

2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT

A COMPONENT UNIT OF THE STATE OF TEXAS • FISCAL YEAR ENDED AUGUST 31, 2023



Patricia C.
Accounting &
Reporting



Our Mission

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

Teacher Retirement System of Texas

2023
Annual Comprehensive
Financial Report

A Component Unit of
the State of Texas

Fiscal year ended August 31, 2023
Prepared by TRS staff

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INTRODUCTORY SECTION

A man with short grey hair, wearing a light yellow polo shirt and dark blue trousers with a brown belt, stands against a yellow background with faint decorative patterns of stars and swirls. He is holding a white rectangular sign in front of his chest with both hands. The sign contains the text "Our members are our focus." written in a blue cursive font. He has a slight smile and is looking directly at the camera.

*Our members
are our focus.*

Rob S.
Safety and
Security

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



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



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



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



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



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



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



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



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

For information on the board election process, please refer to Note 1 in the Financial Section.



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, 2022

Christopher P. Merrill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2022***

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 black ink that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

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1.800.223.8778
www.trs.texas.gov

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

November 20, 2023

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 of Texas

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, 2023, the System's 86th year of operation. During the past fiscal year, the System experienced growth as membership increased by 53,067 individuals, ending the year with 2,001,974 participants. The Pension Trust Fund experienced favorable market performance resulting in positive returns for the fund, ending the 2023 fiscal year with a net position of \$187.2 billion compared to \$184.2 billion at the close of the 2022 fiscal year. TRS investment earnings, combined with contribution increases and benefit changes approved by the 87th Texas Legislature, continue 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 33 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 ended August 31, 2023, the total portfolio delivered investment returns of 3.85 percent, which is 1.63 percent above the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$186.6 billion, or \$3.1 billion more than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 6.58 percent, which is 0.96 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2023, were 6.42 percent and 7.62 percent, respectively. The ten and twenty year average return surpasses 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 2023, TRS made pension benefit payments totaling \$12.7 billion to 489,921 retirees and their beneficiaries. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions. In addition, the 88th Texas Legislature authorized and fully funded two benefit enhancements for fiscal year 2024 that included a one-time stipend payment to eligible annuitants based on age that was paid in September 2023 and a cost-of-living adjustment based on retirement dates of eligible retirees that was approved by Texas voters in the November 2023 election to be paid in January 2024.

Actuarial Soundness of the Pension Trust Fund

As of August 31, 2023, the System had a funded ratio of 77.5 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$57.9 billion. The UAAL increased \$6.2 billion during the year largely due to unfavorable investment performance for fiscal year 2022 and larger than expected salary increases for active TRS members. Even with these events, the UAAL is anticipated to be fully amortized by 2052. The System still meets the statutorily determined actuarial soundness definition by having a funding period of less than 31 years.

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 increased to 8.00 percent in fiscal year 2023 and phased-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 29 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, employers, and active public education employees. TRS-Care also receives additional revenue from the Medicare Part D subsidy program.

As of August 31, 2023, TRS-Care had a Net Other Post-Employment Benefit Liability of \$22.1 billion. The program was 14.9 percent funded as of the end of the fiscal year 2023. 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 to keep TRS-Care premiums consistent through fiscal year 2024.

Dental and vision benefits for TRS retirees and their families are coming to TRS-Care. The 88th Texas Legislature passed Senate Bill 1854 (SB 1854), which allows TRS to offer optional dental and vision care for TRS retirees. This includes their dependents, surviving spouses and surviving dependent children. The TRS Health Division is currently researching dental and vision plans from across the U.S. They'll use these insights to build TRS-Care dental and vision coverage with the richest benefits at lowest cost. In October of 2023, TRS announced a request for proposals to secure new dental and vision vendors. Enrollment starts in 2024 and coverage starts on January 1, 2025.

Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2001, 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.

The 87th Texas Legislature passed Senate Bill 1444 (SB 1444) in 2021, giving public education employers more flexibility when choosing their health care while also protecting the stability of TRS-ActiveCare. Prior to SB 1444, state law did not allow employers to opt out of TRS-ActiveCare. The new law means that an employer that participates in TRS-ActiveCare can routinely evaluate their options and decide to remain in the program or leave. Districts must notify TRS of their intention to join or leave by annual deadlines.

Agency Highlights

Customer Service Improvement Initiative - TRS significantly improved customer services in fiscal year 2023 via this initiative, which included procedure changes, system modifications, process improvements and enhanced staffing. For the first time since 2017, Benefit Services was able to meet or exceed nearly all of its targeted performance metrics for the year. This included reducing call center hold times from 23 minutes to under a minute and a half, and providing nearly 30,000 counseling office visits at both its headquarters and first regional office in El Paso. In addition, Benefit Services significantly reduced response times to members requesting benefit calculations and benefit information to beneficiaries regarding member deaths. TRS also executed all of its planned activities in alignment with the Member and Employer Outreach Plan to include measurably increasing outreach and engagement on all communication channels.

El Paso Regional Office - To best meet growing customer needs across the state, TRS opened its first regional office in El Paso in November 2022 in the Region 19 Education Service Center. In less than a year, the office has served nearly 5,000 members and provides a vital regional resource for employees as well. If data suggests the office is valuable to TRS members, TRS will consider establishing an additional regional office with related activities commencing during the 2024-25 biennium. El Paso was selected as the pilot following extensive research and assessment of member needs.

Ombuds - 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 an annual report to the Trustees.

New and Improved MyTRS - The MyTRS member self-service portal continues to provide 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 co-browse features 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. TRS also continues to make enhancements to its pension systems.

Enhanced Engagement for Health Plan Participants — TRS augmented its communication and engagement work around the health plans. With new webinars targeting key life events and resuming in-person meetings with retirees, TRS helped our members make the most of their benefits. To support employers with making informed decisions, TRS invested in outreach and communications specific to district leaders, with more than 31 touchpoints per district.

