inc	420,656	Raymond James	43,028
Catapult Systems LLC	115,111	The Leuthold Group	32,000
Adjacent Technologies Inc	111,475	Piper Jaffray	30,319
Telos Corporation	100,119	BTG Pactual	25,000
TEKsystems Inc	76,320	Evercore ISI	25,000
Globalscope Communications Corporation	15,604	Yardeni Research	25,000

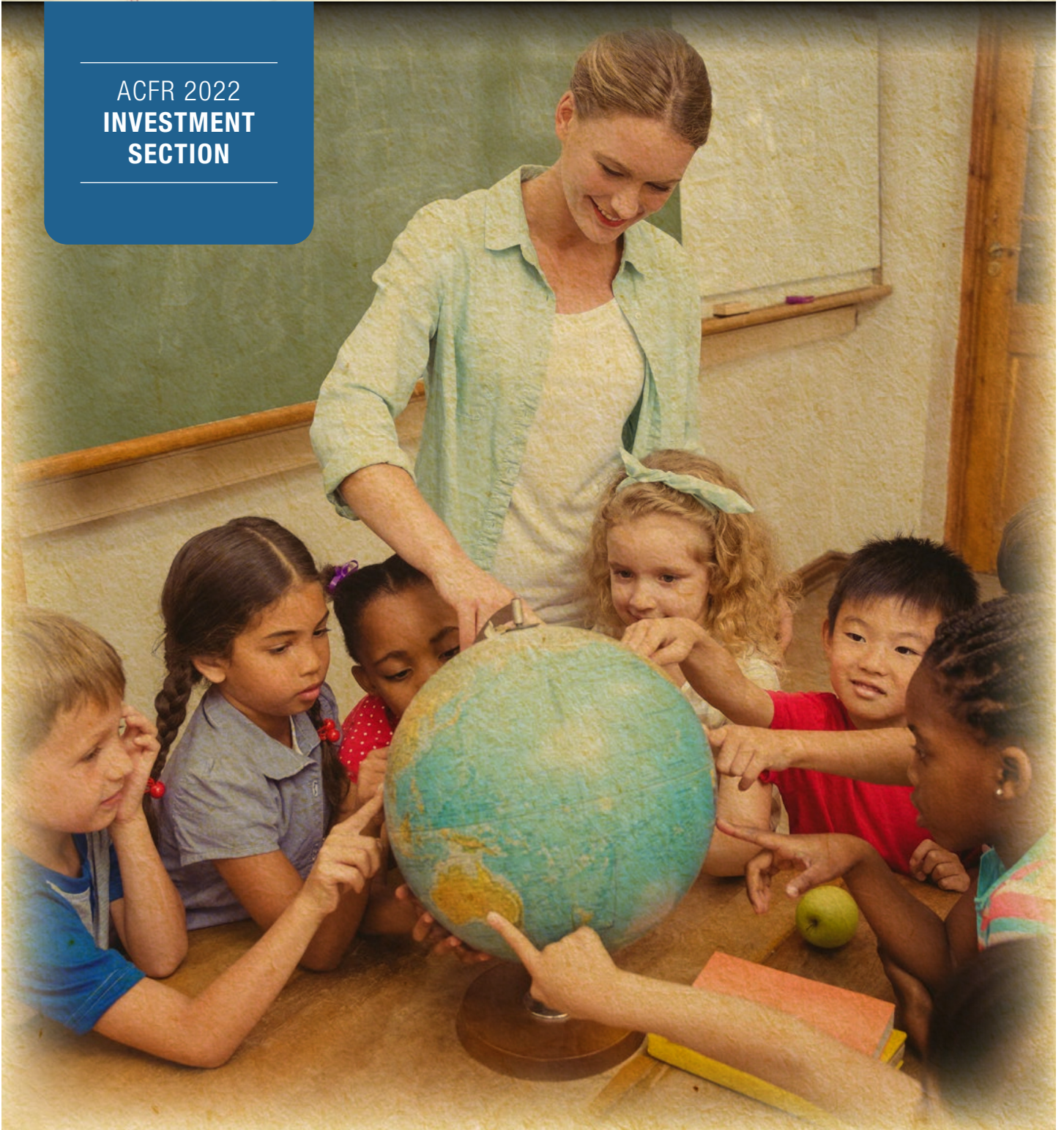
	Amount		Amount
Stifel Nicolaus & Co	24,046	KPMG	146,740
KeyBanc Capital Markets	22,573	McLagan	145,000
RBC Capital Markets	21,836	Lenox Park Solutions Inc	125,000
Renaissance Macro	20,000	Citibank NA	56,993
Total Investment Research Fees	\$ 6,501,590	Carahsoft Technology Corporation	52,228
		University of Texas - Austin	48,943
Legal Services		Leanne Lowish Consulting	36,850
Norton Rose Fulbright US LLP	\$ 1,231,690	Netsync Network Solutions Inc	33,351
Foster Garvey PC	780,086	Texas A&M University	33,061
Seyfarth Shaw LLP	559,155	Triad	31,377
Morgan Lewis & Bockius LLP	461,246	Jordan-Markham Executive Coaching	30,600
Ropes & Gray LLP	440,406	Uptodate Inc	29,500
Katten Muchin Roseman LLP	255,323	Workers Assistance Program Inc	28,911
BLA Schwartz PC	247,629	Learnings & Entertainments LLC	27,000
Jackson Walker LLP	240,407	Fulcrum Management Solutions Inc	24,000
Foley & Lardner LLP	216,678	The Berwyn Group	22,426
Purrington Moody Weil LLP	187,435	United Training Commercial LLC	21,275
		The Escal Institute Of Advanced Technologies (SANS)	17,136
DLA Piper LLP US	147,506	Dale Carnegie	15,000
Ice Miller LLP	132,480	Catalyst Consulting	12,144
Cohen Milstein Sellers & Toll PLLC	110,877	Aggregate Payees less than \$10,000	112,127
Littler Mendelsen PC	49,063	Total Other Professional Services	\$ 3,969,753
White & Case LLP	21,375		
Proskauer Rose LLP	18,187	Research Services	
Total Legal Services	\$ 5,099,543	Info-Tech Research Group Inc	\$ 60,809
		Total Research Services	\$ 60,809
Medical Services			
Alice D Cox MD	\$ 44,000	Architectural & Engineering Services	
Brian Buck MD	44,000	Page Southerland Inc	\$ 938,034
David E Rothschild MD	44,000	Studio8 Architects Inc	82,988
Total Medical Services	\$ 132,000	Mueller Aldrich Holdings LP	50,000
		Total Architectural & Engineering Services	\$ 1,071,022
Other Professional Services			
Novo Construction	\$ 1,995,341		
Valuation Research Corporation	290,641		
Amity Search Partners	260,000		
Aquila Commercial LLC	214,019		
Institutional Shareholder Services Inc	160,090		
		Total Professional and Consulting Services	\$ 28,188,447

This page is intentionally left blank.

*Let us remember: One book,
one pen, one child, and one teacher can change the world."*

– Malala Yousafzai

ACFR 2022
**INVESTMENT
SECTION**





MAILING ADDRESS
1000 Red River Street
Austin, Texas 78701

Brian K. Guthrie
Executive Director

512.542.6460
www.trs.texas.gov

PHYSICAL ADDRESS
816 Congress Avenue

Jase Aubry
Chief Investment Officer

TRS' long-term investment strategy is centered on a broad diversification of assets so the portfolio can weather volatile market conditions such as those recently brought on over the last fiscal year. Creating a mix of public and private, U.S. and international assets, and active and passive asset management gives the pension fund this diversification while preserving the flexibility to quickly capitalize on changing conditions. Through this unpredictable time in the markets, the TRS Investment Management Division (IMD) staff has remained focused on monitoring risk and safeguarding assets for the Trust's members. The Trust returned -6.72% for the fiscal year ended August 31, 2022 and closed the period with a total of \$183.5 billion in assets under management, a \$17.7 billion decrease over last year, net of benefit payments. Annualized rates of return for the 5-year and 10-year period ending August 31, 2022 were 7.31% and 8.14%, respectively, and continue to remain in excess of the Trust's long-term investment return assumption of 7.00%.

Over the last fiscal year, global financial markets retreated from all-time highs and saw a rise in volatility as headwinds such as rising inflation, heightened geopolitical conflict, and monetary policy expectations dampened investor and business sentiment. After rising to record levels in early 2022, the S&P 500 index subsequently entered a bear market phase and at one point declined to more than -20% since its previous high. Global supply chain disruptions and higher prices continue to impact consumers and businesses, with the headline US Consumer Price Index reaching as high as 9.1% during the fiscal year, the fastest pace for inflation in four decades. Rising geopolitical tensions have also added unpredictable stress to financial markets, including Russia's invasion of Ukraine. To combat rising inflation, the US Federal Reserve forcefully began raising interest rates and shifting to a tightening monetary policy stance.

TRS' public markets investment portfolios recorded losses during the fiscal year as equities pulled back sharply due to a poor macroeconomic environment and stressed market conditions. Despite the poor absolute performance by public equities, the Trust's public markets portfolios were able to maintain an edge in relative performance and outperform their benchmark as late economic cycle conditions favored the Trust's more defensive and value-oriented strategies. Overall, the Trust's Public Equity investments had a return of -16.26% for the year versus the benchmark of -16.87%. Within the portfolio, US Equities fared better than other regions, returning -11.08% while Non-US Developed and Emerging Markets were down -19.47% and -21.51%, respectively. Further, the Trust's \$24.3 billion Government Bonds portfolio declined -23.18% during fiscal year ended August 31, 2022 due to rising treasury rates across the yield curve and rising inflation. Among the Trust's more defensive Stable Value assets, \$9.5 billion in Stable Value Hedge Funds gained 9.40% for the fiscal year ended August 31, 2022. The Trust asset allocation had 36.0% in Public Equity investments valued at \$66.2 billion as of August 31, 2022, including over \$34.0 billion in internally managed strategies.

The Trust's Private Markets portfolios performed strongly and withstood impacts from the latest phase of the global pandemic and volatile market events throughout the fiscal year by providing diversification from traditional asset classes, strong capital growth, and a hedge against rising inflation. Across the three private markets asset classes, the fund is making progress towards meeting 2022 goals of committing \$4.1 billion to Private Equity opportunities, \$2.5 billion to Energy, Natural Resources and Infrastructure (ENRI) investments, and \$4.6 billion to Real Estate. The Private Markets teams successfully onboarded 17 new employees in fiscal year 2022, which helped continue to scale the team's skillset and capabilities to invest in Principal Investments, an important part of the Reduce Investment Fees initiative. The current Private Markets component of the asset allocation comprised 39.8% of the Trust and as of August 31, 2022 was valued at \$72.9 billion with a total return of 11.63% for the current year. The individual asset class portfolios of Real Estate and ENRI had a strong year of outperformance and returned 25.21% and 18.46%, respectively for the period ended August 31, 2022, as these portfolios typically

rise in value with higher inflation. Private Equity performance was flat with a one-year return of -0.48% on lower asset valuations primarily from a rise in the cost of debt and more difficult deal exits due to the current economic environment.

TRS continues to develop ongoing relationships with emerging managers as an additional diversification component for the Trust's long-term growth. As of August 31, 2022, the Emerging Manager Program (EMP) comprised 1.4% of the total Trust value and since inception the team has allocated \$5.9 billion to funds under four major asset classes, 53% of which was allocated to diverse managers. The team continued the implementation of the Emerging Manager Select initiative, a \$1 billion program with allocations to two existing Emerging Managers within Real Estate. This capital will promote and strengthen the relationships with these managers as they transition from EMP into the main Trust. In January 2022, TRS hosted its flagship Emerging Manager Conference, attracting over 2,000 allocators and investors.

The TRS Risk and Portfolio Management (RPM) Team plays a critical role in managing the Trust to enable efficient risk usage and enhance portfolio returns. Despite an increase in market volatility throughout 2022, the RPM team successfully held all key risk metrics within compliance and maintained a healthy liquidity position for the Trust, which is an important metric to monitor as TRS continues to deliver annual benefit payments of \$13.0 billion to its members. The Trust's \$13.2 billion Risk Parity portfolio comprised 7.2% of the Trust's investments as of August 31, 2022 and declined by -17.20% during the fiscal year due to the same financial market headwinds that disrupted public equity markets over the fiscal year.

Halfway through the current fiscal year, IMD staff fully returned to the office after nearly two years of working remotely due to the ongoing global COVID-19 pandemic. The Reduce Investment Fees initiative, supported by TRS Rider 19 (SB 1, 87R), to bring more investment personnel in house to reduce fees paid to external managers is still in progress and the Trust is on target to complete the program in fiscal year 2023 despite continued challenges presented by the labor markets. The IMD has seen a significant rise in attrition and difficulties with employee retention and recruiting, incurring a significantly higher average employee attrition rate in fiscal year 2022 versus recent history. Despite recent challenges with hiring, the IMD has managed to hire 73 employees across the IMD's different teams as part of the program since its inception in 2018. The initiative has also resulted in cost savings and the direct reduction of fees paid to external investment managers, as the Trust reported \$117 million in estimated net management fee savings for the calendar year ended December 31, 2021.

TRS will continue to conscientiously and prudently manage the Trust for the long-term financial interest of the members we serve.

Prepared by:
Investment Staff of the System

Basis of presentation: Master custodian records. The time weighted method is used to calculate the rates of return.

This page is intentionally left blank.

Report on Investment Activities

Table 1: Asset Allocation	113
Table 2: Investment Summary	114
Table 3: Investment Allocations	115
Table 4: Largest Fixed Income Investments	116
Table 5: Largest Equity Investments	116
Table 6: Policy Benchmarks	117
Table 7: Investment Performance: Time-Weighted Returns	118
Table 8: Investment Manager Fees	120
Table 9: External Managers	121
Table 10: Broker Commissions	123
Table 11: Broker Commissions by Asset Class	124
Table 12: Summary of PPP Payments and Contingent Liabilities	125

Basis of presentation for the above tables: Master custodian records.

A. Investment Policy

The Board of Trustees (Board) has the primary fiduciary responsibility for investing the Teacher Retirement System of Texas (TRS or System) trust assets in accordance with Article XVI, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy, obtains expert advice and assistance, and oversees the employment of a qualified and competent investment staff, the Investment Management Division (IMD), and legal staff. The Board also monitors the actions of staff, consultants and advisors to ensure compliance with its policies. The Board has a Policy Committee of the Board, an Investment Management Committee of the Board and a Risk Management Committee of the Board, each of which is a standing committee of the Board charged with those responsibilities set forth in the Bylaws of the Board. The Board and the IMD are assisted by outside investment consultants and internal and external legal counsel.

The total or overall investment portfolio includes all assets invested by TRS to provide retirement, death, health, and disability benefits administered by the System, and is structured and managed to achieve the following objectives:

- a. Control risk through proper diversification of asset classes and by establishing long-term risk and return expectations; and
- b. As applicable to the pension plan, achieve a long-term rate of return that:
 - i. Exceeds the assumed actuarial rate of return adopted by the Board;
 - ii. Exceeds the long-term rate of inflation by an annualized 5 percent; and
 - iii. Exceeds the return of the Fund Policy Benchmark.

B. Portfolio Structure

TRS follows a diversified investment approach that focuses on the three most common economic scenarios. Scenario One is characterized by favorable Gross Domestic Product (GDP) growth and moderate inflation as measured by the Consumer Price Index (CPI), which has been the prevailing economic condition 68 percent of the time since 1948. Scenario Two is one of low GDP growth and high inflation, which has occurred 18 percent of the time. Finally, Scenario Three is characterized by stagnant GDP growth and low inflation, which has occurred 14 percent of the time. TRS is positioned to take advantage of any of these various market scenarios.

TRS' long-term asset allocation target is 54 percent to Global Equity markets, which should perform well under Scenario One, 21 percent to Real Return, which should perform well in Scenario Two, 21 percent to a Stable Value portfolio, which should perform well and minimize downside risk in Scenario Three, and 8 percent to the Risk Parity strategy, which has a balanced exposure to all three economic scenarios. A negative 4 percent of Net Asset Allocation Leverage reflects the allocation to the combined cash and investment exposure in excess of 100 percent.

C. Asset Allocation

The normal portfolio mix represents the portfolio that is expected to meet the Board's actuarial return objectives for the Pension Trust Fund within the risk tolerances specified in the Investment Policy Statement. Each asset class allocation percentage has a "long-term target" position within the overall portfolio and a maximum and minimum range around that target allocation. All percentages refer to fair value.

Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB) require that investments be reported at fair value in the basic financial statements (Exhibit 1 and Note 3). However, the System's asset allocation is based on fair value, which includes investment-related cash, receivables, and payables, and securities sold short. These items cannot be included as part of the fair value of investments under GAAP. Table 1 presents the asset allocation policy ranges and fair values as of August 31, 2022. A reconciliation to fair value is provided following Table 1.

Table 1: Asset Allocation as of August 31, 2022

Asset Class	Policy Range			Actual Value	
	Minimum Range %	Maximum Range %	Target %	Fair Value	% of Total Fund
Global Equity					
USA	13.00	23.00	18.00	\$ 29,581,382,017	16.12
Non-US Developed	8.00	18.00	13.00	21,566,658,438	11.75
Emerging Markets	4.00	14.00	9.00	15,003,042,377	8.18
Private Equity*	9.00	19.00	14.00	31,550,087,070	17.19
Total Global Equity	47.00	61.00	54.00	\$ 97,701,169,902	53.24
Stable Value					
Government Bonds	0.00	21.00	16.00	\$ 24,330,025,953	13.25
Stable Value Hedge Funds	0.00	10.00	5.00	9,518,358,557	5.19
Absolute Return	0.00	20.00	0.00	5,240,827,813	2.86
Total Stable Value	14.00	28.00	21.00	\$ 39,089,212,323	21.30
Real Return					
Real Estate	10.00	20.00	15.00	\$ 30,016,199,655	16.35
Energy, Natural Resources & Infrastructure	1.00	11.00	6.00	11,370,804,351	6.20
Commodities	0.00	5.00	0.00	365,660,997	0.20
Total Real Return	14.00	28.00	21.00	\$ 41,752,665,003	22.75
Total Risk Parity	0.00	13.00	8.00	\$ 13,196,821,956	7.19
Asset Allocation Leverage					
Cash	0.00	7.00	2.00	\$ 2,952,866,012	1.61
Asset Allocation Leverage	0.00	0.00	(6.00)	(11,183,751,844)	(6.09)
Net Asset Allocation Leverage	0.00	7.00	(4.00)	\$ (8,230,885,832)	(4.48)
Total Fund Fair Value			100.00	\$ 183,508,983,352	100.00
Reconciling Items					
Investment Related Cash				\$ (470,670,516)	
Investment Related Receivables				(3,832,491,126)	
Investment Related Payables				3,174,907,126	
Securities Sold Short				805,579,869	
Obligations under Reverse Repurchase Agreements				11,969,837,625	
Collateral Obligations**				1,201,225	
Total Reconciling Items				\$ 11,648,364,203	
Total Fund Fair Value (Exhibit 1)				\$ 195,157,347,555	

* In the July 2022 Board Meeting, the Maximum Range for the Private Equity Asset Class was increased to 24% until July 31, 2023.

**Excludes Securities Lending Collateral Obligations.

Table 2: Investment Summary as of August 31 (Dollars in Billions)

Asset Class	Fair Value				
	2012	2017	2019	2021	2022
Global Equity					
USA ¹	\$ 23.085	\$ 27.404	\$ 22.813	\$ 30.501	\$ 24.647
Non-US Developed ¹	17.301	19.655	19.825	24.769	19.934
Emerging Markets ¹	10.754	14.231	13.187	16.623	14.859
Directional Hedge Funds ^{1,4}	5.584	5.894	5.841	6.525	6.711
Private Equity	13.101	18.488	23.055	34.764	31.550
Total Global Equity	\$ 69.825	\$ 85.672	\$ 84.721	\$ 113.182	\$ 97.701
Stable Value					
Government Bonds ²	\$ 18.975	\$ 20.816	\$ 21.363	\$ 28.501	\$ 24.330
Stable Value Hedge Funds ⁴	3.936	5.642	6.588	9.363	9.518
Absolute Return ⁴	0.999	2.349	5.756	5.514	5.241
Total Stable Value	\$ 23.910	\$ 28.807	\$ 33.707	\$ 43.378	\$ 39.089
Real Return					
Real Estate ⁴	\$ 15.219	\$ 17.802	\$ 21.534	\$ 25.025	\$ 30.016
Energy, Natural Resources & Infrastructure ⁴	N/A	5.650	8.933	9.841	11.371
Commodities	1.155	0.075	0.192	0.441	0.366
Total Real Return	\$ 16.374	\$ 23.527	\$ 30.659	\$ 35.307	\$ 41.753
Total Risk Parity⁴	N/A	\$ 7.307	\$ 8.459	\$ 15.933	\$ 13.197
Asset Allocation Leverage					
Asset Allocation Leverage	N/A	N/A	\$ (2.835)	\$ (9.243)	\$ (11.184)
Cash ³	\$ 0.957	\$ 0.814	2.722	2.606	2.953
Net Asset Allocation Leverage	N/A	N/A	\$ (0.113)	\$ (6.637)	\$ (8.231)
Total Fund	\$ 111.066	\$ 146.127	\$ 157.433	\$ 201.163	\$ 183.509

¹Beginning in Fiscal Year 2020, Directional Hedge Funds were allocated across USA, Non US-Developed, and Emerging Market Equities.

²Beginning in Fiscal Year 2020, TIPS and US Treasuries were combined under the Stable Value Allocation into Government Bonds.

³Cash was included with the Stable Value Allocation through FY2018.

⁴Allocation includes Alternative Investments.

Table 3: Investment Allocations as of August 31

Asset Class	% of Total Fund				
	2012	2017	2019	2021	2022
Global Equity					
USA ¹	20.78 %	18.75 %	14.49 %	15.16 %	13.43 %
Non-US Developed ¹	15.58	13.45	12.59	12.31	10.86
Emerging Markets ¹	9.68	9.74	8.38	8.26	8.10
Directional Hedge Funds ^{1, 4}	5.03	4.03	3.71	3.24	3.66
Private Equity ⁴	11.80	12.65	14.64	17.28	17.19
Total Global Equity	62.87 %	58.62 %	53.81 %	56.25 %	53.24 %
Stable Value					
Government Bonds ²	17.08 %	14.25 %	13.57 %	14.17 %	13.25 %
Stable Value Hedge Funds ⁴	3.55	3.86	4.18	4.66	5.19
Absolute Return ⁴	0.90	1.61	3.66	2.74	2.86
Total Stable Value	21.53 %	19.72 %	21.41 %	21.57 %	21.30 %
Real Return					
Real Estate ⁴	13.70 %	12.18 %	13.68 %	12.44 %	16.35 %
Energy, Natural Resources & Infrastructure ⁴	N/A	3.87	5.68	4.89	6.20
Commodities	1.04	0.05	0.12	0.22	0.20
Total Real Return	14.74 %	16.10 %	19.48 %	17.55 %	22.75 %
Total Risk Parity⁴	N/A	5.00 %	5.37 %	7.92 %	7.19 %
Asset Allocation Leverage					
Asset Allocation Leverage	N/A	N/A	(1.80)%	(4.59)%	(6.09)%
Cash ³	0.86 %	0.56 %	1.73	1.30	1.61
Net Asset Allocation Leverage	N/A	N/A	(0.07)%	(3.29)%	(4.48)%
Total Fund	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

¹Beginning in Fiscal Year 2020, Directional Hedge Funds were allocated across USA, Non US-Developed, and Emerging Market Equities.

²Beginning in Fiscal Year 2020, TIPS and US Treasuries were combined under the Stable Value Allocation into Government Bonds.

³Cash was included with the Stable Value Allocation through FY2018.

⁴Allocation includes Alternative Investments.

D. Largest Holdings**Fixed Income Investments**

Table 4 discloses the Fund's ten largest fixed income investments as of August 31, 2022 reported at GAAP fair value which constitute 25.45 percent of all fixed income securities. A complete list of fixed income investments is available by contacting the TRS Communications Department.

Table 4: Largest Fixed Income Investments as of August 31, 2022				
Rank	Fixed Income Investments	Par Value	GAAP Fair Value	% of Total Fixed Income Investments
1	U.S. Treasury Bond 2.375% Due 05/15/2051	\$ 1,083,630,000	\$ 892,470,895	3.21 %
2	U.S. Treasury Bond 1.875% Due 02/15/2051	1,064,480,000	776,904,075	2.80
3	U.S. Treasury Bond 1.875% Due 02/15/2041	950,945,000	728,810,191	2.62
4	U.S. Treasury Bond 1.625% Due 11/15/2050	1,049,200,000	718,046,250	2.58
5	U.S. Treasury Bond 2.25% Due 05/15/2041	870,600,000	710,083,125	2.56
6	U.S. Treasury Bond 2% Due 08/15/2051	913,170,000	686,304,328	2.47
7	U.S. Treasury Bond 1.75% Due 08/15/2041	921,350,000	684,822,180	2.46
8	U.S. Treasury Bond 1.375% Due 08/15/2050	1,051,565,000	672,508,679	2.42
9	U.S. Treasury Bond 1.25% Due 05/15/2050	994,630,000	615,116,491	2.21
10	U.S. Treasury Bond 2.875% Due 05/15/2049	647,600,000	589,214,813	2.12
Total Top Ten		\$ 9,547,170,000	\$ 7,074,281,027	25.45 %
Total Fixed Income Investments				

Equity Investments

Table 5 discloses the Fund's ten largest equity investments as of August 31, 2022 reported at GAAP fair value which constitute 10.82 percent of the Fund's total equity exposure.

A complete list of equity investments is available by contacting the TRS Communications Department.

Table 5: Largest Equity Investments as of August 31, 2022				
1	Apple, Inc.	5,755,036	\$ 904,806,760	2.05 %
2	Microsoft Corporation	2,841,309	742,917,064	1.69
3	Taiwan Semiconductor Manufacturing Company	34,054,449	565,010,160	1.28
4	Amazon, Inc.	3,532,433	447,806,531	1.02
5	Alphabet, Inc.	3,966,741	429,280,711	0.97
6	Tencent Holdings Limited	10,096,797	420,911,596	0.96
7	Samsung Electronics Company Limited	7,863,860	350,994,312	0.80
8	Shell Plc	11,567,247	308,165,440	0.70
9	Nestlé S.A.	2,623,033	307,953,400	0.70
10	Vanguard S&P 500 ETF	784,949	285,054,229	0.65
Total Equity Investments			\$ 44,037,446,699	

E. Investment Results

Performance Reporting

Each asset class is described by an associated benchmark that describes, in general terms, the opportunity set and return characteristics associated with the asset class. For certain private or more complex asset classes, the benchmark serves as a proxy for expected returns rather than an approximation of the actual investments that will characterize that component of the portfolio. Those benchmarks are identified in Table 6 and are referred to as the "Policy Benchmarks".

Table 6: Policy Benchmarks	
Asset Class	Benchmark Portfolio
Global Equity	
USA	MSCI USA Investable Market
Non-US Developed	MSCI EAFE and Canada
Emerging Markets	MSCI EM
Private Equity	Customized State Street Private Equity Index lagged one quarter
Stable Value	
Government Bonds	Bloomberg Barclays Long Treasury Index
Absolute Return	SOFR plus 4%
Stable Value Hedge Funds	HFRI Fund of Funds Conservative
Real Return	
Real Estate	NCREIF ODCE lagged one quarter
Energy, Natural Resources & Infrastructure	40% Cambridge Associates Natural Resources 40% Cambridge Associates Infrastructure 20% quarterly Consumer Price Index lagged one quarter
Commodities	Goldman Sachs Commodity Index
Risk Parity	
Total Risk Parity	HFR Risk Parity Vol 12 Institutional Index
Asset Allocation Leverage	
Cash	FTSE 3 Month Treasury Bill
Asset Allocation Leverage	SOFR plus 26.161 bp

Performance Results

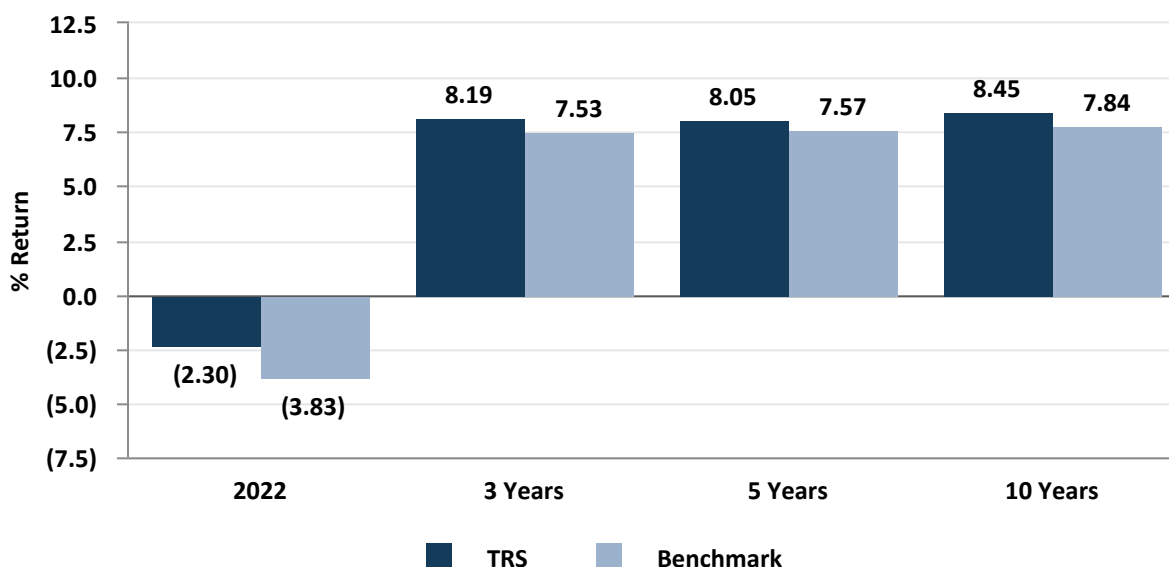
Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, TRS' custodian bank, independently and using industry best practices. The total time-weighted rates of return have been adjusted for cash flows and are calculated net of bank fees, external manager fees, external legal and research fees, and external custodial fees.

Administrative expenses for the IMD are not netted against or included in performance calculations.

Due to TRS' fiscal year ending on August 31, 2022, the most complete performance and benchmark information by asset class is available as of June 30, 2022, presented in Table 7. For a complete list of benchmark composites, contact the TRS Communications Department.

Table 7: Investment Performance: Time-Weighted Returns as of June 30, 2022				
Asset Class	2022	3 Years	5 Years	10 Years
Global Equity				
USA	(11.15)%	9.19 %	9.56 %	11.42 %
USA Composite Benchmark	(13.73)	9.97	10.74	12.66
Non-US Developed	(17.50)	1.84	2.57	5.85
Non-US Developed Composite Benchmark	(16.79)	1.69	2.65	5.36
Emerging Markets	(23.48)	2.06	3.22	4.19
Emerging Markets Composite Benchmark	(25.34)	0.61	2.21	3.08
Private Equity	18.09	21.59	18.05	16.04
Private Equity Composite Benchmark	23.45	22.87	18.81	14.68
Total Global Equity	(6.50)%	9.97 %	9.18 %	9.82 %
Global Equity Composite Benchmark	(6.41)%	10.32 %	9.67 %	9.75 %
Stable Value				
Government Bonds	(18.82)%	(3.00)%	0.53 %	1.98 %
Government Bonds Benchmark	(18.45)	(2.94)	0.51	1.63
Absolute Return	(0.10)	6.70	6.53	9.81
Absolute Return Composite Benchmark	3.84	3.20	3.61	3.04
Stable Value Hedge Funds	9.41	8.27	6.71	5.87
Stable Value Hedge Funds Composite Benchmark	0.32	4.72	4.07	3.84
Total Stable Value	(10.21)%	0.98 %	2.77 %	3.72 %
Stable Value Composite Benchmark	(14.19)%	(0.97)%	1.49 %	2.21 %
Real Return				
Real Estate	29.98 %	14.38 %	12.82 %	12.36 %
Real Estate Composite Benchmark	27.26	10.30	8.90	9.92
Energy, Natural Resources & Infrastructure	21.61	6.71	7.17	N/A
Energy, Natural Resources & Infrastructure Composite Benchmark	21.83	7.92	7.49	N/A
Commodities	10.06	23.18	2.68	(6.17)
Commodities Composite Benchmark	45.05	14.69	11.67	(1.83)
Total Real Return	27.37 %	12.15 %	10.72 %	9.23 %
Real Return Composite Benchmark	25.72 %	9.66 %	8.21 %	7.79 %
Total Risk Parity	(14.53)%	0.05 %	3.58 %	4.30 %
Risk Parity Benchmark	(17.25)%	1.28 %	4.08 %	4.30 %
Asset Allocation Leverage				
Cash	0.69 %	0.77 %	1.35 %	1.90 %
Cash Composite Benchmark	0.17	0.63	1.11	0.64
Net Asset Allocation Leverage				
TRS	(2.30)%	8.19 %	8.05 %	8.45 %
Custom Benchmark	(3.83)%	7.53 %	7.57 %	7.84 %

Time-Weighted Returns as of June 30, 2022



F. Fees and Commissions

Investment Manager Fees

Management Fees that are paid from the Pension Trust Fund are charged by the manager or general partner to cover normal operating costs and the expenses of administering the partnership. The manager or general partner usually receives an annual management fee paid in quarterly, but sometimes in semi-annual or annual installments, from the limited partners. Management fees are typically 1.5 percent to 2 percent of the investment or the investment commitment during the investment period and are sometimes scaled down after the investment period. The management fee rate, basis for the calculation, and specific terms are agreed to in the Limited Partnership Agreement (LPA).

Performance fees/carried interest are accrued and paid based on the amount of profit or returns in excess of a benchmark or hurdle rate established in the LPA. Certain other management fees are charged by investment partnerships and netted against the investment earnings of the partnership. For investments in private markets, Performance Fees/Carried Interest represent the general partner's share of the partnership's profits, which is typically 20 percent, with 80 percent going to limited partners, such as TRS.

Carried interest is calculated and paid as partnership investments are realized, and carried interest on the unrealized investments is accrued over the life of the partnership based on the current valuation.

Fees paid from the Pension Trust Fund are booked as expenses on the Statement of Changes in Net Position. Fees netted against returns are charged by investment partnerships and netted against the investment earnings of the partnership. Generally, the information for fees netted against returns are requested and received from Fund general partners on a quarterly basis. Due to the timing of information received from Fund general partners, fees paid or accrued in conjunction with investment activities, along with the related fair value of assets under management, is presented for the twelve months ended June 30, 2022 in Table 8.

The amount of fees paid from the Pension Trust Fund and booked as expenses in Table 8 are for the twelve months ended June 30, 2022. The amount of fees paid from the Pension Trust Fund and booked as expenses for the fiscal year ended August 31, 2022, which appear in Exhibit II and Schedule 1 as External Manager Fees, amounted to \$105,744,254, which includes \$48,807,908 in management fees and \$56,936,346 in performance fees.

Table 8: Investment Manager Fees					
For the Twelve Months Ended June 30, 2022					
Asset Class	Fair Value of Assets Under Management	Fees Paid from the Pension Trust Fund		Fees Netted Against Returns	
		Management Fees	Performance Fees	Management Fees	Performance Fees/Carried Interest
Global Equity					
USA	\$ 28,003,393,583	\$ 19,327,534	\$ 11,285,415	\$ 63,512,816	\$ 175,858,650
Non-US Developed	21,879,178,802	8,826,427	3,287,719	41,418,229	70,776,590
Emerging Markets	14,787,942,261	12,895,377	21,393,702	17,613,582	91,448,833
Private Equity	34,003,121,117			184,411,040	521,075,105
Total Global Equity	\$ 98,673,635,763	\$ 41,049,338	\$ 35,966,836	\$ 306,955,667	\$ 859,159,178
Stable Value					
Government Bonds	\$ 23,635,244,137	\$ 1,215,996	\$ 1,055,026		
Absolute Return	5,300,169,521	1,149,672	997,482	\$ 20,860,928	\$ 2,816,637
Stable Value Hedge Funds	9,732,270,113			118,416,708	245,920,682
Total Stable Value	\$ 38,667,683,771	\$ 2,365,668	\$ 2,052,508	\$ 139,277,636	\$ 248,737,319
Real Return					
Real Estate	\$ 28,965,564,098		\$ 21,586,457	\$ 201,899,215	\$ 285,941,523
Energy, Natural Resources & Infrastructure	11,044,958,092			72,705,623	6,782,712
Commodities	244,947,917	\$ 34,407	29,852		
Total Real Return	\$ 40,255,470,107	\$ 34,407	\$ 21,616,309	\$ 274,604,838	\$ 292,724,235
Total Risk Parity	\$ 13,150,810,112	\$ —	\$ —	\$ 23,105,198	\$ 16,228
Asset Allocation Leverage	\$ (9,059,294,092)				
Cash	2,710,478,779				
Total Asset Allocation Leverage	\$ (6,348,815,313)	\$ —	\$ —	\$ —	\$ —
Total Fund	\$ 184,398,784,440	\$ 43,449,413	\$ 59,635,653	\$ 743,943,339	\$ 1,400,636,960

External Managers

TRS engages investment managers to administer and search for investment opportunities in the private markets. As of August 31, 2022, the names of these investment managers are listed in Table 9.

Table 9: External Managers

10T Fund	Caxton Associates LP	Greystar Real Estate Partners
Abacus Capital Group	CBRE Global Investors	Groupe Alpha Accueil
Aberdeen Asset Management	CCMP Capital Advisors	GTCR
Actis	Cerberus Capital Management	Halcyon Capital
Adelphi Capital	Certares Management	Harrison Street
Advent International	Charterhouse Group	Hawkeye Partners
Aeolus Capital Management	CIFC Asset Management	Heitman Capital Management
AEW Capital Management	CIM Group	Hellman & Friedman
AGR Ag Infrastructure (TIAA)	Cinven Capital Management	Hg Capital
Alpine Investors	Citadel Wellington LLC	Highland Capital Partners
Alterna Capital Partners	Clayton Dubilier & Rice	Hillhouse China Limited Partnership
American Securities Associates	Clearlake Capital Group	Hines
Ankura Consulting Group	CLSA Capital Partners	Hony Capital
Antin Infrastructure Partners	CoinFund	HPS Investment Partners
Apollo Global Management	Crestview Advisors	I Squared Capital
AQR Capital Management, LLC	CVC Capital Partners	IDR Investment Management
Arrowstreet Capital	D. E. Shaw & Co., L. P.	InfraVia Capital Partners
Austin Ventures	Deer Park Road Corporation	Insight Partners
Avenue Capital Management	DigitalBridge (Colony Capital)	Invesco
AXA Investment Managers	Divco West	Iron Point Partners
Bain Capital	Echo Minerals	J.H. Whitney & Co
Baker Brothers Advisors	EIG Energy Partners	JP Morgan Investment Management
Balyasny Asset Management	Element Capital Management LLC	JPMorgan Chase
Banner Oak Capital Partners	Elliott Investment Management	Kelso & Company
Baring Asset Management	Encap Investments	King Street Capital Management
Baring Private Equity Asia Ltd	Energy Capital Partners	Kohlberg Kravis Roberts & Co
Bayview Asset Management	EQT Partners	LaSalle Investment Management
BFAM Partners	Equity International Management	Lead Edge Capital
BlackRock	ExodusPoint Capital Management LP	Leonard Green & Partners
Blackstone Group	Falfurrias Capital Partners	Lightspeed Venture Partners
Blackstone Group GSO Capital Partners	Fir Tree Partners	Lindsay Goldberg
Blockchain Capital	First Reserve	Lion Capital
Bluemountain Capital Management	Five Mile Capital Partners	Lionstone
Brandes Investment Partners	Fortress Investment Group	Lone Star
Bridgepoint Capital	Forum Partners	Luxor Capital Group
Bridgewater Associates	GCM Grosvenor	Mack Real Estate Group
Brockton Capital	Global Infrastructure Partners	Madison Dearborn Partners
Brookfield/Oaktree	Goldman Sachs	Madison International Realty
Cantillon Capital Management	Gores Group	Madrone Reinsurance Partners
Canyon Capital	Great Hill Equity Partners	Magnetar Capital, LLC
Capri Capital Partners	Green Court Capital	Man Group
Carlyle Group	Greenbelt Capital Partners	Marathon Asset Management

Table 9: External Managers

Marshall Wace	REVCAP Advisors
Millennium Management	Ridgewood Energy
Monashee Capital	Riverstone Holdings
Morgan Creek Capital Partners	Roark Capital Group
Morgan Stanley	Rock Creek Group
Nautic Partners	Senator Investment Group
Neuberger Berman	Silver Lake Partners
New Enterprise Associates	Sixth Street Partners
NGP Energy Capital Management	Soroban Capital Partners
Nordic Capital	Starboard
Normandy Real Estate Partners	Stark Investments
North Island Ventures	Starwood Capital Group
Oak Investment Partners	Stockbridge Capital Group
Oak Street Real Estate Capital	Stonepeak Partners
Oakley Capital Limited	Systematica Investment Management
Oasis Management Co Ltd	TA Associates
Onex Corporation	Teays River Investment
Orchard Asia	Theleme Partners LLP
Orchard Global Asset Management	Tilden Park Investment Management
Pacific Coast Capital Partners	TPG Capital
PAG Investment Advisors	Tricon Capital Group
PAI Partners	Trinsic Residential Group
Paine Schwartz Partners	Tristan Capital Partners
Parvus Asset Management	Triton Capital Partners
Patria Investimentos	Two Sigma Investments
PDT Partners	USAA Real Estate/Square Mile
Peak Rock Capital	Vaughan Nelson
Pennybacker Capital	Verition
Permira	Vista Equity Partners
Pershing Square Capital	Walton Street Capital
PGIM Real Estate	Warburg Pincus
Pharo Management	Wayzata Investment Partners
Pickering Energy Partners	Wellington
Platinum Equity	Westbrook Partners
Polaris Venture Partners	Wheelock Street Capital
Polymer Capital Management	Whitebox Advisors
Principal Global Investors	WindAcre
Providence Equity Partners	Wolverine Asset Management
Providence Strategic Growth Capital Partners	
Quad-C Management	
Related Fund Management	
Reservoir Capital Group	

Broker Commissions

Broker commissions are the incremental direct costs incurred to purchase, sell, or transfer investment assets and liabilities. Table 10 presents the commissions paid to brokers for the fiscal year ended August 31, 2022. Over 12 billion shares were traded by 118 brokers, and commissions paid amounted to \$54,978,145.

For the fiscal year ended August 31, 2022, a portion of the total commissions was paid through various Commission Sharing Arrangements (CSA) and Commission Recapture Arrangements (CRA). CSA proceeds generated \$14,739,352 and were used in accordance with Section 28(e) of the Securities Exchange Act of 1934 to acquire research services from various investment-related firms, totaling \$16,481,135. CRA proceeds generated \$16,908 and were used to acquire services totaling \$151,287. Unspent CSA proceeds, totaling \$2,635,871, and unspent CRA proceeds, totaling \$8,207, were held by State Street Bank and Trust Company as the Fund's CSA and CRA Administrator.

Vendor paid expenses are legal arrangements that are used to acquire investment-related items other than those paid for with commission credit proceeds. Through contractual agreements with various firms, the Fund benefited from \$5,815,609 in vendor paid expenses and contractual allowances for the fiscal year ended August 31, 2022.

Table 10: Broker Commissions for the Fiscal Year Ended August 31, 2022

Brokerage Firm	Shares Traded*	Commissions Paid**
Goldman Sachs & Co., LLC	643,826,827	\$ 10,657,526
BOFA Securities, Inc.	4,574,722,264	6,548,433
Citigroup Global Markets, Inc.	611,403,396	4,591,622
J.P. Morgan Securities, LLC	948,233,055	3,682,738
Jefferies, LLC	248,456,793	3,072,724
Morgan Stanley & Co., LLC	847,957,468	2,407,242
Barclays Capital, Inc.	149,156,527	2,340,616
BNY Mellon Capital Markets, LLC	187,073,569	2,315,290
UBS Securities, LLC	1,300,025,751	2,247,224
Macquarie Capital (USA), Inc.	195,042,477	2,118,266
Summary of remaining 108 brokerage firms	2,540,501,241	14,996,464
Total	12,246,399,368	\$ 54,978,145
* Shares traded exclude transactions with \$0 commissions paid.		
** Commissions paid per share is less than \$0.01.		

Table 11: Broker Commissions by Asset Class for the Fiscal Year Ended August 31, 2022		
Asset Class	Shares Traded*	Commissions Paid**
Global Equity		
USA	488,221,505	\$ 8,017,827
Non-US Developed	2,094,988,885	27,745,407
Emerging Markets	9,600,426,229	13,383,207
Private Equity	5,346,629	90,402
Total Global Equity	12,188,983,248	\$ 49,236,843
Stable Value		
Government Bonds	295,456	651,192
Absolute Return	4,453,452	69,082
Total Stable Value	4,748,908	\$ 720,274
Real Return		
Real Estate	20,617,789	376,775
Energy, Natural Resources & Infrastructure	12,061,500	235,840
Commodities	16,655,700	529,215
Total Real Return	49,334,989	\$ 1,141,830
Risk Parity	3,332,223	3,879,198
Total Risk Parity	3,332,223	\$ 3,879,198
Total	12,246,399,368	\$ 54,978,145
* Shares traded exclude transactions with \$0 commissions paid.		
**Commissions paid per share is less than \$0.01.		

G. Performance Pay Plan (PPP)

To remain competitive in attracting and retaining high caliber talent in the Investment Management Division (IMD), the TRS Board of Trustees established the Performance Pay Plan (PPP) in September 2007. The PPP is an earned incentive compensation plan that reinforces long-term investment performance and aligns compensation with the TRS Pension Trust Fund's (Trust) overall performance.

The earned award for each participant in the PPP is based on the participant's annual base salary, a maximum potential award for the participant, and the results of the performance measurement metrics assigned to the participant. Participants' awards are prorated if they join the PPP, receive a promotion, or transfer within IMD during the plan year. The weights of the performance measurement metrics are described as follows:

- 50 percent based on investment performance against established benchmarks, using 33 percent of one-year and 67 percent of three-year returns
- 30 percent based on investment performance against selected peer groups, using 33 percent of one-year and 67 percent of three-year returns
- 20 percent based on a qualitative assessment of a participant's job performance

PPP awards are paid to participants only in payout periods when the performance results exceed targets and the overall Trust return is positive. The payout schedule for the awards historically had two payment periods across two years: the first has been 50 percent of the award in the fiscal year after the plan year ends and the second has been the remaining 50 percent of potential awards in subsequent plan years when the performance exceeds targets and the overall Trust return is positive. If the overall Trust return in the subsequent year is negative, these potential awards will be reported as contingent liabilities and paid in another payment period when the Trust return is positive. This means that those potential awards will not be made when the Trust return is negative, but they may be paid in a later year on top of other PPP awards earned for that later year.