New Pharmacy Benefits Manager for TRS Health Plans — This new best-in-class contract with Express Scripts will generate significant savings to help sustain health care benefits our participants and employers value. TRS rolled out a robust communication and engagement campaign to prepare members for the transition for TRS-ActiveCare on Sept. 1, 2023 and TRS-Care on Jan. 1, 2024.

TRS-ActiveCare Legislative Investment Promotes Affordability — The Texas Legislature invested \$588.5 million in TRS-ActiveCare to help educators have affordable health coverage. This amounts to an annual average savings of \$1,100 per employee over the biennium. Even without this funding, TRS offers a competitively priced option compared to other health plans, with TRS-ActiveCare's total costs 18 percent lower on average. Because of the value TRS-ActiveCare provides, 99 percent of school districts chose to remain in TRS-ActiveCare in 2023.

Support Services and Administration – In 2023, TRS Support Services and Administration successfully implemented the Retirement Application and Death Claim Processing (RAP/DTH) tool to streamline and expedite the processing of retirement applications and death claims, enhancing efficiency and accuracy while reducing manual efforts for staff. Support Services and Administration also exceeded fiscal year targets for HUBs utilized for special trade, professional services and other services.

Investment Management - Investment Management is a core function within TRS that focuses on achieving superior long-term investment returns to secure members' retirement futures and deliver benefits that enrich their lives. Through Investment Management, TRS strives to provide the highest possible risk-adjusted rate of return by using a diversified asset allocation and prudent, innovative investment strategies. In FY 2023, Investment Management experienced remarkable improvement related to return in excess of the benchmark return for the total Trust, excelled in investment performance relative to the Board-approved benchmark, and surpassed the FY 2023 target for 20-year average return on investment performance. Additionally, via its "Reduce Investments Fees" initiative to bring more investment personnel in-house, TRS realized more than \$1.2 billion in estimated fee savings for the five-year period ended December 31, 2022.

TRS Classification Plan - TRS is continuing implementing and refining its Classification and Compensation Plan. The plan is tailored to meet the agency's specific business needs, tied to market data for talent, and provides an efficient and flexible framework to effectively recruit and retain staff. TRS' voluntary turnover rate is 48.3 percent lower than the comparable state turnover rate. Following authority provided during the 2019 legislative session, TRS also has continued a three-year fellowship program for recent undergraduate and graduate school graduates to create talent pipelines.

New Headquarters - TRS successfully moved into the first of its two new Austin headquarters buildings in fiscal year 2023, and out of downtown leased space. 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. When fully complete, the two-building campus will house the entire Austin-based agency. The buildings are designed to serve TRS members for the next generation and will be fully occupied by 2025. TRS also sold its current Red River campus location for \$108 million.

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.

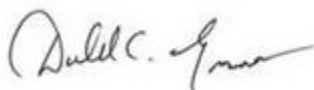
We are grateful for the dedicated service of all of our trustees. Trustee willingness to accept the substantial responsibilities of directing system administration is a great service to the State and to the members served by TRS.

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



Andrew Roth
Deputy Director



Martin Cano
Assistant Deputy Director



Jase Auby
Chief Investment Officer



Barbie Pearson
Chief Benefit Officer



Shannon Gosewehr
Chief Business Administration Officer



Lori LaBrie
Ombuds



Heather Traeger
General Counsel & Chief Compliance Officer



Katrina Daniel
Chief Health Care Officer



Frank Williams
Chief Information & Security Officer



Merita Zoga
Director of Governmental Relations



Don Green
Chief Financial Officer



Shunne Powell
Chief Organizational Excellence Officer



Chris Cutler
Chief Information Officer



Kellie Sauls
Director of Outreach, Culture & Engagement



Beth 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*
Shunne Powell, *Chief Organizational Excellence Officer*
Martin Cano, *Assistant Deputy Director*
Shannon Gosewehr, *Chief Business Administration Officer*
Beth Hallmark, *Senior Director, Communications*
Merita Zoga, *Director, Governmental Relations*
Kellie Sauls, *Director, Outreach, Culture & Engagement*
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)
Jefferies, L.L.C.
New York, NY (Private Equity)
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
Milliman, Inc., Dallas
Segal Company, Atlanta, GA
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, Fees and Commissions for Investment Manager Fees and Broker Commissions tables beginning on page 123.

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 2023 are disclosed in the following table.

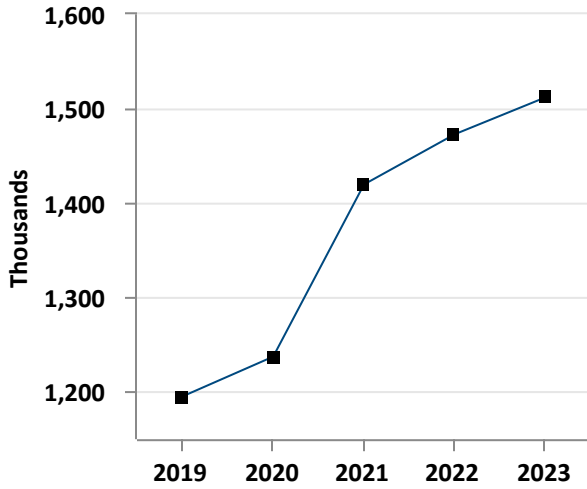
| Number of Participating Employers | |
|--------------------------------------|--------------|
| Participating Employers | 2023 |
| Public School Districts | 1,020 |
| Charter Schools | 200 |
| Community and Junior Colleges | 50 |
| Senior Colleges and Universities | 48 |
| Regional Service Centers | 20 |
| Medical Schools | 9 |
| Other Education Districts | 2 |
| State Agencies | 1 |
| Total Participating Employers | 1,350 |

| Membership Numbers by Category | | |
|------------------------------------|------------------|------------------|
| Member Categories | As of August 31, | |
| | 2023 | 2022 |
| Current Members | | |
| Active Contributing | 953,295 | 928,418 |
| Inactive Non-vested | 424,658 | 419,580 |
| Inactive Vested | 134,100 | 124,957 |
| Total Current Members | 1,512,053 | 1,472,955 |
| Retirement Recipients | | |
| Service | 457,779 | 444,557 |
| Disability | 11,933 | 11,907 |
| Survivor | 20,209 | 19,488 |
| Total Retirement Recipients | 489,921 | 475,952 |
| Total Membership | 2,001,974 | 1,948,907 |