It is important to note that in September 2022, the TRS Board of Trustees approved changing the award payout schedule from two payments across two years to one payment across one year, effective October 1, 2022. The potential award will continue to be paid only in payout periods when the Trust return is positive. If the Trust return is negative, potential awards will be reported as contingent liabilities and paid in subsequent plan years when the Trust return is positive. Participants will receive their prior earned awards only if they are still employed by TRS, subject to the plan requirements.

The PPP payments and contingent liabilities as of August 31, 2022 are summarized in the following table:

Table 12: Summary of PPP Payments and Contingent Liabilities		
Awards Paid in Fiscal Year 2022		
From Plan Years	Trust Return¹	Amount
2019-2020	5.56 %	\$ 3,308,022
2020-2021	23.90	8,817,672
Total		\$ 12,125,694
Number of Participants		180
Average Award Payment		\$ 67,635
Individual Range of Award Payment		\$459 to \$394,407
Contingent Liabilities as of August 31, 2022 (Potential awards to be paid in future years when Trust return is positive)		
From Plan Years	Trust Return¹	Amount
2020-2021	23.90 %	\$ 8,275,118

¹ The reporting date of Trust returns is September 30.

This page is intentionally left blank.

"I think the teaching profession contributes more to the future of our society than any other single profession."

— John Wooden

ACFR 2022
**ACTUARIAL
SECTION**



This page is intentionally left blank.

Pension Trust Fund Actuarial Information

Actuary's Certification Letter 130

Actuarial Disclosure 135

Table 1: Actuarial Present Value of Future Benefits 135

Table 2: Summary of Cost Items 135

Financing Objective and Funding Policy 135

Plan Provisions 136

Actuarial Methods and Assumptions 136

Table 3: Post Retirement Mortality Projections 137

Table 4: Assumed Retirement Age 137

Table 5: Probability of Decrement Due to Disability 138

Table 6: Probability of Decrement Due to Death 138

Table 7: Probability of Decrement Due to Termination 138

Table 8: Rates of Salary Increase Due to Merit and Promotion 139

Funding of Unfunded Actuarial Accrued Liability 140

Table 9: Active Member Payroll Valuation Data 140

Table 10: Retirees, Beneficiaries, and Disabled Participants Added to and Removed from Membership 141

Table 11: Analysis of Financial Experience 141

Solvency Test 141

Table 12: Solvency Test 142

Schedule of Funding Progress 142

Table 13: Schedule of Funding Progress 142



November 12, 2021

Board of Trustees
Teacher Retirement System of Texas
1000 Red River Street
Austin, TX 78701-2698

Subject: Actuary's Certification of the Actuarial Valuation as of August 31, 2021

We certify that the information included herein and contained in the 2021 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) as of August 31, 2021. This report was prepared at the request of the Board and is intended for use by the TRS staff and those designated or approved by the Board. This report may be provided to parties other than TRS staff only in its entirety and only with the permission of the Board.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Texas statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Mr. Siblik and Mr. Newton are Enrolled Actuaries, members of the American Academy of Actuaries and are qualified to give a Statement of Opinion. All are experienced in performing valuations for large public retirement systems.

ACTUARIAL VALUATIONS

The primary purpose of the valuation report is to determine the adequacy of the statutory contribution rates through measuring the resulting funding period, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides various summaries of the data. This report may not be appropriate for other purposes. The information required by the System in connection with Governmental Accounting Standards Board Statement No. 67 (GASB No. 67) will be provided under separate cover.

Valuations are prepared annually, as of August 31 of each year, the last day of the System's plan and fiscal year.

FINANCING OBJECTIVE OF THE PLAN

The employee, employer, and State contribution rates are established by Law that, over time, are intended to remain level as a percent of payroll and provide assets to cover benefits when due. The

5605 North MacArthur Boulevard | Suite 870 | Irving, Texas 75038-2631

Board of Trustees
November 12, 2021
Page 2

actuarially determined employer contribution rates determined in this actuarial valuation are intended to provide for the normal cost plus the level percentage of payroll required to amortize the unfunded actuarial accrued liability. Please see Appendix 2 for more discussion of these determinations.

In 2019, the Board adopted a funding policy per Texas Government Code Sec. 802.2011. In it, the Board states that a “*declining UAAL (Unfunded Actuarial Accrued Liability) over time will be evidence that contribution and benefit policies are being implemented consistent with Tex. Gov’t Code § 802.2011.*” In addition, “*after the phase-in of contributions in SB 12, if at any time the annual valuation of TRS does not project the UAAL to begin to decline in the next 5 years, the LAR request for TRS will include an increase in contribution rates so that the UAAL would be projected to begin to decline the year following the legislative session.*” Thus, this valuation is also assessing whether the UAAL is decreasing, or if it is not how soon it is expected to begin to do so.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVE

Based on this actuarial valuation as of August 31, 2021, the System’s unfunded actuarial accrued liability (UAAL) has decreased to \$47.6 billion compared to \$50.6 billion as of August 31, 2020. The primary reason for the decrease was the strong investment performance during fiscal year 2021. Based on the contribution schedule put in place in 2019, the UAAL was anticipated to grow in nominal dollars through 2028 before beginning to decline annually after that. Thus, the strong investment performance from fiscal year 2021 has accelerated the amortization schedule of the UAAL.

This valuation shows a normal cost equal to 11.57% of pay plus 0.14% of pay to cover the annual cost of administrative expenses. The 2019 Legislature increased contribution rates for the State, employers, and the members in a phase-in schedule that will end in Fiscal Year 2025. The State’s base rate of 6.80% in Fiscal Year 2019 increased to 7.50% in Fiscal Year 2020 and will phase-in to 8.25% by Fiscal Year 2024. In addition, covered employers whose employees are not participating in Social Security began contributing 1.50% of salary (capped at the minimum salary schedule) in Fiscal Year 2015. Beginning in Fiscal Year 2020, all public education employers began paying this supplemental payment and the amount will gradually increase from 1.60% in Fiscal Year 2021 to 2.00% in Fiscal Year 2025. These supplemental contributions are assumed to be approximately 1.26% of total payroll at the end of the phase-in. Combined, these contributions are ultimately assumed to approximate 9.50% of total payroll. The member contribution rate will increase from the current 7.70% to 8.00% in Fiscal Year 2022 and ultimately 8.25% in Fiscal Year 2024. In addition to these contributions, there are contributions made on behalf of members who are receiving a pension but who have also returned to work. These contributions are assumed to be approximately 0.06% of total payroll. As a result, for FY2025 and thereafter, the System is expected to receive a total contribution rate of 17.81% of pay. All funding calculations in this report assume the rate will remain at that level thereafter.

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

Board of Trustees
November 12, 2021
Page 3

The actuarial valuation report as of August 31, 2021 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 79.1%, increasing from 76.8% last year. The funded status is one of many metrics used to show trends and develop future expectations about the health of the System. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

The System's investments earned significantly more than the prior year's assumed rate of return during fiscal year 2021 (24.8% on market value compared to an assumed 7.25%). The System was deferring investment shortfalls from the prior year, and hence this year's performance more than offset the previous year's shortfalls and the System experienced a net actuarial gain on assets this year. In addition, a portion of this year's gain will be deferred into future years. The System is now deferring an investment gain of \$21.2 billion and the funded status using the market value of assets is 88.4%. If there are no significant investment shortfalls or other actuarial losses over the next several years, the funded status of the System would be expected to increase towards this number.

Based on the actuarial (smoothed) value of assets, the number of years needed to amortize the UAAL will decrease annually if all assumptions are met. Please note that this annual decrease in the funding period will only occur if the currently scheduled contribution levels remain in place over the funding period. Any decrease in the contribution rates will result in longer funding periods.

Due to the current funding policy which utilizes level percentage of payroll amortization, the amortization payments will not be sufficient to cover all of the interest charges on the UAAL until the funding period reaches approximately 20 years. Table 5b provides a projection of the financing of the UAAL, and that projection shows the UAAL is expected to increase slightly to \$48.9 billion in 2024 before beginning to decline. Extending the projection further would show the UAAL is fully amortized 20 years after that (assuming all assumptions are exactly met including a 7.25% annual return on assets). However, this funding period and projection assumes the trust earns 7.25% based on the smoothed assets going forward. Given the size of the currently deferred investment gains, it is likely the UAAL will decrease year over year in next year's valuation and the schedule will be shortened even further.

Please note these expectations are based on the current benefit provisions, assumptions, contribution rates and a level active population. Any additional benefit enhancements (ad hoc Cost of Living Adjustments or "COLAs") granted without additional funding would increase the ultimate UAAL and extend the funding period before the funding status begins to improve. Thus, we continue to advise against any future benefit enhancements without additional sources of funding that cover the cost of the enhancement.

PLAN PROVISIONS

The plan provisions used in the actuarial valuation are described in Appendix 1 of the valuation report. There have been no changes to the ongoing benefit provisions of the System since the prior valuation.

5605 North MacArthur Boulevard | Suite 870 | Irving, Texas 75038-2631

Board of Trustees
November 12, 2021
Page 4

The 2021 Legislature provided for a one-time appropriation to the System in September of 2021 to provide for a one-time supplemental payment to retirees. The appropriation and resulting benefit payment are expected to offset each other, and happen after the valuation date, thus neither have been reflected in this valuation. There should be no residual liabilities or credits from this occurrence.

Through the sunset process it was recommended that TRS attempt to find and distribute monies to old closed accounts of members who had worked for a participating employer for some time and left employment while non-vested, but have not taken a refund of their account balances. These members have been added into this valuation along with a liability equal to their account balances. This was approximately \$273 million in liabilities.

DISCLOSURE OF PENSION INFORMATION

Beginning with Fiscal Year 2014, the System began reporting financial information in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67. The disclosure information for GASB No. 67 is provided in a separate report and is not contained herein.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

ACTUARIAL METHODS AND ASSUMPTIONS

The actuarial methods and assumptions have been selected by the Board of Trustees of the Teacher Retirement System of Texas based upon our analysis and recommendations. These assumptions and methods are the same as used in the prior valuation and are detailed in Appendix 2 of the valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2017 and adopted on July 27, 2018. Please see our experience study report dated July 27, 2018 for more information on the rationale for the current assumptions. In our opinion, the actuarial assumptions and methods used in this funding valuation meet the parameters set by the Actuarial Standards of Practice issued by the Actuarial Standards Board for such purposes.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. To illustrate this point, on page 9 of this report we have shown illustrative results based on future investment experience deviating from the assumptions. Based on the scope of this engagement, we have not performed analysis on the potential range of future measurements based on other factors. The actuarial calculations are intended to provide information for rational decision making.

Board of Trustees
November 12, 2021
Page 5

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the System and to reasonable expectations.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Data

Member data for retired, active and inactive members was supplied as of August 31, 2021 by the TRS staff. The staff also supplied asset information as of August 31, 2021. While GRS did not audit this data, we did apply a number of tests to the data and concluded that it was reasonable and consistent with the prior year's data. It is also our understanding that TRS's auditor has attested to this information. GRS is not responsible for the accuracy or completeness of the information provided to us by TRS.

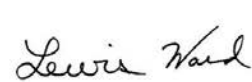
The following schedules in the Actuarial Section of the TRS Annual Comprehensive Financial Report were prepared by GRS:

- Actuarial Present Value of Future Benefits
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Post-Retirement Mortality
- Rates of Retirement
- Probability of Decrement due to Withdrawal
- Active Mortality

All other schedules shown in the actuarial section were prepared by TRS staff based upon our work. For further information please see the full actuarial valuation report.

This document and the PowerPoint presentation of the actuarial valuation results presented to the TRS Board in December 2021 comprise the full actuarial report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Lewis Ward
Consultant



Daniel J. Siblik, ASA, EA, MAAA
Consultant



Joseph P. Newton, FSA, EA, MAAA
Pension Market Leader and Actuary

Actuarial Disclosure

The Actuarial Section is based on a valuation as of August 31, 2021.

Table 1: Actuarial Present Value of Future Benefits
(With Comparative Data for August 31, 2020)

	2021	2020
Present Value of Benefits Presently Being Paid		
Service Retirement Benefits	\$ 108,948,080,707	\$ 104,711,036,084
Disability Retirement Benefits	1,257,772,887	1,275,003,187
Death Benefits	1,003,508,883	971,729,748
Present Survivor Benefits	330,790,908	317,609,363
Total Present Value of Benefits Presently Being Paid	\$ 111,540,153,385	\$ 107,275,378,382
Present Value of Benefits Payable in the Future to Present Active Members		
Service Retirement Benefits	\$ 135,708,442,690	\$ 130,002,795,248
Disability Retirement Benefits	3,532,104,523	3,134,740,143
Termination Benefits	14,572,731,217	13,562,336,880
Death and Survivor Benefits	2,603,853,694	2,490,509,152
Total Active Member Liabilities	\$ 156,417,132,124	\$ 149,190,381,423
Present Value of Benefits Payable in the Future to Present Inactive Members		
Inactive Vested Participants	\$ 5,709,144,378	\$ 5,333,225,597
Refunds of Contributions to Inactive Non-vested Members	946,018,345	608,233,876
Future Survivor Benefits Payable On Behalf of Present Annuitants	1,811,789,519	1,754,129,997
Total Inactive Liabilities	\$ 8,466,952,242	\$ 7,695,589,470
Total Actuarial Present Value of Future Benefits	\$ 276,424,237,751	\$ 264,161,349,275

Table 2: Summary of Cost Items
(With Comparative Data for August 31, 2020)

	2021	2020
Present Value of Future Benefits	\$ 276,424,237,751	\$ 264,161,349,275
Present Value of Future Normal Costs	(48,177,557,988)	(46,123,765,778)
Actuarial Accrued Liability	\$ 228,246,679,763	\$ 218,037,583,497
Actuarial Value of Assets	\$ (180,598,980,455)	\$ (167,432,159,118)
Unfunded Actuarial Accrued Liability	\$ 47,647,699,308	\$ 50,605,424,379

Financing Objective and Funding Policy

The financing objective of the pension plan is the responsibility of the legislature. The contribution rates are established by the Legislature, that over time, are intended to remain level as a percent of payroll, and provide assets to cover benefits when due.

The funding policy of the pension plan is the responsibility of the TRS Board of Trustees. The Board supports contribution and benefit policies that will systematically decrease the Unfunded Actuarial Accrued Liability (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 Texas Government Code §802.2011.

The contribution rates and scheduled increases, as described in Texas Government Code §§825.402, 825.4035, and 825.404 are expected to eliminate the UAAL over a period of 29 years.

Contribution rates may not be reduced or eliminated, and benefits may not be improved, if as a result of the particular action, the time required to amortize the unfunded actuarial liabilities of the System, would be increased to a period that exceeds 31 years. For detailed information, see Note 11.

Plan Provisions

For plan provisions, see Note 11.

Actuarial Methods and Assumptions

The actuarial valuation for the TRS pension fund was prepared by Gabriel, Roeder, Smith & Company (GRS). The actuary relied on membership data and asset information provided by TRS staff. While GRS did not audit this data, a number of tests to the data were performed, and concluded it was reasonable and consistent with the prior year's data.

Since the data in this report is based on the roll-forward method, the results of the data collected as of August 31, 2022 will not be reported herein.

The actuarial methods and assumptions have been selected by the TRS Board of Trustees based upon GRS analysis and recommendations. The Board has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2017 and adopted on July 27, 2018.

The results of the actuarial valuation are dependent on the assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Seemingly minor changes in assumptions can materially change the liabilities, calculated contribution rates, and funding periods.

The actuarial cost method used for both financial reporting purposes and funding purposes was the Individual Entry Age Normal method as prescribed by GASB 67. The Individual EAN cost method is used because it creates the most level funding requirement across the generations of members and stakeholders. Under Individual EAN, the normal cost for each member is based on the benefit tier for that member.

The actuarial assumptions used for funding purposes were the same assumptions used for financial reporting purposes.

A. Investment Rate of Return

The investment rate of return for the fiscal year ending August 31, 2021 was 7.25 percent, compounded annually, which was composed of an assumed 2.30 percent inflation rate and a 4.95 percent real rate of return, net of investment expenses. This was the same rate used to discount the actuarial accrued liability. The rate of return for fiscal year 2021 was used because of the selection of the Roll Forward Method for GASB 67.

B. Post-Retirement Mortality, Assumed Retirement Age, Disability Retirement, Death, and Withdrawal from System

Rates and scales were developed based on the experience in the actuarial investigation as of August 31, 2017, with values at specimen ages shown in the tables below.

Table 3: Post Retirement Mortality Projections		
Age	Male Members	Female Members
40	0.000615	0.000388
50	0.001652	0.001080
60	0.004651	0.002668
70	0.014356	0.008969
80	0.046716	0.032270
90	0.152340	0.116359
100	0.490265	0.422361
110	0.496658	0.496658
120	1.000000	1.000000

Rates for members younger than age 65 will be reduced by 15 percent to reflect anticipated behavior changes stemming from the modifications to TRS-Care in the 2017 legislature. Five percent will be added to the rate at age 65 for members who reach normal retirement age prior to age 65.

For members hired after August 31, 2007 and who are vested as of August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 60 are increased 10 percent for each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58 then the probability of retirement at age 60 is 120 percent of the rate shown in Table 4 below).

For members hired after August 31, 2007 and who are not vested as of August 2014 or for members hired after August 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 62 are increased 10 percent for each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58, then the probability of retirement at age 62 is 140 percent of the rate shown in Table 4 below). The following table shows the probability of retirement at the various age brackets.

Table 4: Assumed Retirement Age					
Normal Retirement			Early Retirement		
Age	Male	Female	Age	Male	Female
50-54	0.13	0.14	45-59	0.01	0.01
55	0.13	0.15	60	0.01	0.02
56	0.14	0.16	61	0.02	0.02
57	0.15	0.17	62	0.04	0.04
58	0.16	0.18	63-65	0.05	0.05
59	0.17	0.19			
60	0.18	0.20			
61	0.19	0.21			
62	0.20	0.22			
63	0.21	0.23			
64	0.22	0.24			
65-73	0.25	0.25			
74	1.00	1.00			

The disability retirement rates for members once they reach the Rule of 80 but not eligible for unreduced retirement are adjusted by an additional 1 percent. Table 5 below shows the rates of disability retirement by age.

Table 5: Probability of Decrement Due to Disability				
Age	For Service >= 10		For Service < 10	
	Male	Female	Male	Female
20	0.000147	0.000262	0.000018	0.000028
30	0.000147	0.000262	0.000018	0.000028
40	0.000344	0.000446	0.000043	0.000047
50	0.001594	0.001726	0.000199	0.000182
60	0.002804	0.002616	0.000351	0.000275

The probability of decrement due to death is shown in Table 6 below.

Table 6: Probability of Decrement Due to Death *			
Age	Male Members		Female Members
20		0.000351	0.000140
30		0.000391	0.000188
40		0.000543	0.000342
50		0.001458	0.000953
60		0.004053	0.002111
70		0.011977	0.005454
80		0.033554	0.015890
90		0.119209	0.089535

*RP-2014 Employee Mortality Tables for male and female multiplied by 90%, with full generational projection assuming immediate convergence of rates in the mortality projection scale MP-2018, 2D for male and female.

The probability of decrement due to termination is shown in Table 7 below.

Table 7: Probability of Decrement Due to Termination		
Years of Service	Male Members	Female Members
1	0.155507	0.162296
2	0.124963	0.133070
3	0.100839	0.111030
4	0.075417	0.087064
5	0.065169	0.077625
6	0.057971	0.068467
7	0.049227	0.056290
8	0.043267	0.048891
9	0.038586	0.043639
10	0.035246	0.039995

C. Rates of Salary Increase

The rates of salary increase in Table 8 below reflects an inflation rate of 2.30 percent, plus productivity component of 0.75 percent, plus step-rate/promotional component as shown.

Years of Service	Merit, Promotion, Longevity	General	Total
1	6.00 %	3.05 %	9.05 %
2	2.50	3.05	5.55
3	1.90	3.05	4.95
4	1.50	3.05	4.55
5	1.40	3.05	4.45
6	1.20	3.05	4.25
7	1.10	3.05	4.15
8-10	1.00	3.05	4.05
11-12	0.90	3.05	3.95
13	0.80	3.05	3.85
14	0.70	3.05	3.75
15	0.60	3.05	3.65
16-17	0.50	3.05	3.55
18	0.40	3.05	3.45
19-20	0.30	3.05	3.35
21-22	0.20	3.05	3.25
23-24	0.10	3.05	3.15
25 or more	0.00	3.05	3.05

D. Actuarial Value of Assets

The intent of the actuarial asset valuation method is to smooth out year-to-year fluctuations in market rates of return. The actuarial value of assets is equal to the market value of assets less a five year phase-in of the excess/ (shortfall) between expected investment returns and actual income. The actual calculation is based on the difference between actual market value and the expected actuarial value of assets each year and recognizes the cumulative excess return (or shortfall) over a minimum rate of 20 percent per year. Each year a base is set up to reflect this difference. If the current year's base is of the opposite sign from the remaining deferred bases then it is offset against any prior deferred bases of the opposite sign. Any remaining bases are then recognized over the remaining number of years. This is intended to ensure the smoothed value of assets will converge towards the market value in a reasonable and finite amount of time.

Investments earned significantly more than prior year's assumed rate of return during fiscal year 2021 (24.8% on market value compared to assumed 7.25%) This investment gain more than offset the previous year's shortfalls, so TRS experienced a net actuarial gain on assets. \$21.2 billion of this year's investment gain is being deferred into future years. The actuarial value of assets was \$180.6 billion at 08/31/2021.

Expected earnings are determined using the assumed investment rate of return and the beginning of year actuarial value of assets adjusted for receipts and disbursements during the year. The returns are computed net of investment expenses.

Funding of Unfunded Actuarial Accrued Liability

The Unfunded Actuarial Accrued Liability (UAAL) is funded by the excess of future State and employer contributions required by law over the amount of such contributions required to fund the normal cost of benefits.

The normal cost for the System is deemed to be equal to the average cost of benefits for active members at each valuation date. The normal cost to pay for the benefits earned under the retirement system is 11.57 percent of pay, this amount being inclusive of the amount contributed by the employees. In addition to the cost of benefits, an addition is made to the normal cost to cover annual administrative expenses. It is estimated that administrative expenses will be approximately 0.14 percent of payroll. For fiscal year 2021, the total normal cost is 11.71 percent of pay and the net employer cost is 3.71 percent of pay based on the fiscal year 2021 member contribution rate of 8.00 percent.

The actuarial accrued liability for benefits payable in the future to present active members is calculated as the present value of benefits payable in the future to present active members less the present value of future normal costs.

From an actuarial perspective, the contribution rate in excess of the System's normal cost should be sufficient to amortize the UAAL over a reasonable period of time. Based on the future increases in the member and employer contribution rates, the contributions in excess of the System's normal cost is sufficient to amortize the System's UAAL over a period of 23.0 years (assuming all actuarial assumptions are met).

The active member valuation data is shown in Table 9 below.

Valuation Year	Active Members	Annualized Payroll in Thousands	Average Annual Salary	Annual % Increase in Average Salary	Number of Participating Employers
2012	815,155	\$ 36,309,449	\$ 44,543	0.3 %	1,357
2013	831,302	37,104,333	44,634	0.2	1,365
2014	857,342	39,195,104	45,717	2.4	1,357
2015	828,851	37,121,750	44,787	(2.0)	1,347
2016	847,631	39,281,763	46,343	3.5	1,332
2017	864,233	40,904,148	47,330	2.1	1,325
2018	872,978	42,105,475	48,232	1.9	1,326
2019	884,522	43,779,416	49,495	2.6	1,332
2020	914,741	47,088,122	51,477	4.0	1,340
2021	918,539	49,354,938	53,732	4.4	1,344

The Schedule of retirees, beneficiaries and disabled participants added to and removed from the rolls is shown in Table 10.