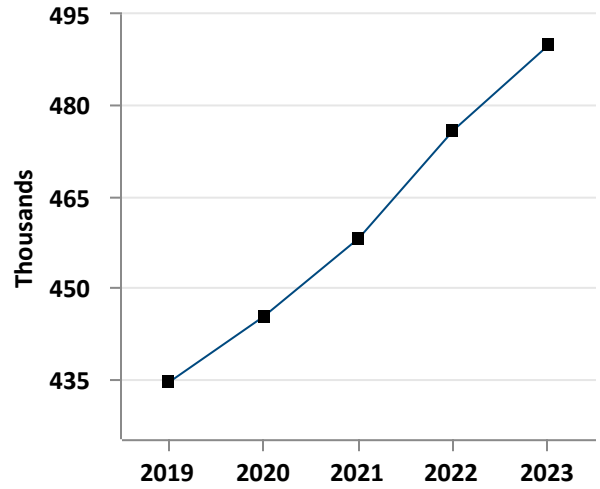
| Membership Profile | | | |
|----------------------------------|------------------|------|----------|
| | As of August 31, | | |
| | 2023 | 2022 | |
| Active Membership | | | |
| Average Annual Salary | \$ 57,102 | \$ | 55,639 |
| Average Age | 44.7 | | 44.7 |
| Average Years of Service | 10.3 | | 10.5 |
| Annuitant and Beneficiary | | | |
| Average Monthly Annuities | | | |
| Life Annuities | \$ 2,199 | \$ | 2,174 |
| Disability Annuities | \$ 1,277 | \$ | 1,256 |
| Annuities Certain | \$ 1,209 | \$ | 1,185 |
| Average Age of Current Retirees | 72.6 | | 72.3 |
| Average Age at Retirement | | | |
| All Retirees | 60.5 | | 60.5 |
| Current Year Retirees | 63.0 | | 62.3 |
| Average Years of Service | | | |
| All Retirees | 24.0 | | 24.1 |
| Current Year Retirees | 22.1 | | 22.8 |
| Average Salary at Retirement | | | |
| All Retirees | \$ 49,113 | \$ | 48,343 |
| Current Year Retirees | \$ 58,648 | \$ | 57,254 |
| Ratio of Members to Retirees | 3.1 to 1 | | 3.1 to 1 |

| Net Membership Changes | | |
|----------------------------|------------------|---------------|
| Population Changes | As of August 31, | |
| | 2023 | 2022 |
| Active Membership: | | |
| New Members | 112,533 | 115,133 |
| Members Withdrawing | (66,933) | (43,227) |
| Service Retirements | (22,430) | (25,679) |
| Disability Retirements | (626) | (662) |
| In-Service Deaths | (2,055) | (2,109) |
| Other Changes | 18,609 | 9,713 |
| Net Increase | 39,098 | 53,169 |
| Retired Membership: | | |
| Retirements | 23,056 | 26,341 |
| Deaths After Retirement | (9,965) | (12,069) |
| Option Continuations | 3,684 | 4,238 |
| Other Changes | (2,806) | (691) |
| Net Increase | 13,969 | 17,819 |

**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 1,241 participating employers during fiscal year 2023.

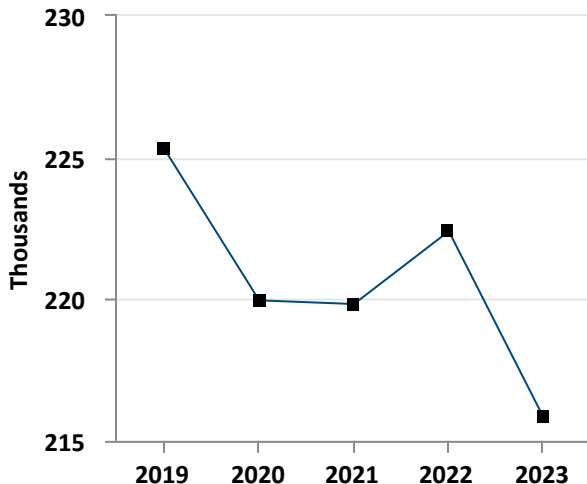
| Membership Numbers by Category | | |
|--------------------------------|------------------|----------------|
| Member Categories | As of August 31, | |
| | 2023 | 2022 |
| Retirees | 178,043 | 182,607 |
| Surviving Spouses | 5,813 | 5,925 |
| Surviving Children | 106 | 123 |
| Dependent Spouses and Children | 31,862 | 33,747 |
| Total Membership | 215,824 | 222,402 |

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

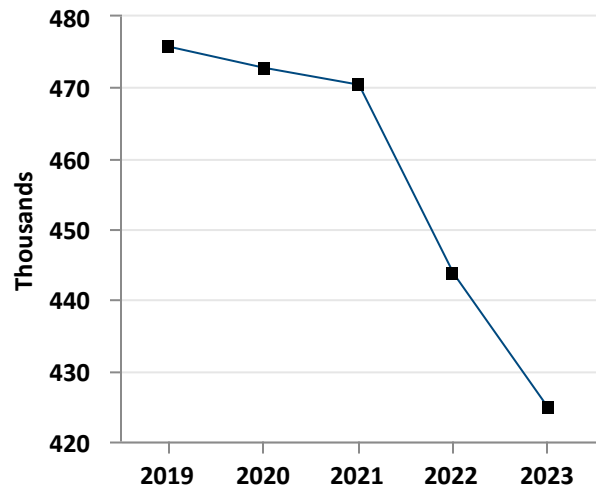
Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers, and other educational districts. There were 982 participating employers during fiscal year 2023.