Table 10: Retirees, Beneficiaries, and Disabled Participants Added to and Removed from Membership								
Valuation as of August 31	Added to Rolls		Removed from Rolls		Rolls - End of Year		Average Annual Benefits	% Increase Average Annual Benefits
	Number	Annual Benefits	Number	Annual Benefits	Number	Annual Benefits		
2012	27,915	\$ 697,134,389	8,848	\$ 155,597,838	331,747	\$7,344,751,692	\$ 22,140	8.0 %
2013	25,825	743,998,946	9,344	165,231,795	348,228	7,923,518,843	22,754	7.9
2014	24,429	573,876,713	9,475	174,915,127	363,182	8,322,480,429	22,915	5.0
2015	25,134	604,436,264	10,578	191,966,951	377,738	8,734,949,742	23,124	5.0
2016	27,018	673,313,552	10,842	195,097,916	393,914	9,213,165,378	23,389	5.5
2017	24,739	613,145,920	10,885	203,792,399	407,768	9,622,518,899	23,598	4.4
2018	24,317	611,173,964	11,627	219,236,845	420,458	10,014,456,018	23,818	4.1
2019	25,420	642,167,173	11,452	217,977,284	434,426	10,438,645,907	24,029	4.2
2020	24,197	630,241,319	13,349	256,566,773	445,274	10,812,320,453	24,282	3.6
2021	28,174	748,954,294	15,315	290,713,672	458,133	11,270,561,075	24,601	4.2

The analysis of financial trends is shown in Table 11.

Table 11: Analysis of Financial Experience (Dollars in Billions)*							
As of August 31	Investment Gains/ (Losses)	Contribution Experience	Assumption Changes	Liability Experience	Net Increase/ (Decrease)	Beginning UAAL	Ending UAAL
2012	\$ (2.208)	\$ 1.258	\$ —	\$ (1.427)	\$ 2.039	\$ 24.062	\$ 26.101
2013	(2.045)	1.911	0.708	(1.829)	2.835	26.101	28.936
2014	1.095	1.157	2.282	0.358	2.702	28.936	31.638
2015	(1.237)	0.912	0.682	(1.501)	1.330	31.638	32.968
2016	(1.504)	0.525	—	(0.460)	2.485	32.968	35.453
2017	0.270	0.415	(0.701)	0.828	0.018	35.453	35.471
2018	0.173	0.371	(10.592)	0.095	10.694	35.471	46.165
2019	(0.564)	0.961	(1.997)	0.200	3.321	46.165	49.486
2020	(0.645)	1.338	—	0.863	1.119	49.486	50.605
2021	5.302	1.315	(0.272)	(0.757)	(2.957)	50.605	47.648

*Resulting from differences between assumed experience and actual experience. Calculated on a 5-year smoothed market basis.

Solvency Test

A short-term solvency test is one means of checking a retirement System's progress under its funding program. The schedule below provides a historical illustration of a short-term solvency test for TRS wherein present assets are compared with:

- active member contributions on deposit
- the liabilities for future benefits to present annuitants (Retirees and Beneficiaries)
- the liabilities for active members under the entry age normal actuarial cost method including a projection of future salary increases and anticipated future service Active Members-State Financed Portion

Under the level percent of payroll financing followed by TRS, liabilities for active member contributions on deposit and the liabilities for future benefits to present retirees and beneficiaries will be fully covered by present assets except in rare circumstances. In addition, liabilities for active member benefits earned or to be earned in the future will be partially covered by the remainder of present assets. Generally, if the System has been using level cost financing, the funded portion of active member benefits will increase over time. The solvency test is shown in Table 12.

Valuation as of August 31	Aggregate Actuarial Accrued Liabilities For				Portion of Aggregate Actuarial Accrued Liabilities Covered by Valuation Assets		
	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Members (State Financed Portion) (3)	Valuation Assets	Active Member Contributions (1)	Retirees and Beneficiaries (2)	Active Members (State Financed Portion) (3)
2012	\$ 30,006	\$ 68,449	\$ 45,972	\$ 118,326	100 %	100 %	43.2 %
2013	31,365	73,841	45,460	121,730	100	100	36.3
2014	33,028	78,431	48,576	128,398	100	100	34.9
2015	33,856	82,535	50,062	133,485	100	100	34.1
2016	34,803	86,986	52,451	138,786	100	100	32.4
2017	36,513	90,573	54,667	146,282	100	100	35.1
2018	37,834	101,911	60,472	154,051	100	100	23.7
2019	39,212	105,702	64,806	160,233	100	100	23.6
2020	41,470	109,030	67,538	167,432	100	100	25.1
2021	43,906	113,352	70,989	180,599	100	100	32.9

Schedule of Funding Progress

Taking into account only the dollar amounts of aggregate actuarial accrued liabilities and Unfunded Actuarial Accrued Liabilities (UAAL) can be misleading. The dollar amounts of these two items can be increasing at a time when their actual substance may be decreasing. Dividing valuation asset dollars by aggregate actuarial accrued liability dollars and dividing UAAL dollars by active member payroll dollars provide clarifying indices. The larger the ratio of valuation assets to aggregate actuarial accrued liabilities, the stronger the system.

Observation of these relative indices over a period of years will give an indication of whether the System is becoming stronger or weaker. The schedule of funding progress is shown in Table 13.

The 10-year Schedule of Actuarially Determined Contributions is located in the Required Supplementary Information section.

Valuation as of August 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio Assets as a % of AAL	Covered Payroll	UAAL as a % of Covered Payroll
[1]	[2]	[3]	[4]	[5]	[6]	[7]
2012	\$ 118,326	\$ 144,427	\$ 26,101	81.9 %	\$ 36,310	71.9 %
2013	121,730	150,666	28,936	80.8	37,104	78.0
2014	128,398	160,036	31,638	80.2	38,522	82.1
2015	133,485	166,453	32,968	80.2	39,620	83.2
2016	138,786	174,239	35,453	79.7	42,376	83.7
2017	146,282	181,753	35,471	80.5	43,164	82.2
2018	154,051	200,216	46,165	76.9	44,956	102.7
2019	160,233	209,720	49,486	76.4	47,414	104.4
2020	167,432	218,038	50,605	76.8	49,987	101.2
2021	180,599	228,247	47,648	79.1	51,356	92.8

TRS-Care Actuarial Information

Actuary's Certification Letter 144

Actuarial Disclosure 146

Funding Objective and Funding Policy 146

Table 1: Retirees and Beneficiaries Added to and Removed from Membership 146



November 1, 2021

Board of Trustees
Teacher Retirement System of Texas
1000 Red River Street
Austin, TX 78701-2698

Subject: Actuary's Certification of the GASB Statement No. 74 Actuarial Valuation as of August 31, 2021 for TRS-Care

Submitted in this report are the results of an Actuarial Valuation of the liabilities associated with the employer financed retiree health benefits provided through TRS-Care, a benefit program designed to provide post-retirement medical benefits for certain members of the Teacher Retirement System of Texas (TRS). The date of the valuation was August 31, 2020. Update procedures were used to roll forward the total OPEB liability to August 31, 2021. This report was prepared at the request of TRS.

The actuarial calculations were prepared for purposes of complying with the requirements of Statement No. 74 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of this accounting standard. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of TRS-Care and participating employers may produce significantly different results. Actuarial valuations of the post-retirement benefits are performed annually.

The valuation was based upon information, furnished by TRS, concerning retiree health benefits, members' census, and financial data. Data was checked for internal consistency but was not otherwise audited. Certain actuarial assumptions applicable only to the TRS-Care OPEB valuation have changed since the prior report. These changes are disclosed in the assumptions section of this report.

The following Annual Comprehensive Financial Report (ACFR) schedules were prepared by GRS and can be found in Sections D and E of this report:

1. Key Actuarial Assumptions and Methods
2. Schedule of Retirants and Beneficiaries Added and Removed from Rolls

GRS is not responsible for any trend data schedules not found in this report.

Board of Trustees
Teacher Retirement System of Texas
November 1, 2021
Page 2

The current objective is to fund the Trust in order to maintain benefits through individual biennial periods. There is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions based on the current funding policy.

The Net OPEB Liability (NOL) increased by \$0.6 billion, from \$38.0 billion as of August 31, 2020 to \$38.6 billion as of August 31, 2021. The increase was less than expected, due primarily to favorable claims experience. The \$4.0 billion experience gain offset the impact of the lower discount rate, from 2.33% to 1.95%, and also offset much of the natural liability increase due to the passage of time.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

To the best of our knowledge, this report is complete and accurate. The assumptions and methods used for financial reporting purposes are reasonable and in accordance with generally accepted actuarial principles set by the Actuarial Standards of Practice (ASOPs). Joseph Newton and Mehdi Riazi are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein. The signing individuals are independent of the plan sponsor.

Respectfully submitted,



Joseph P. Newton, FSA, EA, FCA, MAAA
Pension Market Leader



Mehdi Riazi, FSA, EA, FCA, MAAA
Senior Consultant and Actuary



Actuarial Disclosure

The Actuarial Section is based on a valuation as of August 31, 2021.

Funding Objective and Funding Policy

The current funding objective for the TRS-Care OPEB Trust fund is to provide sufficient funding through individual biennial legislative periods. There is no arrangement where the participating employers would make contributions to advance-fund the obligation. However, participating employers and the State are making contributions based on the current funding policy. The Texas Legislature is responsible for establishing and maintaining the funding policy.

There was not an actuarial valuation prepared for funding purposes because the TRS-Care plan is a pay-as-you-go-plan.

The actuarial valuation of TRS-Care for financial reporting purposes was prepared by Gabriel, Roeder, Smith & Company. The valuation was based on information provided by TRS concerning retiree health benefits, member census and financial data. While not auditing the data, the actuary checks for internal consistency.

The actuarial calculations were prepared for purposes of complying with the requirements of GASB Statement No. 74 for financial reporting purposes only. The calculation of the plan’s liability is not applicable for funding purposes of the plan. A calculation of the Plan’s liability for purposes other than satisfying the requirements of GASB Statement No. 74 may produce significantly different results.

The TRS-Care OPEB plan is discussed in detail in Note 9 and provides the following information.

- Plan provisions
- Identification of the Plan type
- Number of covered individuals

Valuation as of August 31	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances*		
2012	19,407	\$ 92,279,848	8,220	\$ 28,700,248	233,641	\$ 768,682,199	(14.4)%	\$ 3,290
2013	19,798	98,603,255	10,176	25,946,471	243,263	824,715,257	7.3	3,390
2014	18,916	97,956,524	10,656	27,648,497	251,523	933,885,969	13.2	3,713
2015	19,171	106,177,651	11,116	31,400,277	259,578	1,050,329,854	12.5	4,046
2016	20,883	120,035,127	12,250	48,462,388	268,211	1,132,169,358	7.8	4,221
2017	19,121	105,535,109	13,113	59,695,737	274,219	986,039,302	(12.9)	3,596
2018	11,101	79,394,032	48,958	150,243,653	236,362	955,490,192	(3.1)	4,042
2019	14,066	95,931,742	21,253	69,775,594	229,175	839,871,317	(12.1)	3,665
2020	13,222	88,444,718	18,420	55,330,044	223,977	810,214,242	(3.5)	3,617
2021	14,086	101,038,519	15,596	47,372,703	222,467	818,071,372	1.0	3,677

*Expected employer provided claims and expenses (net of retiree premiums). Annual allowances in Column (7) include increases due to health care inflation and the impact of plan changes. As a result, the annual allowances are not equal to the beginning of year allowances plus the "Added to Rolls" allowances minus the "Removed from Rolls" allowances.

“Education is what allows you to stand out.”

– Ellen Ochoa

ACFR 2022
**STATISTICAL
SECTION**



This page is intentionally left blank.

Statistical Section Overview

The Statistical Section presents additional information to provide financial statement users with added historical perspective, context, and detail to assist in using the information in the Basic Financial Statements, Notes to the Financial Statements, and Required Supplementary Information to understand and assess the System's financial condition. Information is presented for the Pension Trust Fund, TRS-Care, and TRS-ActiveCare.

Financial Trends

The financial trend schedules assist users in understanding and assessing how the System's financial position has changed over time and include:

Changes in Fiduciary Net Position - Pension Trust Fund	150
Changes in Fiduciary Net Position - TRS-Care	152
Revenues, Expenses, and Changes in Net Position - TRS-ActiveCare	154
Benefit and Refund Deductions from Net Position by Type - Pension Trust Fund	156
Benefit Deductions from Net Position by Type - TRS-Care	156
Benefit Deductions from Net Position by Type - TRS-ActiveCare	156

Operating Information

The operating information schedules provide information containing contextual data about the System's benefit operations, resources, and the benefit services it provides and include:

Average Benefit Payments - Pension Trust Fund	158
Average Monthly Benefits - Pension Trust Fund	159
Average Benefit Payments - TRS-Care and TRS-ActiveCare	160
Health Benefits by Plan - TRS-Care and TRS-ActiveCare	161
Retired Members by Type of Benefit - Pension Trust Fund	163
Principal Participating Employers - Pension Trust Fund and TRS-Care	164

In addition, a complete list of participating employers has been included. The information was derived from internal sources.

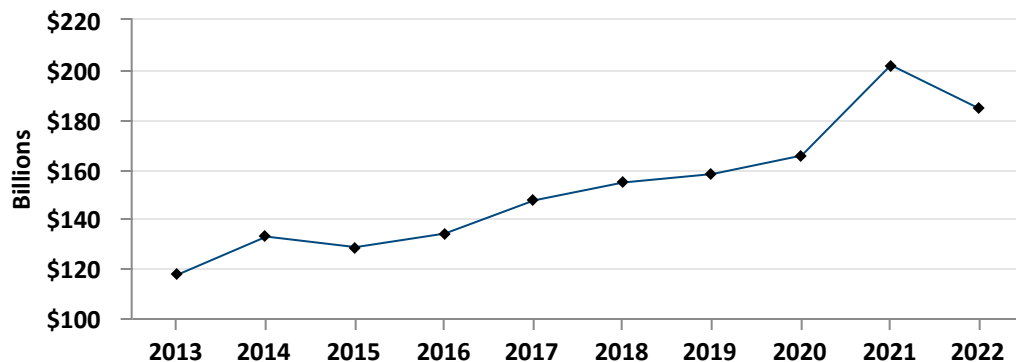
Changes in Fiduciary Net Position

Pension Trust Fund

For the Fiscal Years Ended August 31

	2022	2021	2020	2019
Additions				
Member Contributions	\$ 4,213,621,873	\$ 3,839,243,646	\$ 3,736,877,464	\$ 3,482,869,726
Non-Employer Contributing Entity Contributions	2,158,359,554	1,883,257,341	1,848,502,439	1,741,178,188
Supplemental Appropriation - Non-Employer Contributing Entity	—	261,000,000	263,000,000	—
Employer Contributions	2,504,170,115	2,124,027,701	2,016,481,636	1,761,821,902
Purchase of Service Credit	51,266,001	70,618,789	46,272,689	42,205,185
Contributions from ERS	30,915,887	29,400,741	27,607,824	26,464,135
Net Investment Income	(13,383,750,566)	40,512,139,247	11,068,916,613	7,669,028,874
Supplemental Funding - Appropriations	701,100,535	—	—	588,827,787
Miscellaneous Revenue	5,953,359	3,130,786	10,266,475	3,844,018
Total Additions	\$ (3,718,363,242)	\$ 48,722,818,251	\$ 19,017,925,140	\$ 15,316,239,815
Deductions				
Benefits	\$ 13,130,573,776	\$ 11,689,780,302	\$ 10,975,638,999	\$ 11,256,781,486
Refunds of Contributions	579,461,885	449,135,634	421,366,179	486,460,902
Service Contributions Transferred to ERS	117,818,933	112,530,025	108,003,549	103,044,924
Other Post-Employment Benefit Expense	12,595,488	9,255,187	7,734,365	4,438,264
Administrative Expenses, Excluding Investing Activity Expenses	62,052,780	71,359,850	67,135,880	60,485,645
Total Deductions	\$ 13,902,502,862	\$ 12,332,060,998	\$ 11,579,878,972	\$ 11,911,211,221
Net Increase (Decrease)	\$ (17,620,866,104)	\$ 36,390,757,253	\$ 7,438,046,168	\$ 3,405,028,594
Beginning Net Position	\$ 201,807,002,496	\$ 165,416,245,243	\$ 157,978,199,075	\$ 154,568,901,833
Prior Period Adjustments	(519,196)	—	—	4,268,648
Beginning Net Position, as Restated	\$ 201,806,483,300	\$ 165,416,245,243	\$ 157,978,199,075	\$ 154,573,170,481
Ending Net Position	\$ 184,185,617,196	\$ 201,807,002,496	\$ 165,416,245,243	\$ 157,978,199,075

**Net Position
Pension Trust Fund
Last Ten Years**



2018	2017	2016	2015	2014	2013
\$ 3,360,773,197	\$ 3,242,556,261	\$ 2,943,669,320	\$ 2,576,024,311	\$ 2,357,686,000	\$ 2,252,094,934
1,715,784,550	1,697,962,608	1,675,631,248	1,591,482,988	1,530,623,829	1,337,214,693
—	—	—	—	—	—
1,671,257,303	1,588,309,345	1,483,389,348	1,377,972,653	984,552,391	925,693,992
41,538,371	55,092,741	37,389,534	50,089,106	143,534,091	148,400,880
27,670,302	24,974,328	23,950,878	21,205,594	19,714,145	18,885,872
11,242,813,657	17,079,807,347	9,193,280,560	(412,759,100)	19,434,430,034	9,834,136,005
—	—	—	—	—	—
8,108,248	1,299,284	1,993,029	3,733,133	4,143,449	2,629,383
\$ 18,067,945,628	\$ 23,690,001,914	\$ 15,359,303,917	\$ 5,207,748,685	\$ 24,474,683,939	\$ 14,519,055,759
\$ 10,176,447,093	\$ 9,778,497,039	\$ 9,382,696,876	\$ 8,937,328,045	\$ 8,550,916,357	\$ 8,077,729,314
422,335,740	420,421,056	373,418,687	391,341,181	410,600,319	391,292,412
97,333,401	93,609,174	88,854,383	84,059,353	80,163,847	75,513,146
4,380,304	—	—	—	—	—
64,926,169	44,189,998	44,402,710	35,556,979	41,904,190	36,264,062
\$ 10,765,422,707	\$ 10,336,717,267	\$ 9,889,372,656	\$ 9,448,285,558	\$ 9,083,584,713	\$ 8,580,798,934
\$ 7,302,522,921	\$ 13,353,284,647	\$ 5,469,931,261	\$ (4,240,536,873)	\$ 15,391,099,226	\$ 5,938,256,825
\$ 147,361,922,120	\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085	\$ 117,388,143,859	\$ 111,449,887,034
(95,543,208)	—	—	—	—	—
\$ 147,266,378,912	\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085	\$ 117,388,143,859	\$ 111,449,887,034
\$ 154,568,901,833	\$ 147,361,922,120	\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085	\$ 117,388,143,859

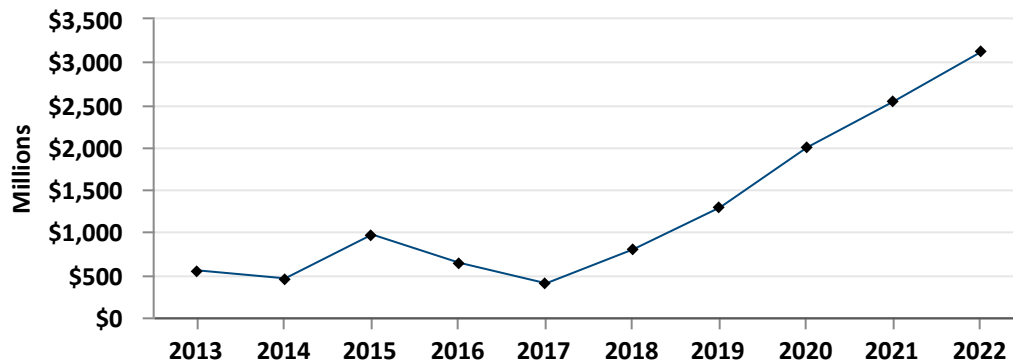
Changes in Fiduciary Net Position

TRS-Care

For Fiscal Years Ended August 31

	2022	2021	2020	2019
Additions				
Member Contributions	\$ 263,328,449	\$ 250,413,572	\$ 243,532,120	\$ 227,338,454
Non-Employer Contributing Entity - State Contributions	451,341,296	447,337,574	435,768,774	404,936,501
Employer Contributions	370,735,616	334,027,999	324,973,591	305,363,084
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees	—	—	—	—
Supplemental Appropriation - Non-Employer Contributing Entity	—	—	—	73,641,562
Federal Revenue	141,003,332	173,912,657	186,169,146	220,783,898
Rebate and Discount Income	508,931,631	416,754,264	423,426,202	356,439,596
Supplemental Funding - Appropriations	83,000,000	5,520,343	230,756,971	—
Investment Income	13,537,557	9,226,940	25,536,560	25,046,771
Miscellaneous Revenue	28,359,830	—	17,879	—
Total Additions	\$ 1,860,237,711	\$ 1,637,193,349	\$ 1,870,181,243	\$ 1,613,549,866
Deductions				
Health Care Claims	\$ 1,635,849,839	\$ 1,553,439,820	\$ 1,538,211,599	\$ 1,515,397,609
Less: Health Care Premiums Paid by Retirees	(399,788,260)	(533,595,349)	(499,057,861)	(517,965,033)
Health Care Claims Processing and Other	27,009,784	51,028,376	68,252,843	44,868,838
Insurance Premium Payments	5,998	15,489,580	51,410,469	71,794,507
Administrative Expenses	18,465,602	7,906,384	7,068,610	6,006,229
Total Deductions	\$ 1,281,542,963	\$ 1,094,268,811	\$ 1,165,885,660	\$ 1,120,102,150
Net Increase (Decrease)	\$ 578,694,748	\$ 542,924,538	\$ 704,295,583	\$ 493,447,716
Beginning Net Position	\$ 2,539,242,470	\$ 1,996,317,932	\$ 1,292,022,349	\$ 798,574,633
Prior Period Adjustments	—	—	—	—
Beginning Net Position, as Restated	\$ 2,539,242,470	\$ 1,996,317,932	\$ 1,292,022,349	\$ 798,574,633
Ending Net Position	\$ 3,117,937,218	\$ 2,539,242,470	\$ 1,996,317,932	\$ 1,292,022,349

**Net Position
TRS-Care
Last Ten Years**



	2018	2017	2016	2015	2014	2013
\$	221,325,377	\$ 213,241,179	\$ 208,581,990	\$ 198,196,273	\$ 189,003,903	\$ 180,824,523
	395,588,628	303,760,632	297,070,920	281,098,358	267,497,910	139,095,786
	296,098,420	215,360,520	212,936,351	202,976,470	193,124,772	160,952,396
	—	—	—	—	139,422	117,770
	—	15,559,552	—	768,100,754	36,058,148	102,363,704
	103,402,579	101,718,551	124,739,649	126,806,652	78,589,415	74,511,473
	284,291,173	291,725,635	218,995,436	231,569,472	200,859,859	82,074,803
	394,600,000	—	—	—	—	—
	10,127,259	4,696,973	5,421,446	1,495,680	2,061,745	3,041,001
	803,022	529,020	89,388	—	—	—
\$	1,706,236,458	\$ 1,146,592,062	\$ 1,067,835,180	\$ 1,810,243,659	\$ 967,335,174	\$ 742,981,456
\$	1,593,381,709	\$ 1,678,892,217	\$ 1,651,712,836	\$ 1,554,181,197	\$ 1,347,532,839	\$ 1,240,508,361
	(488,069,004)	(404,027,710)	(374,736,269)	(369,066,459)	(363,631,292)	(355,685,504)
	80,585,608	46,931,559	48,361,151	47,380,407	45,387,769	43,577,852
	83,828,910	61,792,671	69,228,872	59,000,081	27,507,106	1,148,013
	6,672,488	4,953,492	4,701,677	3,769,680	3,646,546	3,398,109
\$	1,276,399,711	\$ 1,388,542,229	\$ 1,399,268,267	\$ 1,295,264,906	\$ 1,060,442,968	\$ 932,946,831
\$	429,836,747	\$ (241,950,167)	\$ (331,433,087)	\$ 514,978,753	\$ (93,107,794)	\$ (189,965,375)
\$	399,535,986	\$ 641,486,153	\$ 972,919,240	\$ 457,940,487	\$ 551,048,281	\$ 741,013,656
	(30,798,100)	—	—	—	—	—
\$	368,737,886	\$ —	\$ —	\$ —	\$ —	\$ —
\$	798,574,633	\$ 399,535,986	\$ 641,486,153	\$ 972,919,240	\$ 457,940,487	\$ 551,048,281

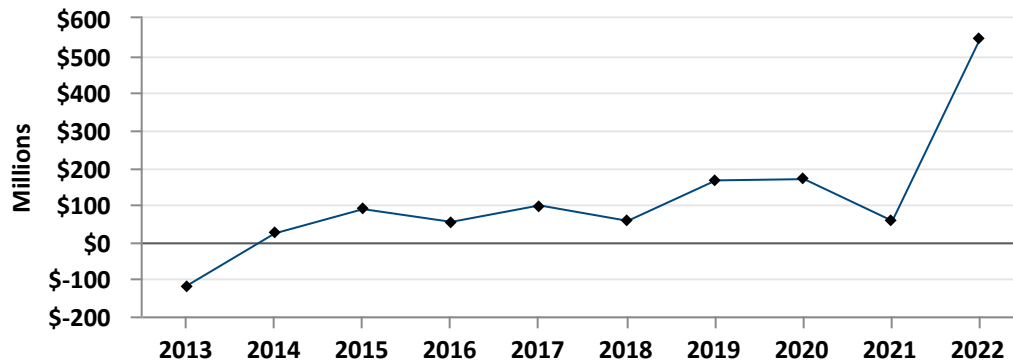
Revenues, Expenses, and Changes in Net Position

TRS-ActiveCare

For the Fiscal Years Ended August 31

	2022	2021	2020	2019
Revenues				
Health Care Premiums	\$ 2,044,855,892	\$ 2,031,686,347	\$ 2,158,997,317	\$ 2,170,132,057
Rebate and Discount Income	174,729,133	147,047,176	145,208,054	157,307,700
Administrative Fees and Non-Operating Revenue	—	142,718	413,313	685,623
Investment Income	1,656,096	2,121,724	7,853,806	10,623,456
Supplemental Funding - Appropriations	638,337,761	—	—	—
Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees	—	—	—	—
Total Revenues	\$ 2,859,578,882	\$ 2,180,997,965	\$ 2,312,472,490	\$ 2,338,748,836
Expenses				
Health Care Claims	2,151,584,283	2,041,118,606	1,932,461,054	1,863,374,439
Health Care Claims Processing and Other	65,957,031	74,546,983	116,068,297	119,811,563
Premium Payments to HMOs	146,752,232	173,297,782	256,850,839	243,198,667
Administrative Expenses	3,988,314	4,090,985	3,746,187	3,703,320
Total Expenses	\$ 2,368,281,860	\$ 2,293,054,356	\$ 2,309,126,377	\$ 2,230,087,989
Change in Net Position	\$ 491,297,022	\$ (112,056,391)	\$ 3,346,113	\$ 108,660,847
Beginning Net Position	56,242,953	168,299,344	164,953,231	56,292,384
Ending Net Position	\$ 547,539,975	\$ 56,242,953	\$ 168,299,344	\$ 164,953,231

**Net Position
TRS-ActiveCare
Last Ten Years**



2018	2017	2016	2015	2014	2013
\$ 2,171,125,097	\$ 2,119,959,039	\$ 2,055,658,822	\$ 1,938,621,262	\$ 1,919,557,855	\$ 1,797,745,785
144,543,929	120,049,492	17,904,885	5,328,003	9,337,610	10,775,898
259,417	321,030	356,054	236,749	139,608	137,630
6,883,872	4,668,888	3,079,039	1,537,408	940,022	746,936
—	—	—	—	—	—
—	—	—	—	79,792	75,664
\$ 2,322,812,315	\$ 2,244,998,449	\$ 2,076,998,800	\$ 1,945,723,422	\$ 1,930,054,887	\$ 1,809,481,913
2,002,142,744	1,846,526,430	1,768,287,120	1,565,255,957	1,521,834,989	1,785,069,768
121,483,408	123,783,747	125,802,110	135,073,416	109,925,954	84,903,101
237,386,929	227,088,895	214,529,160	178,192,468	154,913,859	100,905,702
3,311,679	3,345,442	2,644,792	2,225,417	2,569,850	2,351,802
\$ 2,364,324,760	\$ 2,200,744,514	\$ 2,111,263,182	\$ 1,880,747,258	\$ 1,789,244,652	\$ 1,973,230,373
\$ (41,512,445)	\$ 44,253,935	\$ (34,264,382)	\$ 64,976,164	\$ 140,810,235	\$ (163,748,460)
\$ 97,804,829	\$ 53,550,894	\$ 87,815,276	\$ 22,839,112	\$ (117,971,123)	\$ 45,777,337
\$ 56,292,384	\$ 97,804,829	\$ 53,550,894	\$ 87,815,276	\$ 22,839,112	\$ (117,971,123)

Benefit and Refund Deductions from Net Position by Type**Pension Trust Fund**

For the Fiscal Years Ended August 31

	2022	2021	2020	2019
Benefits				
Service Retirements	\$ 12,015,079,659	\$ 10,881,357,829	\$ 10,272,047,096	\$ 10,503,570,237
Deferred Retirement Option	1,279,319	1,778,707	2,488,283	2,871,239
Partial Lump Sum Option	285,250,124	312,957,038	237,796,738	258,417,662
Disability Retirements	211,456,609	191,856,226	189,250,368	199,708,594
Death and Survivor Benefits				
Annual Salary	289,644,144	45,040,179	38,560,083	45,133,662
Survivor Annuities	167,196,397	127,921,344	116,051,294	116,094,299
Life Annuities	121,098,941	99,935,054	93,091,163	102,595,155
60 Monthly Payments	23,231,822	18,063,389	15,786,007	17,326,148
Remainder of Contributions	11,656,703	7,301,288	7,221,136	8,011,977
Total Benefits	\$ 13,125,893,718	\$ 11,686,211,054	\$ 10,972,292,168	\$ 11,253,728,973
Refunds				
Death	\$ 14,993,742	8,444,658	5,536,660	6,060,703
Separation	564,468,143	440,690,976	415,829,519	480,400,199
Total Refunds	\$ 579,461,885	\$ 449,135,634	\$ 421,366,179	\$ 486,460,902

Benefit Deductions from Net Position by Type**TRS-Care**

For the Fiscal Years Ended August 31

	2022	2021	2020	2019
Claims				
Medical Claims and Insurance Premiums	\$ 551,757,337	\$ 605,096,859	\$ 659,834,968	\$ 688,148,610
Prescription Drugs**	694,534,458	705,239,917	668,307,637	648,749,351
Total Claims	\$ 1,246,291,795	\$ 1,310,336,776	\$ 1,328,142,605	\$ 1,336,897,961

** Note: For TRS-Care, 2013 and 2014 prescription claim amounts have been revised to reflect claims net of rebates. These two years were reported gross of rebates.

Benefit Deductions from Net Position by Type**TRS-ActiveCare**

For Fiscal Years Ended August 31

	2022	2021	2020	2019
Claims				
Medical Claims and Insurance Premiums	\$ 1,838,495,829	\$ 1,790,208,094	\$ 1,780,181,703	\$ 1,702,719,298
Prescription Drugs	293,845,034	285,092,898	271,480,530	254,168,852
Total Claims	\$ 2,132,340,863	\$ 2,075,300,992	\$ 2,051,662,233	\$ 1,956,888,150

	2018	2017	2016	2015	2014	2013
\$	9,495,487,665	\$ 9,059,855,790	\$ 8,633,505,859	\$ 8,215,765,876	\$ 7,795,690,586	\$ 7,251,369,740
	3,407,936	5,231,060	5,166,851	9,643,121	14,974,505	17,223,523
	234,071,031	263,705,342	300,420,702	288,923,266	322,033,388	410,323,790
	181,817,426	177,627,306	173,464,936	169,318,064	164,299,506	156,308,471
	35,735,208	44,398,830	44,952,730	39,574,595	44,846,010	41,219,707
	106,201,977	109,519,771	108,509,074	100,150,048	97,822,817	94,563,001
	94,809,551	93,714,871	92,087,967	90,563,081	89,547,742	87,044,328
	16,184,228	15,518,472	15,523,059	14,443,193	13,415,885	12,659,471
	5,281,986	6,204,030	5,491,553	6,730,215	6,012,086	4,496,453
\$	10,172,997,008	\$ 9,775,775,472	\$ 9,379,122,731	\$ 8,935,111,459	\$ 8,548,642,525	\$ 8,075,208,484
\$	5,574,637	\$ 6,371,748	\$ 7,379,576	\$ 5,474,475	\$ 5,455,829	\$ 4,705,228
	416,761,103	414,049,308	366,039,111	385,866,706	405,144,490	386,587,184
\$	422,335,740	\$ 420,421,056	\$ 373,418,687	\$ 391,341,181	\$ 410,600,319	\$ 391,292,412

	2018	2017	2016	2015	2014	2013
\$	840,420,584	\$ 807,831,048	\$ 858,985,138	\$ 805,668,819	\$ 691,283,731	\$ 687,469,016
	669,082,905	734,805,874	716,536,786	649,457,501	539,842,962	496,229,923
\$	1,509,503,489	\$ 1,542,636,922	\$ 1,575,521,924	\$ 1,455,126,320	\$ 1,231,126,693	\$ 1,183,698,939

	2018	2017	2016	2015	2014	2013
\$	1,826,632,040	\$ 1,653,483,496	\$ 1,644,795,868	\$ 1,479,302,696	\$ 1,397,249,236	\$ 1,613,167,792
	275,730,514	306,703,364	325,475,512	264,145,729	279,499,612	272,807,678
\$	2,102,362,554	\$ 1,960,186,860	\$ 1,970,271,380	\$ 1,743,448,425	\$ 1,676,748,848	\$ 1,885,975,470

Average Benefit Payments						
Pension Trust Fund						
Last Ten Fiscal Years						
Retirements Effective	Years of Credited Service					
	5-10	11-15	16-20	21-25	26-30	30+
2022						
Average Monthly Benefit*	\$ 509	\$ 1,023	\$ 1,640	\$ 2,286	\$ 3,317	\$ 4,407
Average Final Average Salary	\$ 38,665	\$ 45,750	\$ 50,628	\$ 54,777	\$ 65,572	\$ 73,413
Number of Retirees	2,052	1,897	2,782	3,738	3,998	3,355
2021						
Average Monthly Benefit*	\$ 512	\$ 990	\$ 1,618	\$ 2,247	\$ 3,147	\$ 4,249
Average Final Average Salary	\$ 39,379	\$ 44,327	\$ 505,429	\$ 53,697	\$ 61,961	\$ 70,811
Number of Retirees	2,395	2,763	3,821	5,208	5,494	5,206
2020						
Average Monthly Benefit*	\$ 509	\$ 971	\$ 1,586	\$ 2,228	\$ 3,091	\$ 4,228
Average Final Average Salary	\$ 39,228	\$ 43,816	\$ 49,613	\$ 53,502	\$ 61,067	\$ 69,981
Number of Retirees	1,938	2,498	3,410	4,188	4,627	4,257
2019						
Average Monthly Benefit*	\$ 482	\$ 947	\$ 1,514	\$ 2,119	\$ 3,080	\$ 4,140
Average Final Average Salary	\$ 37,290	\$ 43,729	\$ 48,190	\$ 51,413	\$ 61,096	\$ 69,230
Number of Retirees	2,159	2,612	3,317	4,359	4,542	4,068
2018						
Average Monthly Benefit*	\$ 480	\$ 907	\$ 1,433	\$ 2,129	\$ 3,005	\$ 4,147
Average Final Average Salary	\$ 36,807	\$ 42,870	\$ 46,295	\$ 51,600	\$ 59,757	\$ 69,063
Number of Retirees	2,070	2,477	3,403	4,245	4,320	4,192
2017						
Average Monthly Benefit*	\$ 447	\$ 868	\$ 1,412	\$ 2,080	\$ 2,962	\$ 4,056
Average Final Average Salary	\$ 34,635	\$ 41,504	\$ 45,948	\$ 50,617	\$ 58,755	\$ 67,598
Number of Retirees	2,211	2,452	3,523	4,331	4,568	4,632
2016						
Average Monthly Benefit*	\$ 445	\$ 838	\$ 1,351	\$ 2,053	\$ 2,897	\$ 4,059
Average Final Average Salary	\$ 33,898	\$ 40,408	\$ 44,703	\$ 50,288	\$ 57,750	\$ 67,429
Number of Retirees	2,183	2,278	3,195	4,299	4,290	4,668
2015						
Average Monthly Benefit*	\$ 425	\$ 826	\$ 1,347	\$ 2,012	\$ 2,854	\$ 3,998
Average Final Average Salary	\$ 33,580	\$ 40,064	\$ 44,613	\$ 49,606	\$ 56,891	\$ 66,598
Number of Retirees	2,274	2,234	3,101	4,131	4,391	4,413
2014						
Average Monthly Benefit*	\$ 414	\$ 802	\$ 1,329	\$ 1,967	\$ 2,851	\$ 3,883
Average Final Average Salary	\$ 32,917	\$ 39,263	\$ 43,884	\$ 49,220	\$ 56,835	\$ 65,447
Number of Retirees	2,290	2,285	3,082	4,251	4,429	4,197
2013						
Average Monthly Benefit*	\$ 390	\$ 744	\$ 1,294	\$ 1,941	\$ 2,804	\$ 3,873
Average Final Average Salary	\$ 31,582	\$ 37,078	\$ 43,056	\$ 49,217	\$ 56,453	\$ 65,472
Number of Retirees	2,234	2,380	3,067	4,388	4,675	4,952

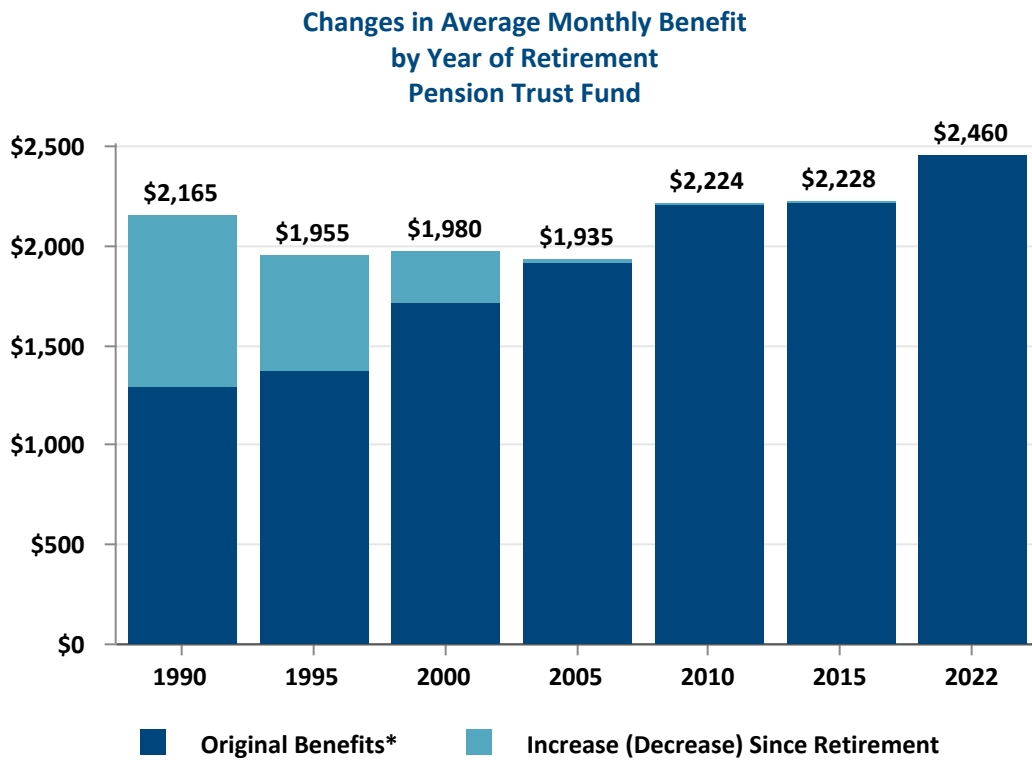
*Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$410.3, \$322.0, \$288.9, \$300.4, \$263.7, \$234.1, \$258.4, \$237.8, \$313.0 and \$285.3 million in fiscal years 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, and 2022, respectively.

Average Monthly Benefits Pension Trust Fund For Fiscal Years Ended August 31							
	1990	1995	2000	2005	2010	2015	2022
Benefits							
Original Benefits*	\$ 1,300	\$ 1,380	\$ 1,720	\$ 1,920	\$ 2,212	\$ 2,222	\$ 2,464
Increase (Decrease) Since Retirement	865	575	260	15	12	6	(4)
Current Benefits	\$ 2,165	\$ 1,955	\$ 1,980	\$ 1,935	\$ 2,224	\$ 2,228	\$ 2,460
Number of Retirees**	1,698	3,494	8,152	8,900	14,748	19,392	17,784

*Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,860, \$2,098, \$2,393, \$2,332, and \$2,546 for fiscal years 2000, 2005, 2010, 2015, and 2022, respectively.

**For each of the retirement years shown, number of service retirees currently receiving benefits.

The following graph of service retiree accounts as of August 31, 2022 reflects benefit increases and decreases since retirement.



Average Benefit Payments				
TRS-Care				
Last Ten Fiscal Years				
Fiscal Year	Average Benefit Per Participant	Benefit Payments	Average Participants	
2022	\$ 5,604	\$ 1,246,291,795	222,402	
2021	5,862	1,310,336,776	223,514	
2020	5,917	1,328,142,605	224,476	
2019	5,818	1,336,897,961	229,775	
2018	6,074	1,509,503,489	248,515	
2017	5,755	1,542,636,922	268,066	
2016	6,062	1,575,521,924	259,889	
2015	5,780	1,455,126,320	251,758	
2014	5,059	1,231,126,693	243,336	
2013	5,053	1,183,698,939	234,277	

Average Benefit Payments				
TRS-ActiveCare				
Last Ten Fiscal Years				
Fiscal Year	Average Benefit Per Participant	Benefit Payments	Average Participants	
2022	\$ 4,806	\$ 2,132,340,863	443,679	
2021	4,398	2,075,300,992	471,822	
2020	4,312	2,051,662,233	475,749	
2019	4,051	1,956,888,150	483,113	
2018	4,267	2,102,362,554	492,746	
2017	3,932	1,960,186,861	498,462	
2016	4,053	1,970,271,380	486,139	
2015	3,607	1,743,448,426	483,299	
2014	3,603	1,676,748,847	465,330	
2013	3,966	1,885,975,470	475,508	

Health Benefits by Plan			
TRS-Care			
As of August 31, 2022			
TRS-Care Plans	TRS-Care Under-65 Retirees	TRS-Care Medicare Advantage	TRS-Care Alternative
As of August 31,2022			
Count of Retirees	46,905	132,505	3,197
Count of Members	62,356	156,559	3,487
Medical			Plan Description
Individual/Family Deductible	\$1,500/\$3,000	\$500 / N/A	This is NOT a plan members can specifically request or enroll in. An individual will be eligible to enroll in the Alternative Medical Plan if: (1) the individual is eligible to enroll in TRS-Care; and (2) the individual is eligible for Medicare and either: (i) does not have reasonable access to a particular provider, as determined by TRS; or (ii) as of January 1, 2018, does not have Medicare Part B coverage and the individual's ability to obtain Medicare Part B coverage is cost prohibitive, as determined by TRS. (3) the individual has Medicare Part A only and the individual's ability to obtain Medicare Part B coverage is cost prohibitive, as determined by TRS.
Individual/Family Out-of-Pocket Maximum	\$5,650/\$11,300	\$3500 / N/A	
Coinsurance	20% after deductible	5% after deductible	
Primary Care Physician	20% after deductible	\$5 copay	
Specialist Care Visit	20% after deductible	\$10 copay, after deductible	
Urgent Care Visit	20% after deductible	\$35 copay	
Pharmacy			
Pharmacy Deductible	Integrated with Medical	\$0	
Generics (30 Day / 90 Day)	20% after deductible	\$5/\$15 copay	
Preferred Brand	20% after deductible	\$25/\$70 copay	
Non-preferred Brand	20% after deductible	\$50/\$125 copay	
Specialty Drug	20% after deductible	\$50/ N/A	

Health Benefits by Plan							
TRS-ActiveCare							
As of August 31, 2022							
TRS-ActiveCare Plans	TRS-ActiveCare Primary	TRS-ActiveCare Primary+	TRS-ActiveCare HD*	TRS-ActiveCare 2*	Central and North Texas Baylor Scott & White HMO	South Texas Blue Essentials HMO	West Texas Blue Essentials HMO
Count of Employees	94,573	49,158	117,597	6,453	9,919	3,764	2,924
Count of Members	144,579	82,777	175,125	10,322	18,081	6,836	5,959
Medical							
Individual/Family Deductible	\$2,500/\$5,000	\$1,200/\$3,600	\$3,000/\$6,000	\$1,000/\$3,000	\$1,150/\$3,450	\$500/\$1,000	\$950/\$2,850
Individual/Family Out-of-Pocket Maximum	\$8,150/\$16,300	\$6,900/\$13,800	\$7,000/\$14,000	\$7,900/\$15,800	\$7,450/\$14,900	\$4,500/\$9,000	\$7,450/\$14,900
Coinsurance	30% after deductible	20% after deductible	30% after deductible	20% after deductible	20% after deductible	20% after deductible	25% after deductible
Primary Care Physician	\$30 copay	\$30 copay	30% after deductible	\$30 copay	\$20 copay	\$25 copay	\$20 copay
Specialist Care Visit	\$70 copay	\$70 copay	30% after deductible	\$70 copay	\$70 copay	\$60 copay	\$70 copay
Urgent Care Visit	\$50 copay	\$50 copay	30% after deductible	\$50 copay	\$50 copay	\$75 copay	\$50 copay
Pharmacy							
Pharmacy Deductible	Integrated with Medical	\$200 brand deductible	Integrated with Medical	\$200 brand deductible	\$200 brand deductible	\$100	\$150
Generics (30 Day / 90 Day)	\$15/\$45 copay	\$15/\$45 copay	20% after deductible	\$20/\$45 copay	\$10/\$25 copay	\$10/\$30 copay	\$5/\$12.50 copay
Preferred Brand	30% after deductible	25% after deductible	25% after deductible	25% after deductible	30% after deductible	\$40/120 copay	30% after deductible
Non-preferred Brand	50% after deductible	50% after deductible	50% after deductible	50% after deductible	50% after deductible	\$65/\$195 copay	50% after deductible
Specialty Drug	30% after deductible	20% after deductible	20% after deductible	20% after deductible	15%/25% after deductible	20% after deductible	15%/25% after deductible
*The benefits outlined above are for Blue Cross Blue Shield of Texas in-network providers. In addition, TRS-ActiveCare HD and TRS-ActiveCare 2 have limited coverage for out of network services.							