| Membership Numbers by Category | | |
|--------------------------------|------------------|----------------|
| Member Categories | As of August 31, | |
| | 2023 | 2022 |
| Employees | 273,147 | 284,388 |
| Dependents | 151,549 | 159,291 |
| Total Membership | 424,696 | 443,679 |

**Membership by Year
TRS-Care**



**Membership by Year
TRS-ActiveCare**



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FINANCIAL SECTION



Leslie B.
Benefit
Processing



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
Ms. Brittany Allred
Mr. Michael Ball
Mr. David Corpus
Mr. John Elliott
Mr. James Dick Nance
Mr. Robert H. Walls, Jr.
Mr. Elvis Williams

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, 2023, 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, 2023, 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
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Austin, Texas 78701

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Austin, Texas 78711-2067

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SAO Report No. 24-305

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, 2023, 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 \$103.4 billion as of August 31, 2023, 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*, we:

- 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; and
- 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 GAAS, 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 GAAS. 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 2022 financial statements, and we expressed unmodified opinions on the respective financial statements of the major enterprise fund and the aggregate remaining funds information, consisting of the fiduciary funds, in our report dated November 18, 2022. 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

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

November 20, 2023

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, 2023. 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 \$187.2 billion as of August 31, 2023, an increase of \$3.0 billion from fiscal year 2022.
- The net pension liability was \$68.7 billion, a \$9.3 billion increase from the fiscal year 2022 liability of \$59.4 billion.
- Fiscal year 2023 investment income was \$6.9 billion, an increase of \$20.3 billion from fiscal year 2022.
- Pension Plan investments experienced a 3.85 percent annual rate of return for the year ended August 31, 2023, compared to a (6.72) percent annual rate of return for fiscal year 2022.
- The net position of TRS-Care was \$3.9 billion as of August 31, 2023, an increase of \$771.8 million from fiscal year 2022.
- TRS-Care's net Other Post-Employment Benefit (OPEB) liability was \$22.1 billion. The liability decreased \$1.8 billion from fiscal year 2022 liability of \$23.9 billion.
- TRS-ActiveCare had a net position of \$283.8 million as of August 31, 2023, a decrease of \$263.7 million from fiscal year 2022.

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, 2023 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, 2023, 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

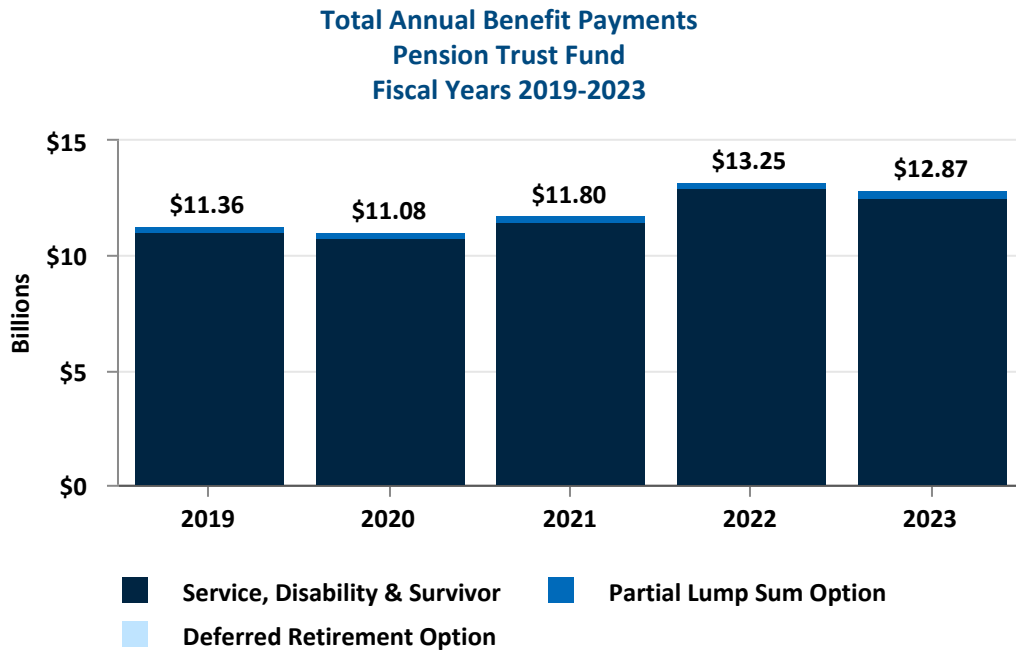
Other Supplementary Information includes administrative and investing activity expenses and payments for professional and consulting services.

Growth of the System

As of August 2023, the monthly annuity payroll decreased to \$1,049.1 million, and TRS was paying benefits to 489,921 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 13,969 during fiscal year 2023.

Of the current TRS member accounts, 953,295 active contributing and deferred retirement option participants were employed during fiscal year 2023 and made contributions to the System. The remaining 558,758 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 39,098 during fiscal year 2023.



Financial Analysis of TRS Funds

Pension Trust Fund

Net position held in trust for benefits at August 31, 2023 was \$187.2 billion, an increase of \$3.0 billion from the \$184.2 billion at August 31, 2022.

Global financial markets and asset values generally performed better than expected throughout fiscal year 2023, driven by lowered inflationary pressures, resilient economic data in the face of restrictive monetary policy, and stronger than expected corporate earnings. While economic and market results have exceeded expectations, the year still experienced disruptive headwinds as the world's major reserve banks continued to raise interest rates at the fastest pace in history, the US regional banking sector was hit with a liquidity crisis, and geopolitical tensions between key economies resurfaced. The Trust returned 3.85 percent for the fiscal year ended August 31, 2023. Fiscal year 2023 investment income was \$6.9 billion, an increase of \$20.3 billion over 2022.