**Retired Members by Type of Retirement Benefit
Pension Trust Fund
For the Fiscal Year Ended August 31, 2022**

Amounts of Monthly Benefits	Number of Retired Members	Type of Retirement*						
		1	2	3	4	5	6	7
\$ 1-200	14,962	5,925	6,662	149	2,139	49	22	16
201-400	45,237	12,289	11,650	554	3,390	898	1,199	15,257
401-600	28,327	14,859	8,606	1,169	3,048	446	199	—
601-800	26,522	16,611	5,547	1,203	2,485	475	201	—
801-1,000	26,124	18,175	3,905	1,096	2,284	511	153	—
1,001-1,200	24,230	17,991	2,673	927	2,128	391	120	—
1,201-1,400	21,023	15,913	1,917	758	2,041	310	84	—
1,401-1,600	20,678	15,652	2,058	696	1,890	317	65	—
1,601-1,800	20,476	16,070	1,852	610	1,633	255	56	—
1,801-2,000	21,456	17,652	1,526	524	1,442	280	32	—
2,001-3,000	108,773	96,257	4,269	1,340	5,838	1,009	60	—
3,001-4,000	71,091	66,771	804	222	2,786	501	7	—
4,001-5,000	28,749	27,380	177	30	966	194	2	—
Over 5,000	18,304	17,564	72	4	550	113	1	—
Totals	475,952	359,109	51,718	9,282	32,620	5,749	2,201	15,273

***Type of Retirement:**

1 Normal Retirement of Age and Service	5 Survivor Payment, Death in Service
2 Early Retirement	6 Survivor Payment, After Disability Retirement
3 Disability Retirement	7 Survivor Payment, After Service Retirement
4 Survivor Payment, Joint Life or Guarantee	

**Retired Members by Type of Benefit Option
Pension Trust Fund
For the Fiscal Year Ended August 31, 2022**

Amounts of Monthly Benefits	Number of Retired Members	Option Selected*					
		1	2	3	4	5	6
\$ 1-200	14,962	6,433	5,141	1,721	524	1,100	43
201-400	45,237	12,254	9,280	3,389	1,220	2,108	16,986
401-600	28,327	12,463	8,722	3,891	1,327	1,924	—
601-800	26,522	11,595	8,064	4,068	1,185	1,610	—
801-1,000	26,124	11,454	7,784	4,305	1,234	1,347	—
1,001-1,200	24,230	10,086	7,579	4,219	1,036	1,310	—
1,201-1,400	21,023	8,364	6,947	3,839	887	986	—
1,401-1,600	20,678	8,078	6,903	3,838	847	1,012	—
1,601-1,800	20,476	8,008	6,888	3,840	754	986	—
1,801-2,000	21,456	8,233	7,439	3,993	776	1,015	—
2,001-3,000	108,773	40,103	39,476	20,535	3,535	5,124	—
3,001-4,000	71,091	26,973	24,708	14,098	2,104	3,208	—
4,001-5,000	28,749	11,436	9,169	6,285	790	1,069	—
Over 5,000	18,304	6,910	6,272	4,173	395	554	—
Totals	475,952	182,390	154,372	82,194	16,614	23,353	17,029

***Option Selected:**

Option 1 - Life Annuity	Option 4 - 5-year Guarantee
Option 2 - Joint to Survivor	Option 5 - 10-year Guarantee
Option 3 - Joint to Survivor 50% / Joint to Survivor 75%	Option 6 - Survivor Benefit

Principal Participating Employers Pension Trust Fund						
For the Fiscal Years Ended August 31						
Participating Reporting Entity	2022			2013		
	Covered Employees	Rank	Percentage of Total Covered Employment	Covered Employees	Rank	Percentage of Total Covered Employment
Houston ISD	27,356	1	2.48 %	22,405	1	2.79 %
UT MD Anderson Cancer Center	24,057	2	2.18	17,522	3	2.19
Dallas ISD	23,999	3	2.18	18,462	2	2.30
UT SW Medical Center	21,332	4	1.93	9,150	9	1.14
Cypress Fairbanks ISD	17,943	5	1.63	13,402	4	1.67
Northside ISD	15,375	6	1.39	12,382	5	1.55
UT at Austin	14,831	7	1.34	10,135	8	1.26
Katy ISD	14,593	8	1.32			
UT Med Branch at Galveston	13,520	9	1.23	9,042	10	1.13
Austin ISD	12,270	10	1.11	12,188	6	1.52
Fort Worth ISD				10,523	7	1.31
All Others	918,266		83.21	666,785		83.14
Total	1,103,542		100.00 %	801,996		100.00 %

Source: Information submitted to TRS by participating employers

Principal Participating Employers TRS-Care						
For the Fiscal Years Ended August 31						
Participating Reporting Entity	2022			2013		
	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment
Houston ISD	27,356	1	3.09 %	22,405	1	3.38 %
Dallas ISD	23,999	2	2.71	18,462	2	2.79
Cypress Fairbanks ISD	17,943	3	2.03	13,402	3	2.02
Northside ISD	15,375	4	1.74	12,382	4	1.87
Katy ISD	14,593	5	1.65	8,089	10	1.22
Austin ISD	12,270	6	1.39	12,188	5	1.84
Fort Bend ISD	11,978	8	1.35			
Idea Public Schools	11,457	7	1.29			—
Fort Worth ISD	11,166	9	1.26	10,523	6	1.59
North East ISD	10,280	10	1.16	8,786	7	1.33
El Paso ISD				8,439	8	1.28
Aldine				8,330	9	1.26
All Others	728,610		82.33	539,049		81.42
Total	885,027		100.00 %	662,055		100.00 %

Source: Information submitted to TRS by participating employers

List of Participating Employers

Public Schools		
Abbott ISD	Axtell ISD	Boyd ISD
Abernathy ISD	Azle ISD	Boys Ranch ISD
Abilene ISD	Baird ISD	Brackett ISD
Academy ISD	Ballinger ISD	Brady ISD
Adrian ISD	Balmorhea ISD	Brazos ISD
Agua Dulce ISD	Bandera ISD	Brazosport ISD
Alamo Heights ISD	Bangs ISD	Breckenridge ISD
Alba - Golden ISD	Banquete ISD	Bremond ISD
Albany ISD	Barbers Hill ISD	Brenham ISD
Aldine ISD	Bartlett ISD	Bridge City ISD
Aledo ISD	Bastrop ISD	Bridgeport ISD
Alice ISD	Bay City ISD	Broaddus ISD
Alief ISD	Beaumont ISD	Brock ISD
Allen ISD	Beckville ISD	Bronte ISD
Alpine ISD	Beeville ISD	Brookeland ISD
Alto ISD	Bellevue ISD	Brookesmith ISD
Alvarado ISD	Bells ISD	Brooks County ISD
Alvin ISD	Bellville ISD	Brownfield ISD
Alvord ISD	Belton ISD	Brownsboro ISD
Amarillo ISD	Ben Bolt-Palito ISD	Brownsville ISD
Amherst ISD	Benavides ISD	Brownwood ISD
Anahuac ISD	Benjamin ISD	Bruceville - Eddy ISD
Anderson - Shiro CISD	Big Sandy ISD - Big Sandy	Bryan ISD
Andrews ISD	Big Sandy ISD - Dallardsville	Bryson ISD
Angleton ISD	Big Spring ISD	Buckholts ISD
Anna ISD	Birdville ISD	Buena Vista ISD
Anson ISD	Bishop CISD	Buffalo ISD
Anthony ISD	Blackwell CISD	Bullard ISD
Anton ISD	Blanco ISD	Buna ISD
Apple Springs ISD	Bland ISD	Burkburnett ISD
Aquilla ISD	Blanket ISD	Burkeville ISD
Aransas County ISD	Bloomburg ISD	Burleson ISD
Aransas Pass ISD	Blooming Grove ISD	Burnet CISD
Archer City ISD	Bloomington ISD	Burton ISD
Argyle ISD	Blue Ridge ISD	Bushland ISD
Arlington ISD	Bluff Dale ISD	Bynum CISD
Arp ISD	Blum ISD	Caddo Mills ISD
Aspermont ISD	Boerne ISD	Calallen ISD
Athens ISD	Boles ISD	Caldwell ISD
Atlanta ISD	Boling ISD	Calhoun County ISD
Aubrey ISD	Bonham ISD	Callisburg ISD
Austin ISD	Booker ISD	Calvert ISD
Austwell - Tivoli ISD	Borden County ISD	Cameron ISD
Avalon ISD	Borger ISD	Campbell ISD
Avery ISD	Bosqueville ISD	Canadian ISD
Avinger ISD	Bovina ISD	Canton ISD
	Bowie ISD	Canutillo ISD

List of Participating Employers

Canyon ISD	Collinsville ISD	Danbury ISD
Carlisle ISD	Colmesneil ISD	Darrouzett ISD
Carrizo Springs CISD	Colorado ISD	Dawson ISD - Dawson
Carroll ISD	Columbia - Brazoria ISD	Dawson ISD - Welch
Carrollton - Farmers Branch ISD	Columbus ISD	Dayton ISD
Carthage ISD	Comal ISD	De Leon ISD
Castleberry ISD	Comanche ISD	Decatur ISD
Cayuga ISD	Comfort ISD	Deer Park ISD
Cedar Hill ISD	Commerce ISD	DeKalb ISD
Celeste ISD	Community ISD	Del Valle ISD
Celina ISD	Como-Pickton CISD	Dell City ISD
Center ISD	Comstock ISD	Denison ISD
Center Point ISD	Connally CISD	Denton ISD
Centerville ISD - Centerville	Conroe ISD	Denver City ISD
Centerville ISD - Groveton	Coolidge ISD	DeSoto ISD
Central ISD	Cooper ISD	Detroit ISD
Central Heights ISD	Coppell ISD	Devers ISD
Channelview ISD	Copperas Cove ISD	Devine ISD
Channing ISD	Corpus Christi ISD	Dew ISD
Chapel Hill ISD - Mount Pleasant	Corrigan - Camden ISD	Deweyville ISD
Chapel Hill ISD - Tyler	Corsicana ISD	D'Hanis ISD
Charlotte ISD	Cotton Center ISD	Diboll ISD
Cherokee ISD	Cotulla ISD	Dickinson ISD
Chester ISD	Coupland ISD	Dilley ISD
Chico ISD	Covington ISD	Dime Box ISD
Childress ISD	Crandall ISD	Dimmitt ISD
Chillicothe ISD	Crane ISD	Divide ISD
Chilton ISD	Cranfills Gap ISD	Dodd City ISD
China Spring ISD	Crawford ISD	Donna ISD
Chireno ISD	Crockett ISD	Doss Consolidated CSD
Chisum ISD	Crockett County School District	Douglass ISD
Christoval ISD	Crosby ISD	Dripping Springs ISD
Cisco ISD	Crosbyton CISD	Driscoll ISD
City View ISD	Cross Plains ISD	Dublin ISD
Clarendon CISD	Cross Roads ISD	Dumas ISD
Clarksville ISD	Crowell ISD	Duncanville ISD
Claude ISD	Crowley ISD	Eagle Mountain - Saginaw ISD
Clear Creek ISD	Crystal City ISD	Eagle Pass ISD
Cleburne ISD	Cuero ISD	Eanes ISD
Cleveland ISD	Culberson County - Allamoore ISD	Early ISD
Clifton ISD	Cumby ISD	East Bernard ISD
Clint ISD	Cushing ISD	East Central ISD
Clyde ISD	Cypress - Fairbanks ISD	East Chambers ISD
Coahoma ISD	Daingerfield - Lone Star ISD	Eastland ISD
Coldspring - Oakhurst CISD	Dalhart ISD	Ector ISD
Coleman ISD	Dallas ISD	Ector County ISD
College Station ISD	Damon ISD	Edcouch - Elsa ISD

List of Participating Employers

Eden CISD	Fredericksburg ISD	Grapevine - Colleyville ISD
Edgewood ISD - Edgewood	Freer ISD	Greenville ISD
Edgewood ISD - San Antonio	Frenship ISD	Greenwood ISD
Edinburg CISD	Friendswood ISD	Gregory - Portland ISD
Edna ISD	Friona ISD	Groesbeck ISD
El Campo ISD	Frisco ISD	Groom ISD
El Paso ISD	Frost ISD	Groveton ISD
Electra ISD	Fruitvale ISD	Gruver ISD
Elgin ISD	Gainesville ISD	Gunter ISD
Elkhart ISD	Galena Park ISD	Gustine ISD
Elysian Fields ISD	Galveston ISD	Guthrie CSD
Ennis ISD	Ganado ISD	Hale Center ISD
Era ISD	Garland ISD	Hallettsville ISD
Etoile ISD	Garner ISD	Hallsburg ISD
Eula ISD	Garrison ISD	Hallsville ISD
Eustace ISD	Gary ISD	Hamilton ISD
Evadale ISD	Gatesville ISD	Hamlin ISD
Evant ISD	Gause ISD	Hamshire - Fannett ISD
Everman ISD	George West ISD	Happy ISD
Excelsior ISD	Georgetown ISD	Hardin ISD
Ezzell ISD	Gholson ISD	Hardin-Jefferson ISD
Fabens ISD	Giddings ISD	Harlandale ISD
Fairfield ISD	Gilmer ISD	Harleton ISD
Falls City ISD	Gladewater County Line ISD	Harlingen CISD
Fannindel ISD	Glasscock County ISD	Harmony ISD
Farmersville ISD	Glen Rose ISD	Harper ISD
Farwell ISD	Godley ISD	Harrold ISD
Fayetteville ISD	Goldburg ISD	Hart ISD
Ferris ISD	Goldthwaite ISD	Hartley ISD
Flatonia ISD	Goliad ISD	Harts Bluff ISD
Florence ISD	Gonzales ISD	Haskell CISD
Floresville ISD	Goodrich ISD	Hawkins ISD
Flour Bluff ISD	Goose Creek CISD	Hawley ISD
Floydada ISD	Gordon ISD	Hays CISD
Follett ISD	Gorman ISD	Hearne ISD
Forestburg ISD	Grady ISD	Hedley ISD
Forney ISD	Graford ISD	Hemphill ISD
Forsan ISD	Graham ISD	Hempstead ISD
Fort Bend ISD	Granbury ISD	Henderson ISD
Fort Davis ISD	Grand Prairie ISD	Henrietta ISD
Fort Elliott CISD	Grand Saline ISD	Hereford ISD
Fort Hancock ISD	Grandfalls - Royalty ISD	Hermleigh ISD
Fort Sam Houston ISD	Grandview ISD	Hico ISD
Fort Stockton ISD	Grandview - Hopkins ISD	Hidalgo ISD
Fort Worth ISD	Granger ISD	High Island ISD
Franklin ISD	Grape Creek ISD	Highland ISD
Frankston ISD	Grapeland ISD	Highland Park ISD - Amarillo

List of Participating Employers

Highland Park ISD - Dallas	Joshua ISD	Lampasas ISD
Hillsboro ISD	Jourdanton ISD	Lancaster ISD
Hitchcock ISD	Judson ISD	Laneville ISD
Holland ISD	Junction ISD	LaPoynor ISD
Holliday ISD	Karnack ISD	Laredo ISD
Hondo ISD	Karnes City ISD	Lasara ISD
Honey Grove ISD	Katy ISD	Latexo ISD
Hooks ISD	Kaufman ISD	Lazbuddie ISD
Houston ISD	Keene ISD	Leakey ISD
Howe ISD	Keller ISD	Leander ISD
Hubbard ISD - DeKalb	Kelton ISD	Leary ISD
Hubbard ISD - Hubbard	Kemp ISD	Lefors ISD
Huckabay ISD	Kenedy ISD	Leggett ISD
Hudson ISD	Kenedy County Wide CSD	Leon ISD
Huffman ISD	Kennard ISD	Leonard ISD
Hughes Springs ISD	Kennedale ISD	Levelland ISD
Hull - Daisetta ISD	Kerens ISD	Leveretts Chapel ISD
Humble ISD	Kermit ISD	Lewisville ISD
Hunt ISD	Kerrville ISD	Lexington ISD
Huntington ISD	Kilgore ISD	Liberty ISD
Huntsville ISD	Killeen ISD	Liberty - Eylau ISD
Hurst - Euless - Bedford ISD	Kingsville ISD	Liberty Hill ISD
Hutto ISD	Kirbyville CISD	Lindale ISD
Idalou ISD	Klein ISD	Linden - Kildare CISD
Industrial ISD	Klondike ISD	Lindsay ISD
Ingleside ISD	Knippa ISD	Lingleville ISD
Ingram ISD	Knox City - O'Brien CISD	Lipan ISD
Iola ISD	Kopperl ISD	Little Cypress - Mauriceville CISD
Iowa Park CISD	Kountze ISD	Little Elm ISD
Ira ISD	Kress ISD	Littlefield ISD
Iraan - Sheffield ISD	Krum ISD	Livingston ISD
Iredell ISD	La Feria ISD	Llano ISD
Irion County ISD	La Gloria ISD	Lockhart ISD
Irving ISD	La Grange ISD	Lockney ISD
Italy ISD	La Joya ISD	Lohn ISD
Itasca ISD	La Porte ISD	Lometa ISD
Jacksboro ISD	La Pryor ISD	London ISD
Jacksonville ISD	La Vega ISD	Lone Oak ISD
Jarrell ISD	La Vernia ISD	Longview ISD
Jasper ISD	La Villa ISD	Loop ISD
Jayton - Girard ISD	Lackland ISD	Loraine ISD
Jefferson ISD	Lago Vista ISD	Lorena ISD
Jim Hogg County ISD	Lake Dallas ISD	Lorenzo CISD
Jim Ned CISD	Lake Travis ISD	Los Fresnos CISD
Joaquin ISD	Lake Worth ISD	Louise ISD
Johnson City ISD	Lamar CISD	Lovejoy ISD
Jonesboro ISD	Lamesa ISD	Lovelady ISD

List of Participating Employers

Lubbock ISD	Merkel ISD	New Boston ISD
Lubbock - Cooper ISD	Mesquite ISD	New Braunfels ISD
Lueders - Avoca ISD	Mexia ISD	New Caney ISD
Lufkin ISD	Meyersville ISD	New Deal ISD
Luling ISD	Miami ISD	New Diana ISD
Lumberton ISD	Midland ISD	New Home ISD
Lyford CISD	Midlothian ISD	New Summerfield ISD
Lytle ISD	Midway ISD - Henrietta	New Waverly ISD
Mabank ISD	Midway ISD - Woodway	Newcastle ISD
Madisonville CISD	Milano ISD	Newton ISD
Magnolia ISD	Mildred ISD	Nixon - Smiley CISD
Malakoff ISD	Miles ISD	Nocona ISD
Malone ISD	Milford ISD	Nordheim ISD
Malta ISD	Miller Grove ISD	Normangee ISD
Manor ISD	Millsap ISD	North East ISD
Mansfield ISD	Mineola ISD	North Hopkins ISD
Marathon ISD	Mineral Wells ISD	North Lamar ISD
Marble Falls ISD	Mission CISD	North Zulch ISD
Marfa ISD	Monahans - Wickett - Pyote ISD	Northside ISD - San Antonio
Marion ISD	Montague ISD	Northside ISD - Vernon
Marlin ISD	Monte Alto ISD	Northwest ISD
Marshall ISD	Montgomery ISD	Nueces Canyon CISD
Mart ISD	Moody ISD	Nursery ISD
Martins Mill ISD	Moran ISD	Oakwood ISD
Martinsville ISD	Morgan ISD	Odem - Edroy ISD
Mason ISD	Morgan Mill ISD	O'Donnell ISD
Matagorda ISD	Morton ISD	Oglesby ISD
Mathis ISD	Motley County ISD	Olfen ISD
Maud ISD	Moulton ISD	Olney ISD
May ISD	Mount Calm ISD	Olton ISD
Maypearl ISD	Mount Enterprise ISD	Onalaska ISD
McAllen ISD	Mount Pleasant ISD	Orange Grove ISD
McCamey ISD	Mount Vernon ISD	Orangefield ISD
McDade ISD	Muenster ISD	Ore City ISD
McGregor ISD	Muleshoe ISD	Overton ISD
McKinney ISD	Mullin ISD	Paducah ISD
McLean ISD	Mumford ISD	Paint Creek ISD
McLeod ISD	Munday CISD	Paint Rock ISD
McMullen County ISD	Murchison ISD	Palacios ISD
Meadow ISD	Nacogdoches ISD	Palestine ISD
Medina ISD	Natalia ISD	Palmer ISD
Medina Valley ISD	Navarro ISD	Palo Pinto ISD
Melissa ISD	Navasota ISD	Pampa ISD
Memphis ISD	Nazareth ISD	Panhandle ISD
Menard ISD	Neches ISD	Panther Creek CISD
Mercedes ISD	Nederland ISD	Paradise ISD
Meridian ISD	Needville ISD	Paris ISD

List of Participating Employers

Pasadena ISD	Quinlan ISD	Rule ISD
Patton Springs ISD	Quitman ISD	Runge ISD
Pawnee ISD	Rains ISD	Rusk ISD
Pearland ISD	Ralls ISD	S&S CISD
Pearsall ISD	Ramirez Common School District	Sabinal ISD
Peaster ISD	Randolph Field ISD	Sabine ISD
Pecos - Barstow - Toyah ISD	Ranger ISD	Sabine Pass ISD
Penelope ISD	Rankin ISD	Saint Jo ISD
Perrin - Whitt CISD	Raymondville ISD	Salado ISD
Perryton ISD	Reagan County ISD	Saltillo ISD
Petersburg ISD	Red Lick ISD	Sam Rayburn CISD
Petrolia ISD	Red Oak ISD	San Angelo ISD
Pettus ISD	Redwater ISD	San Antonio ISD
Pewitt CISD	Refugio ISD	San Augustine ISD
Pflugerville ISD	Ricardo ISD	San Benito CISD
Pharr - San Juan - Alamo ISD	Rice CISD	San Diego ISD
Pilot Point ISD	Rice ISD	San Elizario ISD
Pine Tree ISD	Richards ISD	San Felipe - Del Rio CISD
Pittsburg ISD	Richardson ISD	San Isidro ISD
Plains ISD	Richland Springs ISD	San Marcos CISD
Plainview ISD	Riesel ISD	San Perlita ISD
Plano ISD	Rio Grande City Grulla CISD	San Saba ISD
Pleasant Grove ISD	Rio Hondo ISD	San Vicente ISD
Pleasanton ISD	Rio Vista ISD	Sands CISD
Plemons - Stinnett - Phillips CISD	Rising Star ISD	Sanford - Fritch ISD
Point Isabel ISD	River Road ISD	Sanger ISD
Ponder ISD	Rivercrest ISD	Santa Anna ISD
Poolville ISD	Riviera ISD	Santa Fe ISD
Port Aransas ISD	Robert Lee ISD	Santa Gertrudis ISD
Port Arthur ISD	Robinson ISD	Santa Maria ISD
Port Neches - Groves ISD	Robstown ISD	Santa Rosa ISD
Post ISD	Roby CISD	Santo ISD
Poteet ISD	Rochelle ISD	Savoy ISD
Poth CISD	Rockdale ISD	Schertz - Cibolo - Universal City ISD
Pottsboro ISD	Rocksprings ISD	Schleicher County ISD
Prairie Lea ISD	Rockwall ISD	Schulenburg ISD
Prairie Valley ISD	Rogers ISD	Scurry - Rosser ISD
Prairiland ISD	Roma ISD	Seagraves ISD
Premont ISD	Roosevelt ISD	Sealy ISD
Presidio ISD	Ropes ISD	Seguin ISD
Priddy ISD	Roscoe Collegiate ISD	Seminole Public Schools
Princeton ISD	Rosebud - Lott CISD	Seymour ISD
Pringle - Morse CISD	Rotan ISD	Shallowater ISD
Progreso ISD	Round Rock ISD	Shamrock ISD
Prosper ISD	Round Top - Carmine ISD	Sharyland ISD
Quanah ISD	Royal ISD	Shelbyville ISD
Queen City ISD	Royse City ISD	Sheldon ISD

List of Participating Employers

Shepherd ISD	Sulphur Springs ISD	Utopia ISD
Sherman ISD	Sundown ISD	Uvalde CISD
Shiner ISD	Sunnyvale ISD	Valentine ISD
Sidney ISD	Sunray ISD	Valley Mills ISD
Sierra Blanca ISD	Sweeny ISD	Valley View ISD - Pharr
Silsbee ISD	Sweet Home ISD	Valley View ISD - Valley View
Silverton ISD	Sweetwater ISD	Van ISD
Simms ISD	Taft ISD	Van Alstyne ISD
Sinton ISD	Tahoka ISD	Van Vleck ISD
Sivells Bend ISD	Tarkington ISD	Vega ISD
Skidmore - Tynan ISD	Tatum ISD	Venus ISD
Slaton ISD	Taylor ISD	Veribest ISD
Slidell ISD	Teague ISD	Vernon CISD
Slocum ISD	Temple ISD	Victoria ISD
Smithville ISD	Tenaha ISD	Vidor ISD
Smyer ISD	Terlingua CSD	Vysehrad ISD
Snook ISD	Terrell ISD	Waco ISD
Snyder ISD	Terrell County ISD	Waelder ISD
Socorro ISD	Texarkana ISD	Walcott ISD
Somerset ISD	Texas City ISD	Wall ISD
Somerville ISD	Texhoma ISD	Waller ISD
Sonora ISD	Texline ISD	Walnut Bend ISD
South San Antonio ISD	Thorndale ISD	Walnut Springs ISD
South Texas ISD	Thrall ISD	Warren ISD
Southland ISD	Three Rivers ISD	Waskom ISD
Southside ISD	Three Way ISD	Water Valley ISD
Southwest ISD	Throckmorton ISD	Waxahachie ISD
Spearman ISD	Tidehaven ISD	Weatherford ISD
Splendora ISD	Timpson ISD	Webb CISD
Spring ISD	Tioga ISD	Weimar ISD
Spring Branch ISD	Tolar ISD	Wellington ISD
Spring Creek ISD	Tom Bean ISD	Wellman - Union ISD
Spring Hill ISD	Tomball ISD	Wells ISD
Springlake - Earth ISD	Tornillo ISD	Weslaco ISD
Springtown ISD	Trent ISD	West ISD
Spur ISD	Trenton ISD	West Hardin County CISD
Spurger ISD	Trinidad ISD	West Orange - Cove CISD
Stafford Municipal School District	Trinity ISD	West Oso ISD
Stamford ISD	Troup ISD	West Rusk County CISD
Stanton ISD	Troy ISD	West Sabine ISD
Stephenville ISD	Tulia ISD	Westbrook ISD
Sterling City ISD	Tuloso - Midway ISD	Westhoff ISD
Stockdale ISD	Turkey - Quitaque ISD	Westphalia ISD
Stratford ISD	Tyler ISD	Westwood ISD
Strawn ISD	Union Grove ISD	Wharton ISD
Sudan ISD	Union Hill ISD	Wheeler ISD
Sulphur Bluff ISD	United ISD	White Deer ISD

List of Participating Employers

White Oak ISD	Aristoi Classical Academy	Essence Preparatory Charter School
White Settlement ISD	Arlington Classics Academy	Etoile Academy Charter School
Whiteface ISD	Arrow Academy	Evolution Academy Charter School
Whitehouse ISD	Austin Achieve Public Schools	Excellence in Leadership Academy
Whitesboro ISD	Austin Discovery School	Faith Family Academy Waxahachie
Whitewright ISD	Basis San Antonio	Friends of P-Tech
Whitharral ISD	Beatrice Mayes Institute Charter School	Fort Worth Academy Fine Arts
Whitney ISD	Ben Milam International Academy	Gateway Charter Academy
Wichita Falls ISD	Beta Academy	George Gervin Academy
Wildorado ISD	Bexar County Academy	George I Sanchez Charter School
Willis ISD	Big Springs Charter School	Golden Rule Charter School
Wills Point ISD	Bloom Academy Charter School	Goodwater Montessori School
Wilson ISD	Bob Hope School	Great Hearts Academy - San Antonio
Wimberley ISD	Brazos School for Inquiry & Creativity	Green Dot Public Schools Southeast Texas
Windham School District	Brazos River Charter School	Greenleaf - Easterseals Central Texas
Windthorst ISD	Bridgeway Preparatory Academy	Gulf Coast Trades Center
Wink - Loving CISD	Brooks Academy of Science & Engineering	Harmony School of Excellence - Houston
Winnsboro ISD	Burnham Wood Charter School District	Harmony School of Science - Houston
Winona ISD	Calvin Nelms Charter Schools	Harmony Science Academy - Austin
Winters ISD	Carver Center	Harmony Science Academy - El Paso
Woden ISD	Cedars International Academy	Harmony Science Academy - Houston
Wolfe City ISD	Chaparral Star Academy	Harmony Science Academy - San Antonio
Woodsboro ISD	Chapel Hill Academy	Harmony Science Academy - Waco
Woodson ISD	Cityscape Schools Inc	Henry Ford Academy Alameda School
Woodville ISD	Collegiate Edu-Nation	Heritage Academy
Wortham ISD	Compass Academy	High Point Academy
Wylie ISD - Abilene	Compass Rose Education Inc	Houston Classical Charter School
Wylie ISD - Wylie	Comquest Academy	Houston Gateway Charter School
Yantis ISD	Corpus Christi Montessori School	Houston Heights High School
Yoakum ISD	Crosstimbers Academy	Idea Public Schools
Yorktown ISD	Cumberland Academy	Inspire Academies
Ysleta ISD	Democracy Prep Public Schools	Inspired Vision Academy
Zapata County ISD	Dr M L Garza-Gonzalez Charter School	Inst For School & Comm Partnership
Zavalla ISD	Draw Academy	International Leadership of Texas
Zephyr ISD	Eagle Advantage School	Jean Massieu Academy
	East Fort Worth Montessori School	Jubilee Academies
Charter Schools	East Texas Charter School	Katherine Anne Porter School
A Plus Academy	East Texas Advanced Academies	Ki Charter Academy
A Plus Unlimited Potential	Ector Success Academy Network	Kipp Texas Public Schools
A W Brown Fellowship Charter School	Education Center International Academy	La Academia De Estrellas
Academy of Accelerated Learning Inc	El Paso Academy East	La Fe Preparatory School
Academy of Dallas	El Paso Leadership Academy	Leadership Academy Network
Accelerated Intermediate Academy	Eleanor Kolitz Hebrew Language Academy	Leadership Prep School
Alief Montessori School	Elementary School for Education Innovation	Legacy Preparatory
Ambassadors Preparatory Academy	Elevate Collegiate Charter School	Legacy School of Sport Sciences
Amigos Por Vida-Friends For Life Charter School	Erath Excels Academy	Legacy Traditional Schools - Texas

List of Participating Employers

Life School	School of Science & Tech-Discovery	Waco Charter School
Lighthouse Charter School	School of Science & Technology	Wayside Schools
Longview LEAP	Seashore Charter Schools	Westlake Academy
Lubbock Partnership Network	Ser-Ninos Charter School	Winfree Academy Charter Schools
Lumin Education	Si Se Puede Schools	Yellowstone College Preparatory
Manara Academy	South Texas Educational Tech	YES Prep Public Schools
Meadowland Charter District	Southwest High School	
Meridian World School LLC	Southwest Preparatory School	Community and Junior Colleges
Meyerpark Elementary Charter	St Anthony School	Alamo Community College District
Midland Academy Charter School	St Marys Charter School	Alvin Community College
Montessori For All	Stepping Stones Charter Elementary	Amarillo College
Moody Early Childhood Center	Tekoa Academy	Angelina College
New Frontiers Public Schools	Texans Can Academies	Austin Community College
Newman International Academy	Texas College Preparatory Academies	Blinn College
North Texas Elementary School of Arts	Texas Council for International Studies	Brazosport College
Nova Charter School	Texas Education Center	Central Texas College
Nova Charter Southeast	Texas Empowerment Academy	Cisco Junior College
NYOS Charter School	Texas Preparatory School	Clarendon College
Odyssey Academy	Texas Serenity Academy	Coastal Bend College
Orenda Charter School	The Ehrhart School	College of the Mainland
Panola Charter School	The Excel Center for Adults	Collin County Community College
Pegasus School of Liberal Arts & Science	The Gathering Place	Dallas County Community College District
Phalen Leadership Academy	The Lawson Academy	Del Mar College
Pineywoods Academy	The Pro-Vision Academy	El Paso Community College
Pioneer Technology & Arts Academy	The Rhodes School	Frank Phillips College
Por Vida Academy	Third Future Schools - Texas	Galveston College
Prelude Prep Public School	TLC Academy	Grayson County College
Premier High Schools	Transformation Waco	Hill College
Priority Charter Schools	Treetops International	Houston Community College System
Promesa Academy Charter School	Trinity Basin Preparatory	Howard County Junior College District
Promesa Public Schools	Trinity Charter School	Kilgore College
Promise Community School	Triumph Public High Schools - El Paso	Laredo Community College
Public School Partners	Triumph Public High Schools - Laredo	Lee College
Ranch Academy	Triumph Public High Schools - Lubbock	Lone Star College System
Rapoport Academy	Triumph Public High Schools - Rio Grande Valley	McLennan Community College
Raul Yzaguirre School	Trivium Academy	Midland College
REACH Network	Two Dimensions Prep Academy	Navarro College
Reve Preparatory Charter School	Ume Preparatory Academy	North Central Texas College
Richard Milburn - Killeen	Universal Academy	Northeast Texas Community College
Ridgeline Education Corporation	Uplift Education	Odessa College
Rise Academy	Valor Public Schools	Panola College
Royal Public Schools	Vanguard Academy	Paris Junior College
Rural Schools Innovation Zone	Varnett Charter School	Ranger Junior College
San Antonio Preparatory Charter School	Village Tech Schools	San Jacinto College District
School Innovation Collaborative	Vista Del Futuro Charter School	South Plains College

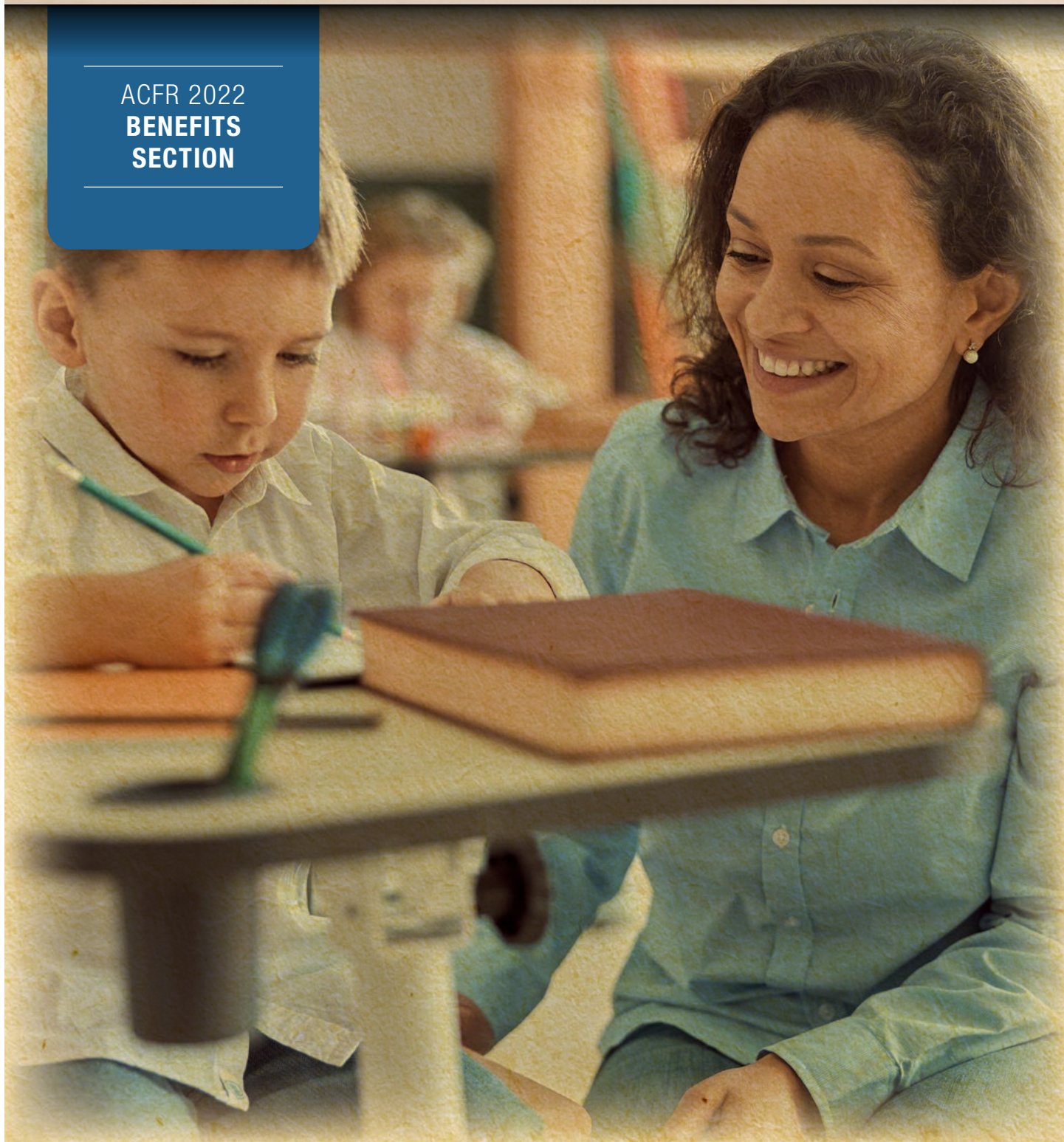
List of Participating Employers

South Texas College	Texas A&M University - San Antonio	Region 03 Education Service Center
Southwest Texas Junior College	Texas A&M University - Texarkana	Region 04 Education Service Center
Tarrant County College District	Texas A&M University Systems Office	Region 05 Education Service Center
Temple College	Texas Division of Emergency Management	Region 06 Education Service Center
Texarkana College	Texas Southern University	Region 07 Education Service Center
Texas Southmost College	Texas State Technical College	Region 08 Education Service Center
Trinity Valley Junior College	Texas State University - San Marcos	Region 09 Education Service Center
Tyler Junior College	Texas State University System	Region 10 Education Service Center
Vernon College	Texas Tech University	Region 11 Education Service Center
Victoria College	Texas Woman's University	Region 12 Education Service Center
Weatherford College	University of Houston	Region 13 Education Service Center
Western Texas College	University of North Texas	Region 14 Education Service Center
Wharton County Junior College	University of North Texas at Dallas	Region 15 Education Service Center
	University of North Texas System Admin	Region 16 Education Service Center
	University of Texas at Arlington	Region 17 Education Service Center
	University of Texas at Austin	Region 18 Education Service Center
	University of Texas at Dallas	Region 19 Education Service Center
	University of Texas at El Paso	Region 20 Education Service Center
	University of Texas at San Antonio	
	University of Texas at Tyler	Other Education Districts
	University of Texas Permian Basin	Bowie County School District
	University of Texas Rio Grande Valley	Harris County Dept of Education
	University of Texas System	
	West Texas A&M University	Other Entities
		Teacher Retirement System of Texas
	Medical Schools	
	Texas A&M University System Health Science Center	
	Texas A&M Veterinary Medical Diagnostic Laboratory	
	University of North Texas Health Science Center at Fort Worth	
	University of Texas Health Science Center at Houston	
	University of Texas Health Science Center at San Antonio	
	University of Texas Health Science Center at Tyler	
	University of Texas MD Anderson Cancer Center	
	University of Texas Medical Branch at Galveston	
	University of Texas Southwestern Medical Center	
		Regional Service Centers
		Region 01 Education Service Center
		Region 02 Education Service Center

"I touch the future. I teach."

– Christa McAuliffe

ACFR 2022
**BENEFITS
SECTION**



Changes in State Law

A. Health Care Benefits

TRS-Care

House Bill 2022, 87th Legislature, created a one-time opportunity for members of TRS-Care that voluntarily terminated coverage between January 1, 2017, and December 31, 2019, and which are eligible for Medicare, to return to TRS-Care as long as they apply on or before December 31, 2023. The bill requires TRS to issue rules to implement this opportunity.

TRS-Active Care

Senate Bill 1444, 87th Legislature, created a new Section 1579.1045. This new statute prohibits TRS-ActiveCare participating employers from offering alternative health coverage to their employees and their dependents, beginning on September 1, 2022. This section closes the loophole created by the Districts of Innovation under Chapter 12A of the Education Code, under which many participating employers were offering alternative coverage to TRS-ActiveCare. However, this same SB 1444 amended Section 1579.155 to allow all participating employers or eligible employers the ability to leave or join TRS-ActiveCare. Effective on September 1, 2022, participating entities that choose to leave TRS-ActiveCare may do so by giving TRS notice no later than December 31st of the year preceding the plan year in which the election to leave will be effective. At the same time, eligible entities may join TRS-ActiveCare by giving TRS notice no later than December 31st of the year preceding the plan year in which their election to join will become effective. Those entities that choose to leave or join TRS-ActiveCare will have to commit to stay in or out of TRS-ActiveCare for a five-year period with no exceptions. The bill requires TRS to issue rules to implement this statute.

Health Care Benefits

Starting on plan years that begin on or after January 1, 2022, Senate Bill 827, 87th Legislature, now prohibits non-Medicare TRS-Care plans and non-high-deductible TRS-ActiveCare plans from imposing cost-sharing amounts that exceed \$25 per prescription for a 30-day supply of an insulin product included in the plan's formulary. The plans are also required to include in the formulary at least one insulin from each therapeutic class.

Also starting on plan years that begin on or after January 1, 2022, Senate Bill 1065, 87th Legislature, expanded the diagnostic imaging coverage that must be included under the annual breast cancer screening mandate under Chapter 1356 of the Insurance Code. The bill now requires that imaging services include mammography, ultrasound imaging, or magnetic resonance imaging to evaluate a patient, including when the individual has a personal history of dense breast tissue. This mandate also applies to non-Medicare TRS-Care plans and non-high-deductible TRS-ActiveCare plans.

New Pre-Authorization Process

House Bill 3459, 87th Legislature, established new rules for pre-authorization requirements under certain health benefit plans in Texas, including non-Medicare TRS-Care and TRS-ActiveCare plans. Beginning on January 1, 2022, health plans that use a preauthorization process for health care services must evaluate samples of a provider's prior services during a six-month evaluation period to determine if that provider may be exempted from having to submit preauthorization requests for a particular health care service for a six-month period. If during the evaluation period the health plan has approved or would have approved not less than 90% of the provider's preauthorization requests for a particular service, the health plan must exempt that provider from having to submit any further preauthorization request for that service until the next evaluation is conducted. The health plan must conduct such evaluations without the provider having to request them, and once a determination is made that a provider must be exempted, the health plan must give notice to the provider. Once an exemption is given to a provider, if during any future evaluation period the health plan determines that the provider does not qualify for the exemption anymore, the health plan must give the provider prior notice and must allow the provider to request an appeal before an independent review organization at the health plan's expense. The independent review organization's determination on appeal will be binding on both parties.

Gold Card Act

TRS has been expecting the Texas Department of Insurance (TDI) to issue regulations under HB 3459 of the 87th Legislative Session. HB 3459, which has become known as the “Gold Card Act”, requires that certain health plans that use a preauthorization process for health care services to exempt certain physicians or providers from having to obtain preauthorization for a particular health care service if, in the most recent six-month evaluation period, the health benefit plan has approved or would have approved not less than 90 percent of the preauthorization requests submitted by the physician or provider. This statute imposes on health plans a very complicated scheme for granting, rescinding, and resolving disputes related to the exemptions. “Providers” under this statute include pharmacies with regards to prior authorizations for prescription drugs. The industry anticipates the regulation from the TDI clarifies questions submitted by the stakeholders in regards to the parameters and the applicability of the statute. The comment period granted by TDI ended on September 20, 2021. The regulation has not been issued.

B. Pensions

The 87th Regular Session of the Texas Legislature passed four major bills that contained provisions relating to pension benefits.

TRS Sunset Bill (HB 1585)

TRS underwent the Sunset Review process during the 87th Regular Legislative Session. The resulting Sunset Bill (HB 1585) made a number of statutory revisions and additions that impact pension benefits, including:

- Allowing members who retired on or before January 1, 2021 to return to work for a Texas public education institution without forfeiture of TRS benefits. Previously, the date was January 1, 2011. Note that employers remain subject to surcharges as applicable for retirees that return to work more than one-half time.
- Creating a “three strikes” system for service retirees who exceed limits on employment after retirement (“EAR”). Previously, a retiree would forfeit the entire amount of the retiree’s annuity for any month in which the retiree exceeded EAR limits. Under the new system, when a retiree exceeds EAR limits for the first time, the retiree receives a warning without the loss of annuity. After notice of their first violation, the retiree must pay back the lesser of earnings for the month the violation occurred or their full annuity. After notice of their second violation, the retiree must forfeit their full monthly annuity for all subsequent violations of EAR limits.
- Requiring TRS to develop a policy to locate and notify a member or the member’s heirs of their entitlement to a return of contributions, including sending certified letters and manual internet searches.
- Creating a TRS ombudsman position, designated by the Board of Trustees, for the purpose of assisting active and retired members by performing member protection and advocacy functions and regularly submitting a report recommending changes to operations that would benefit members and retirees. The TRS Board of Trustees filled the Ombuds position during the September 17, 2021 quarterly board meeting.

Surcharge Pass-Through Prohibition (SB 202)

Beginning in the 2021-2022 school year, SB 202 provided that a reporting employer is ultimately responsible for the pension and applicable health care surcharges for retirees returning to work full time. As a result, SB 202 provided that the employer is prohibited from directly or indirectly passing the costs to the retiree.

COVID-19 Learning Loss Positions (SB 288)

SB 288 created a temporary exemption to EAR limits, pension surcharges, and healthcare surcharges for service retirees who return to work in a position related to mitigating student learning loss due to COVID-19 at a K-12 Texas public educational institution. Additionally, the position must be wholly funded by federal funds enacted for the purpose of providing relief related to the COVID-19 pandemic, must be in addition to the normal staffing levels at the Texas public educational institution, and must end on or before December 31, 2024.

Tutor Exception (SB 1356)

SB 1356 created an exception to EAR limits for both service and disability retirees who participate in a tutoring program created by a school district under Texas Education Code §33.913. SB 1356 did not create a surcharge exemption for these retirees, unless the retirees are otherwise exempt. TRS is required to provide information about the tutoring program to members.