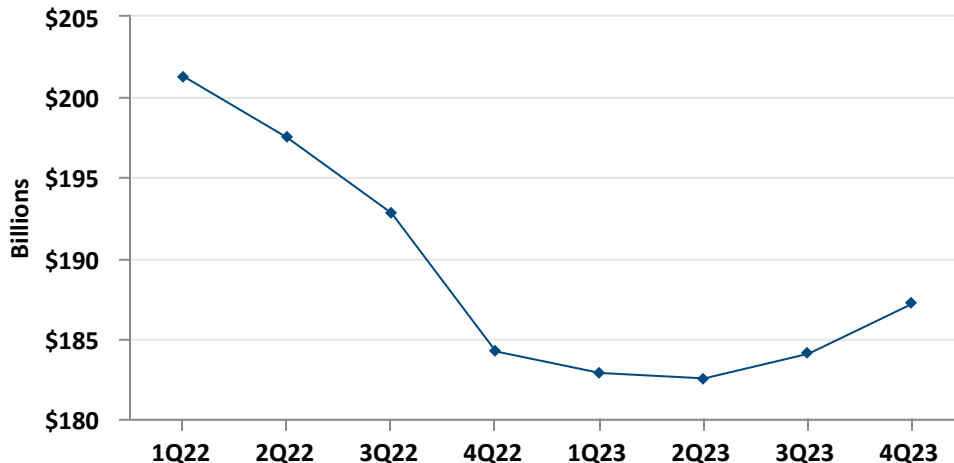
Total contributions and other additions increased \$104.9 million, or 1.1 percent, during fiscal year 2023. The increase is due to normal payroll growth.

Deductions from net position are primarily retirement pension payments. Fiscal year 2023, benefit payments totaled \$12.9 billion, a decrease of \$0.4 billion. This decrease was due to one-time payments being issued in fiscal year 2022 and an increase in the number of retirees. For fiscal year 2023, refund of contributions were \$707.8 million, an increase of \$128.4 million over fiscal year 2022, largely due to an increase in member withdrawals.

Administrative expenses, excluding investing activities expenses, on a cost per member basis were \$42.55 for fiscal year 2023 compared to \$31.84 in fiscal year 2022.

Investment cost per member was \$421.57 for fiscal year 2023 as compared to \$129.81 in fiscal year 2022. Investment expense in basis points of net position was 46.1 for fiscal year 2023 and was calculated using the average net asset value. Investment expense in basis points for fiscal year 2022 was 13.0. The increase in investment costs per member was mainly attributed to a change in the presentation of interest expense on reverse repurchase agreements. Interest expenses were significant in fiscal year 2023 because of recent increases in interest rates and investment in reverse repurchase agreements. The System is required to report interest expense separately as an investment fee; whereas interest expense on reverse repurchase agreements was offset with interest income in previous fiscal years.

**Quarterly Net Position
Pension Trust Fund
Fiscal Years 2022-2023**



| Statement of Fiduciary Net Position | | | | |
|--|-----------------------|-----------------------|----------------------|--------------------------|
| Pension Trust Fund | | | | |
| As of August 31 | | | | |
| (Dollars in Thousands) | | | | |
| | 2023 | 2022 | Dollar Change | Percentage Change |
| Assets | | | | |
| Cash and Receivables | \$ 4,310,283 | \$ 5,347,981 | \$ (1,037,698) | (19.4)% |
| Investments | 203,296,402 | 195,157,348 | 8,139,054 | 4.2 |
| Invested Securities Lending Collateral | 5,675,099 | 6,957,898 | (1,282,799) | (18.4) |
| Capital Assets | 190,742 | 158,671 | 32,071 | 20.2 |
| Total Assets | \$ 213,472,526 | \$ 207,621,898 | \$ 5,850,628 | 2.8 % |
| Total Deferred Outflow of Resources | \$ 50,173 | \$ 51,449 | \$ (1,276) | (2.5)% |
| Liabilities | | | | |
| Benefits Payable | \$ 317,818 | \$ 273,747 | \$ 44,071 | 16.1 % |
| Net Other Post-Employment Benefit Liability | 104,207 | 124,038 | (19,831) | (16.0) |
| Investments Purchased Payable and Other Investment Liabilities | 19,841,413 | 15,921,601 | 3,919,812 | 24.6 |
| Collateral Obligations | 5,786,409 | 6,963,789 | (1,177,380) | (16.9) |
| Accounts Payable and Other | 213,067 | 190,194 | 22,873 | 12.0 |
| Total Liabilities | \$ 26,262,914 | \$ 23,473,369 | \$ 2,789,545 | 11.9 % |
| Total Deferred Inflow of Resources | \$ 89,249 | \$ 14,361 | \$ 74,888 | 521.5 % |
| Total Net Position | \$ 187,170,536 | \$ 184,185,617 | \$ 2,984,919 | 1.6 % |
| Prior Period Adjustment | | 762 | (762) | (100.0) |
| Restated Net Position | \$ 187,170,536 | \$ 184,186,379 | \$ 2,984,157 | 1.6 % |

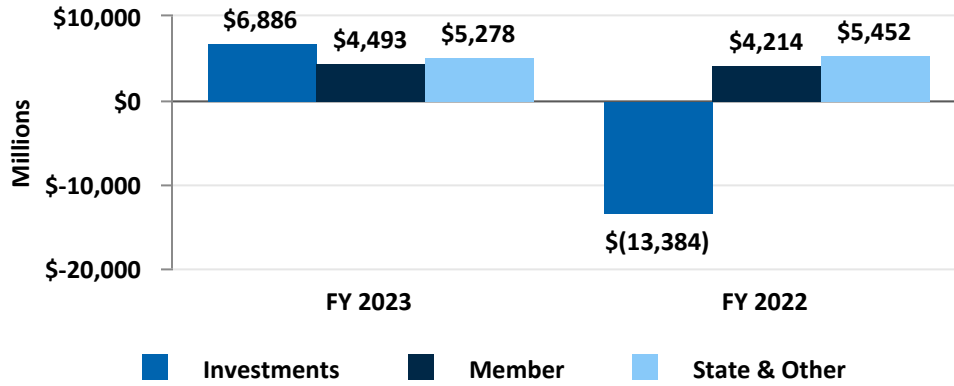
Statement of Changes in Fiduciary Net Position**Pension Trust Fund**

For the Fiscal Years Ended August 31

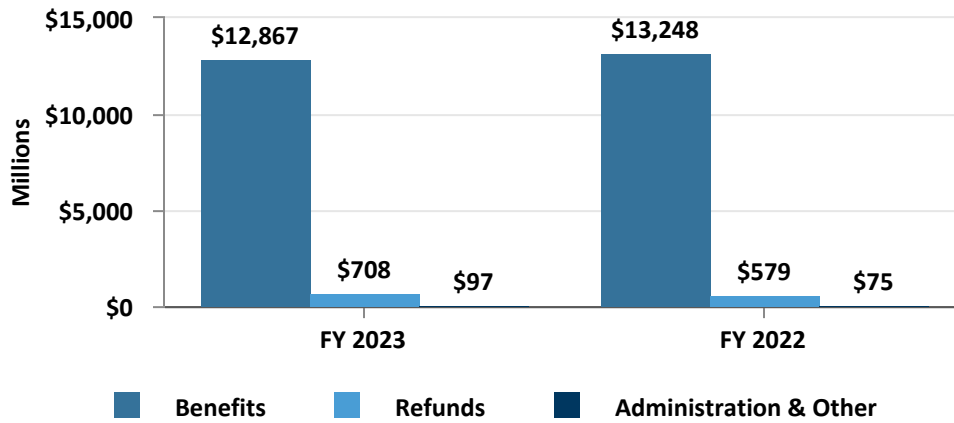
(Dollars in Thousands)

| | 2023 | 2022 | Dollar Change | Percentage Change |
|--|----------------------|------------------------|----------------------|-------------------|
| Additions | | | | |
| Member Contributions | \$ 4,492,518 | \$ 4,213,622 | \$ 278,896 | 6.6 % |
| Non-Employer Contributing Entity Contributions | 2,279,409 | 2,153,483 | 125,926 | 5.8 |
| Employer Contributions | 2,859,870 | 2,504,170 | 355,700 | 14.2 |
| Supplemental Funding - Appropriations | | 701,101 | (701,101) | (100.0) |
| Gain on Capital Assets | 46,564 | | 46,564 | |
| Other Revenue | 91,927 | 93,012 | (1,085) | (1.2) |
| Investment Income | 6,885,963 | (13,383,751) | 20,269,714 | (151.5) |
| Total Additions | \$ 16,656,251 | \$ (3,718,363) | \$ 20,374,614 | (547.9)% |
| Deductions | | | | |
| Retirement Benefits and Other | \$ 12,866,847 | \$ 13,248,393 | \$ (381,546) | (2.9)% |
| Refunds of Contributions | 707,817 | 579,462 | 128,355 | 22.2 |
| Other Post-Employment Benefit Expense | 12,242 | 12,595 | (353) | (2.8) |
| Administrative Expenses | 85,188 | 62,053 | 23,135 | 37.3 |
| Total Deductions | \$ 13,672,094 | \$ 13,902,503 | \$ (230,409) | (1.7)% |
| Change in Net Position | \$ 2,984,157 | \$ (17,620,866) | \$ 20,605,023 | (116.9)% |
| Prior Period Adjustment | | 762 | (762) | (100.0) |
| Restated Change in Net Position | \$ 2,984,157 | \$ (17,620,104) | \$ 20,604,261 | (116.9)% |

**Additions to Fiduciary Net Position
Pension Trust Fund
Fiscal Years 2022-2023**



**Deductions from Fiduciary Net Position
Pension Trust Fund
Fiscal Years 2022-2023**



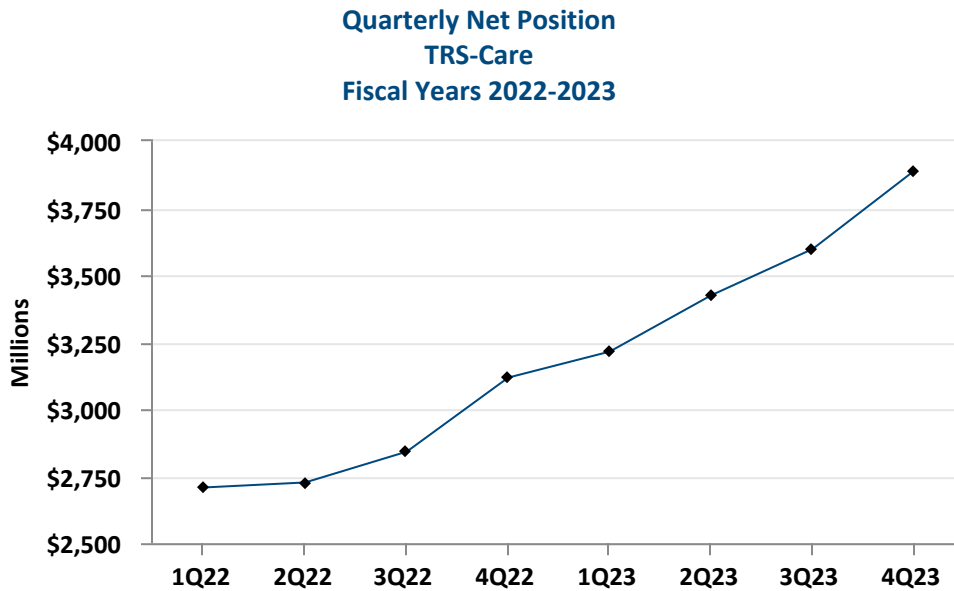
TRS-Care

The net position of TRS-Care at August 31, 2023 was \$3.9 billion, an increase of \$771.8 million from the \$3.1 billion at August 31, 2022.