Changes in Federal Law

A. Investments

Implementation of Rulemaking Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) (Dodd-Frank)

During this fiscal year, TRS continued monitoring the sixth implementation phase of the Uncleared Margin Rules for uncleared derivatives, such as swaps and foreign exchange forwards, which are applicable to TRS' ISDA counterparty banks. TRS will address Regulatory Initial Margin compliance with counterparties. For example, requiring non-netted posting and segregation of initial margin per 80 Federal Register 74,840 (November 30, 2015) and 81 Federal Register 636 (January 6, 2016). The timetable for TRS' trading counterparties to comply with these rules is September 1, 2022 per 86 Federal Register 229 (January 5, 2021). In cooperation with TRS' counterparties, TRS will amend some or all of its International Swaps and Derivatives Association agreements to account for the new requirements and also put into place arrangements for third-party custody of Regulatory Initial Margin.

B. Health Care Benefits

Federal Patient Protection and Affordable Care Act of 2010 (PPACA)

During this fiscal year, in a continued effort to identify any impact upon the health benefit programs administered by TRS, TRS continued to monitor regulations issued with regard to the PPACA.

TRS continues to allow certain participating employers in TRS-ActiveCare to designate TRS, acting in its capacity as trustee of TRS-ActiveCare, to fulfill the reporting requirements under Internal Revenue Code Section 6055 for months of enrollment in calendar year 2020. Section 6055 addresses the reporting of health care coverage selected by active employees and COBRA qualified beneficiaries (and their dependents) who are enrolled in one of the PPO plans offered under TRS-ActiveCare.

TRS also continues to make efforts to ensure that the coverage it offers under TRS-ActiveCare meets the PPACA's minimum value and affordability standards, in order to assist the participating entities' efforts to avoid the PPACA's shared responsibility penalties.

On June 17, 2021 the United States Supreme Court issued its decision in the case of California v. Texas (formerly known as Texas v. U.S.) after the Fifth Circuit Court of Appeals determined that the PPACA's individual mandate was unconstitutional, but failed to rule on whether that conclusion renders the remaining provisions of the PPACA invalid. The Supreme Court decided that neither of the parties challenging PPACA in this case had standing to question PPACA's constitutionality. This determination rendered all the lower courts' prior decisions in the case invalid, thus leaving the questions on the constitutionality of PPACA unanswered. Therefore, the technical effect of this decision is that PPACA remains in effect.

The Further Consolidated Appropriations Act of 2020 repealed Internal Revenue Code Section 4980I (introduced by the PPACA and informally known as "the Cadillac Tax") which would have imposed a 40 percent excise tax on certain high cost group health plans. Its effective date had previously been delayed until 2022, but it is now completely repealed. On the other hand, this Act extended the Patient Centered Outcomes Research Institute Fee for an additional ten years until 2029. This is a fee imposed on group health plans based on total enrollment and the funds raised are to be used for specified medical research. The current fee is \$2.54 per covered life, but increases each year.

High Deductible Health Plans

TRS continues to monitor changes that affect TRS-ActiveCare HD and TRS-Care Standard plans, which are high-deductible health plans. For example, the IRS annually releases cost-of-living increases related to the minimum deductibles and maximum out-of-pocket amounts allowed under a high deductible health plan. TRS ensures both plans meet those requirements.

COVID-19

The federal government's response to the COVID-19 pandemic resulted in changes to the health plans offered under TRS-Care and TRS-ActiveCare. The Families First Coronavirus Response Act ("FFCRA") and the Coronavirus Aid, Relief, and Economic Security ("CARES") Act require mandatory coverage, without cost sharing, of COVID-19 diagnostic testing and related services under TRS' health programs in certain circumstances. The CARES Act also requires the rapid coverage of a COVID-19 vaccine when one is developed and approved by federal governmental entities and provides a temporary safe harbor that allows the high deductible health plans of TRS-Care and TRS-ActiveCare to cover telehealth and other remote health services without a deductible. Guidance from the U.S. Department of Health and Human Services allows TRS' health plans to extend certain deadlines for participants to provide notice of special enrollment events and COBRA elections, to pay COBRA premiums, and to appeal adverse benefit determinations, among other things.

No Surprises Act

As of January 1, 2022, consumers that receive emergency care anywhere within the U.S., those that get non-emergency care from out-of-network providers located at in-network facilities, and those that receive air ambulance services from non-network providers, enjoy new protections under the federal No Surprises Act. This statute is part of the Consolidated Appropriations Act of 2021. The Departments of Health and Human Services, Labor, and Treasury, issued regulation to enforce this statute.

Under the regulation, health plans that cover emergency services must do so in an emergency department of a hospital or a freestanding emergency department without the need for prior authorization and without regard whether the health care provider participates in the health plan's network. If the health care provider does not participate in the health plan's network, the health plan cannot impose administrative requirements or limitations that are more restrictive than the ones that apply to in-network providers and facilities, and may not impose cost-sharing requirements that are greater than those that would apply if the services were provided by a network provider or facility. The regulations require the health plan to pay for emergency services provided by non-network providers directly to such providers within 30 days of receiving a clean claim, and the non-network provider is prohibited from claiming against the patient anything beyond what the health plan has paid, except for any applicable cost-shares that are the responsibility of the patient (in other words, the health care provider may not "balance bill" the patient for the emergency services provided). Non-network health care providers are required to settle any disputes over claims related to emergency services directly with the health plan. Cost-shares paying for emergency services provided by a non-network provider must be counted by the health plan towards any applicable in-network deductible and out-of-pocket maximum. The regulation defines "emergency services" broadly. The "emergency" situation that triggers the applicability of this law is based on the patient's criteria that the medical condition the patient is experiencing is of sufficient severity or level of pain that a prudent person could reasonably expect that the absence of immediate medical attention could result in putting the patient's health in serious jeopardy, the impairment of bodily functions, or dysfunction of any bodily organ or part. In the case of pregnant women, the "emergency" criteria would also apply to the unborn child, and an "emergency" can be triggered by a substance use disorder or mental health condition. The emergency services must include an appropriate medical screening, any services necessary to stabilize the patient, within the capabilities of the staff and facilities available at the hospital or freestanding emergency department, and certain post-stabilization services whether in an inpatient or outpatient setting.

Consumers that receive non-emergency services from a non-network provider in an in-network facility also enjoy protections under this law if the services received are covered under their health plan. Such non-network providers can only bill the patient for the applicable cost-shares, and any disputes related to the claims must be resolved directly with the health plan. However, patient's may lose protections under this law if notified in

advance by the provider, whether in written or electronic form, of the provider's non-network status, a good faith estimate of the charges for the services or items to be provided, a statement that prior authorization or other case management limitations may be required by the health plan before the services are received, and a statement that the patient's consent to receive such services from the non-network provider is optional, and that the patient may instead seek care from an available network provider. Patients that sign the consent to be treated by a non-network provider in these circumstances may be balance billed by the provider and any cost-shares paid may not be applied towards any in-network deductible or out-of-pocket maximum. Non-network providers are required to give notice to patients no later than 72 hours prior to the date the item or service is scheduled to be rendered, but when services are scheduled within such 72-hour period, providers are allowed to give notice no later than 3 hours prior to rendering their services.

Lastly, consumers enrolled in a health plan that receive air ambulance services from a non-network air ambulance provider may not be balance billed by such provider and the provider may not bill the patient anything beyond the applicable health plan's cost-share. The non-network air ambulance service provider is required to settle any claim dispute directly with the health plan.

The protections of the federal No Surprises Act work in tandem with similar protections previously given to Texans under Senate Bill (SB) 1264 of the 86th Legislative Session. The state law can co-exist with the federal No Surprises Act to the extent that the state statute does not hinder or limit the terms of the No Surprises Act.

C. Pension

Tax Laws, Regulations, and Guidance

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") went into effect on March 27, 2020. TRS implemented certain provisions of the CARES Act related to Coronavirus Distribution Payments. The American Rescue Plan Act ("ARPA") went into effect on March 11, 2021. TRS provided guidance to participating employers regarding the impact under the TRS plan terms when ARPA funds are used by employers to fund certain positions.

During this fiscal year, TRS continued to monitor the status of proposed regulations regarding income tax withholding on certain periodic retirement and annuity payments, the applicability of normal retirement age regulations, and the determination of governmental plan status.

D. Other Developments

Data Privacy and Security

The General Data Protection Act ("GDPR") went into effect on May 25, 2018. This Regulation restricts the use and storage of the personal information of individuals in the European Union and restricts the international transfer of such data. TRS is continuing to implement and apply the GDPR restrictions as it applies to the operations of TRS' subsidiary in the UK.

Texas Senate Bill 475 became effective in 2021. Key requirements include the establishment of a cloud computing state risk management program (TX-RAMP) for security assessment, authorization and continuous monitoring of cloud computing services that process state agency data; designation of a data management officer at each agency with more than 150 employees; data classification, security and retention requirements; establishment of volunteer incident response teams and regional network security centers; and restrictions on use of biometric identifiers and individual locating information. The TRS Information Security and Information Technology divisions are leading the efforts to implement the requirements of SB 475 and the TRS Procurement and Contracts division has revised contracts to require vendors to comply with SB 475 data security requirements.

Five states have enacted comprehensive consumer privacy bills. The California Consumer Privacy Act went into effect on January 1, 2020. The Colorado, Connecticut, Virginia, and Utah consumer privacy laws will go into effect in 2023. Vendors with whom TRS contracts are required to comply with these laws and TRS is confirming vendor contracts contain compliant consumer privacy terms where necessary.

Market Abuse Regulation (MAR)

MAR took effect on July 3, 2016, and contains the rules on insider dealing, unlawful disclosure of inside information and market manipulation that applies in the European Union. It affects any firm that trades on an in-scope European Economic Area (EEA) market, regardless of whether the firm is within the EEA. MAR includes compliance and legal provisions that are similar to U.S insider trading laws as well as additional requirements such as “market soundings” that involve the communication of potentially insider information by the sell side to the buy side.

Markets in Financial Instruments Directive II (MiFID II)

MiFID II took effect on January 3, 2018 and regulates certain investment services across the EEA. In particular, it requires unbundling of trading costs between research and execution services and fees such that EEA managers must either pay for research themselves or set up a research payment account, where the budget has been agreed with the client. Many managers have determined to pay for research themselves, which has led to a drop in research budgets. Some US managers have adopted a similar approach.

Summary of Benefits

The Teacher Retirement System of Texas (TRS) administers the TRS Pension Trust Fund, a defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Pension Trust Fund provides service retirement, disability retirement, death and survivor benefits to eligible employees of public and higher education in Texas. The TRS Benefits Handbook, a general information booklet, is available to TRS members, annuitants, and the public on the TRS website, www.trs.texas.gov.

TRS also administers two separate health care related trust funds:

- TRS-ActiveCare is the statewide health plan for eligible active public education employees of participating employers and their eligible dependents.
- TRS-Care is the statewide health plan for eligible retired public education employees and their eligible dependents.

Retirement Plan Benefits

This summary of benefits is based on statutory provisions of the plan, effective for fiscal year 2022.

A. Service Retirement

Normal Retirement Eligibility

For members whose membership began prior to September 1, 2007, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- Age 65 with at least five years of credited service, or
- The sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

For members whose membership began on or after September 1, 2007 but prior to September 1, 2014, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- Age 65 with at least five years of credited service, or
- Age 60 and the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

Summary of Benefits

For members who did not have at least five years of service credit as of August 31, 2014, who established TRS membership on or after September 1, 2014, or who had at least five years of service credit as of August 31, 2014 but terminated membership in TRS by withdrawal of accumulated contributions and later resumed TRS membership:

- Age 65 with at least five years of credited service, or
- Age 62 and the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service.

Standard Annuity

A monthly benefit payable at retirement throughout the retiree's lifetime and calculated according to the statutory benefit formula.

Benefit Formula

The annual standard annuity is based on the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3 percent. For members who are grandfathered, the three highest annual salaries are used in the benefit formula.

Minimum Benefit

\$150 per month less any reduction for early age retirement or optional annuity selection.

Early Age Retirement Eligibility

For members whose membership began prior to September 1, 2007, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80.

For members whose membership began on or after September 1, 2007 but prior to September 1, 2014, who had at least five years of service credit as of August 31, 2014, and who maintained membership until retirement:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80, and the member is less than age 60, or
- The sum of the member's age and years of service credit total at least 80, but the member is less than age 60.

For members who met the requirements to be grandfathered before September 1, 2005, there is no reduction to their benefit based on actuarial tables if they are at least age 55, the sum of their age and years of service credit total at least 80, and they are below age 60. These members are still considered early-age retirees.

For members who did not have at least five years of service credit as of August 31, 2014, who established TRS membership on or after September 1, 2014, or who had at least five years of service credit as of August 31, 2014 but terminated membership in TRS by withdrawal of accumulated contributions and later resumed TRS membership:

- At least 55 with five or more years of service credit, but the sum of the member's age and years of service credit total less than 80, or
- 30 or more years of service credit, but the sum of the member's age and years of service credit total less than 80, and the member is less than age 62, or
- the sum of the member's age and years of service credit total at least 80, but the member is less than age 62.

For members who met the requirements to be grandfathered before September 1, 2005, there is no reduction to their benefit based on actuarial tables if they are at least age 55, have at least 20 years of service credit, the sum of their age and years of service credit total at least 80, and they are below age 62. These members are still considered early-age retirees.

Early Age Retirement Benefit

The standard annuity amount calculated under the benefit formula (or the minimum benefit, if applicable) and used to determine the amount of any optional retirement annuity is reduced for early age retirement. The amount of the reduction varies depending on age, years of service credit, and whether a member is grandfathered.

B. Disability Retirement

Eligibility

Physical or mental disability precludes the member's continued performance of current duties and the disability is probably permanent, as certified by the TRS Medical Board.

Benefit

For disabled members with at least 10 years of credited service, the greater of the standard annuity unreduced for early age or \$150 per month minimum benefit, less any reduction for the selection of an optional annuity. For disabled members with fewer than 10 years of credited service, \$150 per month. The minimum benefit amounts are subject to reduction for the selection of an optional retirement annuity.

Duration

For retirees with 10 or more years of credited service, payments continue for as long as the disability continues. For those with fewer than 10 years of credited service, payments continue for the life of the retiree, the duration of the disability, or the number of months of credited service, whichever is shorter.

Earnings Limit

Disability retirees who applied and retired after August 31, 2007 are subject to an annual limit on earnings from any employment. The current limit is the greater of the highest annual salary before retirement or \$40,000. Excess earnings will cause benefits to be forfeited until such time as the excess earnings cease or are reduced to an allowable amount.

C. Annuity Payment Options

All service and eligible disability retirees may select an optional form of payment that reduces the standard annuity by application of actuarial reduction factors in order to continue payment to a beneficiary after the retiree's death. Actuarial factors for disability retirees are different from those for service retirees because of different assumptions about life expectancy for the two groups. The available options include 100, 75, and 50 percent joint and survivor annuities, and five and ten year guaranteed period annuities. Selection of a 100 or 75 percent joint and survivor annuity and a five or ten year guaranteed period annuity may not be allowed in certain situations based on the minimum distribution provisions of federal tax law.

D. The Pop-Up Provision

If a designated beneficiary under any of the joint and survivor options dies while the retiree is still living, the retiree's future monthly payment increases to the amount of the standard annuity.

E. Partial Lump Sum Option

Under the Partial Lump Sum Option (PLSO), available for election at the time of retirement, eligible members may elect to receive an actuarially reduced service retirement annuity plus a lump sum distribution.

Members may elect to receive a PLSO if they are eligible for service retirement, meet the Rule of 90 (age and years of service credit equal at least 90), are not participating in the Deferred Retirement Option Plan (DROP), and are not retiring with disability retirement benefits. Grandfathered members may elect PLSO at retirement if they are eligible for normal age service retirement under the pre-September 1, 2005 law (age 65 with at least five years of credited service, or the sum of the member's age and years of credited service equals or exceeds 80 with at least five years of credited service), are not participating in DROP, and are not retiring with disability retirement benefits. Members retiring under the proportionate retirement program are not eligible to elect the PLSO.

Partial lump sum distributions equal to 12, 24, or 36 months of a standard service retirement annuity may be selected. When a member selects this option, the monthly annuity is actuarially reduced to reflect the lump sum distribution. Flexible annual distribution options are available, including rollovers to another eligible retirement plan.

F. Deferred Retirement Option Plan

The TRS Pension Plan permitted eligible members to participate in a Deferred Retirement Option Plan (DROP) by enrolling no later than December 31, 2005. DROP participants continued employment while accumulating a portion of their standard retirement annuity in a special account that is disbursed beginning at the time of their retirement or death.

Members who elected DROP chose to participate in 12-month increments for up to five years. During DROP participation, the member did not accrue additional service credit for their pension annuity, nor is any compensation earned during DROP participation considered in calculating the standard pension annuity.

During DROP participation, the member's statutory contributions to TRS continue. However, contributions were not credited to the member's contribution account and are not refundable.

Interest on the DROP account balance prior to September 1, 2014 was computed at an annual rate of five percent. Subsequent to that date, the interest rate changed to two percent.

Members who participated in DROP but continued working in membership eligible employment after the close of their participation period earn post-DROP retirement benefits based solely on creditable compensation received and service credit earned after their DROP participation period ended. Post-DROP benefits are distributed with the retirement and DROP benefits. Although the DROP plan is closed to new participants, there are members who participated and have not yet retired.

G. Minimum Service Credit Required for Service Retirement Benefits

Under current law, a member who has completed at least five years of credited service has earned a right to service retirement benefits after reaching eligible retirement age, provided that the member's accumulated contributions are not withdrawn from the system.

Service credited in another retirement system that participates in the Proportionate Retirement Program may be combined with TRS service credit to determine eligibility for TRS service retirement benefits. Any qualifying USERRA military service, up to a maximum of five years, may also be counted in determining eligibility for TRS service retirement benefits. The USERRA service and/or compensation credit may also be purchased to increase the amount of the retirement benefit or may simply be verified and used to establish eligibility.

An eligible member must apply for benefits and meet other requirements, such as termination of Texas public education employment, in order to begin receiving benefits.

H. Death and Survivor Benefits

Active Members

The beneficiary of an active member may elect to receive one of the following benefits in the event of the member's death before retirement in any of the following situations:

- if the member dies during a school year in which the member performed service, or
- if the member was absent from service because of sickness, accident or another reason TRS determines is involuntary, or
- in furtherance of the objectives or welfare of the public school system, or
- if the member dies when eligible to retire, or
- would have become eligible without further service before the fifth anniversary of the member's last day of service as a member
- if the member dies while performing qualified military service as defined by applicable federal law
- when the member is absent from service as described by law, such as when the absence is due to sickness, accident, or other involuntary cause
- when the member is within five years of being eligible to retire when leaving employment.

Benefit Options

- A lump sum payment equal to twice the member's annual rate of compensation or \$80,000, whichever is less, or
- Sixty monthly payments equal to the member's standard annuity without reduction for early age, provided the member had at least five years of service credit at the time of death, or
- Lifetime payments equal to a 100 percent joint and survivor annuity, provided the member had at least five years of service credit, and is subject to any reduction applicable for early age. This benefit is only available when there is a sole beneficiary, or
- An amount equal to a return of the member's contributions with accumulated interest, or
- Survivor benefits of \$2,500 lump sum payment plus a monthly benefit to eligible beneficiaries. For example, \$350 per month to a beneficiary spouse with minor children, continuing until the youngest child reaches age 18. When the spouse turns age 65, or when the youngest child reaches age 18, whichever is later, the spouse would begin receiving \$250 per month for life.

In addition to these five options, a lump sum death benefit of \$160,000 is available if the active member is employed in a TRS-covered position and dies as the result of a physical assault during the performance of the employee's regular job duties. The beneficiary of a DROP participant will receive the accumulated DROP account balance, payable as a lump sum or in periodic installments.

Retirees

In addition to any joint and survivor or guaranteed period annuity that may be payable under an optional form of payment a retiree elected, the beneficiary of a service or disability retiree is entitled to a \$10,000 lump sum payment. Eligible survivors may select alternate payment options in lieu of the lump sum benefit. The alternate payment options include a lump sum payment of \$2,500 plus an applicable monthly survivor benefit.

If total payments made before death to a retiree and, when applicable, to a beneficiary for an optional service retirement annuity, are less than accumulated contributions at retirement, an amount equal to the remainder of the balance of accumulated contributions is paid to the beneficiary or as otherwise provided by law. Should a retiree die prior to receiving all PLSO payments that are due, TRS will pay any remaining PLSO payments in a single lump sum payment to the beneficiary. If the retiree participated in DROP and died before receiving all DROP distributions, any unpaid DROP payments are paid to the beneficiary designated by the retiree.

I. Grandfathered Provisions

A person who, as a member, met any one of the following criteria on or before Aug. 31, 2005, is grandfathered under plan provisions repealed with respect to non-grandfathered members:

- the member was at least 50 years old, or
- the member's age and years of service credit equaled at least 70 ("Rule of 70"), or
- the member had at least 25 years of service credit.

Members who are grandfathered will have their benefits determined in the following manner:

- Final Average Salary at retirement will be determined by the highest three years (instead of five years) of salary.
- Preservation of certain retirement reduction factors means that members age 55 or older with 20 to 24 years of credited service who take early retirement will receive a lesser reduction to their annuities than those members who are not grandfathered.
- Partial Lump Sum Option eligibility will require either age 65 with at least five years of service credit, or a combined age plus years of credited service that equals at least 80 ("Rule of 80") instead of 90.

Health Benefits

A. Active Public School Employee Health Coverage

TRS administers TRS-ActiveCare, a statewide health plan for eligible employees of participating employers, which includes school districts, charter schools, and regional education service centers (ESCS). The plan went into effect on September 1, 2002. The plan initially focused on smaller districts, where affordable health coverage was often harder to find, and later expanded to include larger school districts. Districts were not allowed to leave the health plan until the 2022-23 plan year where they can now opt to leave for up to five plan years. Non-participating employers can also choose to opt into the health plan for a five-year commitment. Employees can choose from at least three plan options: one high-deductible plan and two primary care provider-driven ones. In certain areas, employees may enroll in a health maintenance organization (HMO). Beginning with the 2022-23 plan year, TRS-ActiveCare rates are now set on a regional basis to reflect where employees live and work. Each of the 20 different ESCs have the same plan options and provider access though they have different rates.

For information on TRS-ActiveCare, please refer to the TRS website.

B. Retiree Health Coverage

TRS administers TRS-Care, a health plan for eligible retired public education employees and their eligible dependents that was established in 1985. TRS-Care covers a substantial portion of retired public education employees. Details of the plan can be found in Note 9.

Certain retirees who previously left the plan have a one-time re-enrollment opportunity for TRS-Care Medicare. Those who voluntarily disenrolled from TRS-Care between January 1, 2017 and December 31, 2019 may opt to re-enroll on or before December 31, 2023.

For information on TRS-Care eligibility, please refer to the TRS website.

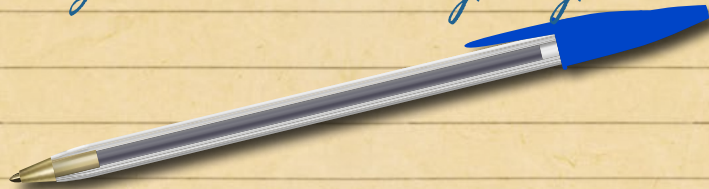
C. Long-Term Care Insurance Program

TRS' contract to administer long term care (LTC) insurance ended on August 31, 2021. TRS no longer offers the product or a similar one. TRS members with active policies were able to retain their policies and pay premiums directly to the contracted provider.

This page is intentionally left blank.

THANK YOU

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





Teacher Retirement System of Texas

1000 Red River St.

Austin, Texas
78701-2698

1-800-223-8778

www.trs.texas.gov