Total contributions of \$1.15 billion increased \$60.4 million from \$1.09 billion over 2022 due to an increase in the number of participating employers and members. Rebates increased by \$69.1 million from fiscal year 2022 due to changes in subsidy programs and higher distribution of retail prescription brands. Federal revenue increased by \$47.2 million due to a change in the calculation for Medicaid and Medicare services. Investment income totaled \$130.1 million, which was an increase of \$116.5 million from fiscal year 2022. This increase was due to higher earnings on cash held in state treasury.

Additionally, supplemental funding provided by Rider 14 of the Senate Bill 1 GAA of the 87th Legislature was allocated to TRS-Care in the amount of \$21.3 million. TRS-Care also received \$40.3 million in credits to cover health care claims.

Deductions from net position totaled \$1.3 billion during fiscal year 2023 which was an increase of \$50.3 million from fiscal year 2022. This is mainly due to an increase in prescription drug and health care related costs.



| Statement of Fiduciary Net Position | | | | | |
|--|---------------------|---------------------|----------------------|--------------------------|--|
| TRS-Care | | | | | |
| As of August 31 | | | | | |
| (Dollars in Thousands) | | | | | |
| | 2023 | 2022 | Dollar Change | Percentage Change | |
| Assets | | | | | |
| Cash and Receivables | \$ 4,094,274 | \$ 3,298,185 | \$ 796,089 | 24.1 % | |
| Capital Assets | 7,600 | 10,206 | (2,606) | (25.5) | |
| Total Assets | \$ 4,101,874 | \$ 3,308,391 | \$ 793,483 | 24.0 % | |
| Liabilities | | | | | |
| Accounts Payables and Other | \$ 25,529 | \$ 9,912 | \$ 15,617 | 157.6 % | |
| Health Care Fees Payable | 8,123 | 8,119 | 4 | | |
| Health Care Claims Payables | 178,457 | 172,423 | 6,034 | 3.5 | |
| Total Liabilities | \$ 212,109 | \$ 190,454 | \$ 21,655 | 11.4 % | |
| Net Position | \$ 3,889,765 | \$ 3,117,937 | \$ 771,828 | 24.8 % | |

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

For the Fiscal Years Ended August 31

(Dollars in Thousands)

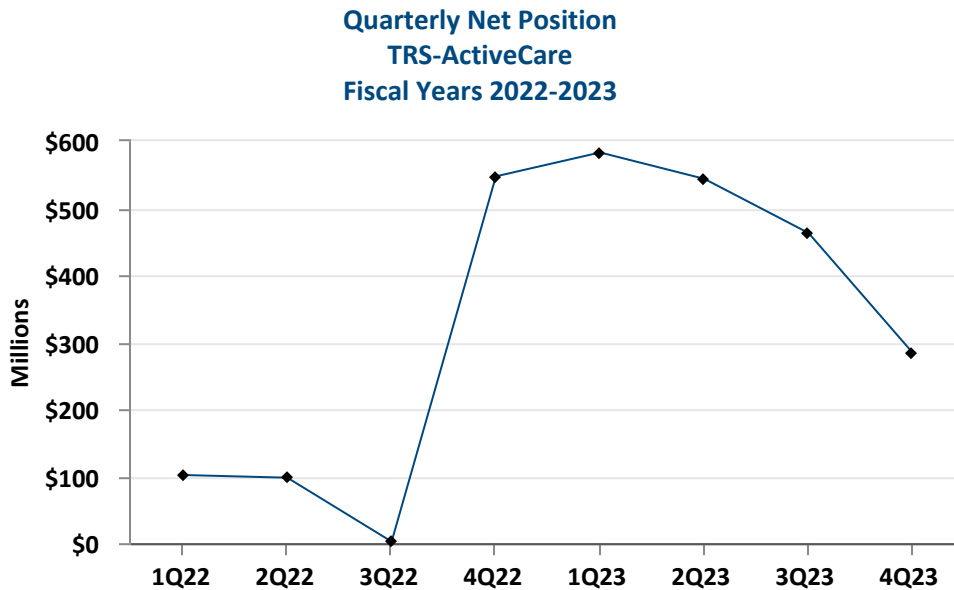
| | 2023 | 2022 | Dollar Change | Percentage Change |
|--|---------------------|---------------------|-------------------|-------------------|
| Additions | | | | |
| Member Contributions | \$ 277,468 | \$ 263,328 | \$ 14,140 | 5.4 % |
| Non-Employer Contributing Entity Contributions | 474,357 | 451,341 | 23,016 | 5.1 |
| Participating Employers Contributions | 393,951 | 370,736 | 23,215 | 6.3 |
| Rebates and Discount Income | 578,020 | 508,932 | 69,088 | 13.6 |
| Federal Revenue | 188,173 | 141,003 | 47,170 | 33.5 |
| Supplemental Funding - Appropriations | 21,285 | 83,000 | (61,715) | (74.4) |
| Other Revenue | 40,306 | 28,360 | 11,946 | 42.1 |
| Investment Income | 130,070 | 13,538 | 116,532 | 860.8 |
| Total Additions | \$ 2,103,630 | \$ 1,860,238 | \$ 243,392 | 13.1 % |
| Deductions | | | | |
| Health Care Claims | \$ 1,781,336 | \$ 1,635,850 | \$ 145,486 | 8.9 % |
| Less: Health Care Premiums Paid by Retirees | (502,154) | (399,788) | (102,366) | 25.6 % |
| Health Care Claims Processing | 29,615 | 26,848 | 2,767 | 10.3 % |
| Insurance Premium Payments | 5 | 6 | (1) | (16.7)% |
| Health Care Fees | 201 | 162 | 39 | 24.1 % |
| Administrative Expenses | 22,799 | 18,465 | 4,334 | 23.5 % |
| Total Deductions | \$ 1,331,802 | \$ 1,281,543 | \$ 50,259 | 3.9 % |
| Change in Net Position | \$ 771,828 | \$ 578,695 | \$ 193,133 | 33.4 % |

TRS-ActiveCare

The net position was \$283.8 million at August 31, 2023, a decrease of \$263.7 million from \$547.5 million the previous fiscal year.

Total revenue of \$2.1 billion decreased \$773.0 million from \$2.9 billion in 2022. In 2022, TRS received \$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. This allowed TRS to avoid increasing premiums for the 2022-23 plan year. As a result, health care premium revenue decreased by \$213.9 million from 2022.

Total expenses of \$2.35 billion decreased \$18.0 million from \$2.4 billion in fiscal year 2022 due to lower enrollment and premium payments for Health Maintenance Organization (HMO) plans.



Statement of Net Position**TRS-ActiveCare**

As of August 31

(Dollars in Thousands)

| | 2023 | 2022 | Dollar Change | Percentage Change |
|---|-------------------|-------------------|---------------------|-------------------|
| Assets | | | | |
| Cash | \$ 474,317 | \$ 744,871 | \$ (270,554) | (36.3)% |
| Receivables | 125,714 | 85,444 | 40,270 | 47.1 |
| Total Assets | \$ 600,031 | \$ 830,315 | \$ (230,284) | (27.7)% |
| Liabilities | | | | |
| Accounts Payable and Other | \$ 1,378 | \$ 734 | \$ 644 | 87.7 % |
| Premiums and Fees Payable | 1,211 | 1,125 | 86 | 7.6 |
| Health Care Claims Payable | 313,323 | 280,408 | 32,915 | 11.7 |
| Total Liabilities | \$ 315,912 | \$ 282,267 | \$ 33,645 | 11.9 % |
| Total Deferred Inflow of Resources | \$ 282 | \$ 508 | \$ (226) | (44.5)% |
| Total Net Position | \$ 283,837 | \$ 547,540 | \$ (263,703) | (48.2)% |

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

For the Fiscal Years Ended August 31

(Dollars in Thousands)

| | 2023 | 2022 | Dollar Change | Percentage Change |
|---|---------------------|---------------------|---------------------|-------------------|
| Revenues (Operating and Non-Operating) | | | | |
| Health Care Premiums | \$ 1,830,920 | \$ 2,044,856 | \$ (213,936) | (10.5)% |
| Rebate and Discount Income | 227,884 | 174,729 | 53,155 | 30.4 |
| Supplemental Funding - Appropriations | | 638,338 | (638,338) | (100.0) |
| Investment Income | 27,740 | 1,656 | 26,084 | 1575.1 |
| Total Revenue | \$ 2,086,544 | \$ 2,859,579 | \$ (773,035) | (27.0)% |
| Operating Expenses | | | | |
| Health Care Claims | \$ 2,192,775 | \$ 2,151,584 | \$ 41,191 | 1.9 % |
| Health Care Claims Processing | 67,402 | 64,914 | 2,488 | 3.8 |
| Health Care Fees | 1,112 | 1,043 | 69 | 6.6 |
| Premium Payments to HMOs | 83,783 | 146,752 | (62,969) | (42.9) |
| Administrative Expenses | 5,175 | 3,989 | 1,186 | 29.7 |
| Total Expenses | \$ 2,350,247 | \$ 2,368,282 | \$ (18,035) | (0.8)% |
| Change in Net Position | \$ (263,703) | \$ 491,297 | \$ (755,000) | (153.7)% |

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.

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Basic Financial Statements

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

As of August 31, 2023 (With Comparative Data as of August 31, 2022)

| | Pension and Other Post-Employment Benefit (OPEB) Trust Funds | |
|---|---|-------------------------|
| | Pension Trust Fund | TRS-Care |
| Assets | | |
| Cash | | |
| Cash in State Treasury | \$ 388,079,675 | \$ 3,661,961,810 |
| Cash in Bank (Note 3B) | 89,799,630 | |
| Cash on Hand (Note 3B) | 3,504,732 | |
| Total Cash | \$ 481,384,037 | \$ 3,661,961,810 |
| Receivables | | |
| Sale of Investments | \$ 2,836,619,259 | \$ |
| Interest and Dividends | 403,955,307 | 14,918,871 |
| Member and Retiree | 2,367,570 | |
| Service Credit Purchase | 15,398,332 | 4,537 |
| Due from Employers | 549,943,258 | 41,155,584 |
| Due from State's General Fund | 14,091,571 | 42,255,663 |
| Due from Employees Retirement System of Texas | 2,729,453 | |
| Prepaid Expenses and Deposits | 344,488 | |
| Other Receivables | 3,449,461 | 333,977,584 |
| Total Receivables | \$ 3,828,898,699 | \$ 432,312,239 |
| Investments (Note 1F and 3) | | |
| Short-Term Investments | \$ 9,681,597,696 | \$ |
| Equity Investments | 45,778,659,456 | |
| Fixed Income Investments | 27,444,070,364 | |
| Alternative Investments | 103,361,824,061 | |
| Derivative Investments | 247,309,645 | |
| Pooled Investments | 16,782,940,493 | |
| Total Investments | \$ 203,296,401,715 | \$ — |
| Invested Securities Lending Collateral | \$ 5,675,098,936 | \$ — |
| Capital Assets (Note 2) | | |
| Intangible Assets | \$ 65,910,412 | \$ 13,028,366 |
| Right to Use Assets | 28,975,264 | |
| Less Accumulated Amortization | (69,261,390) | (5,428,486) |
| Depreciable Assets | 19,810,590 | |
| Less Accumulated Depreciation | (16,693,699) | |
| Non-Depreciable Assets | 162,001,141 | |
| Total Capital Assets | \$ 190,742,318 | \$ 7,599,880 |
| Total Assets | \$ 213,472,525,705 | \$ 4,101,873,929 |

(Continued)

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds | | Custodial Funds | |
|--|---------------------------|-----------------------------------|--------------|
| 2023 | 2022 | Child Support Employee Deductions | |
| \$ 4,050,041,485 | \$ 3,377,863,699 | | 7,418 |
| 89,799,630 | 514,875,806 | | |
| 3,504,732 | 4,594,376 | | |
| \$ 4,143,345,847 | \$ 3,897,333,881 | | 7,418 |
| \$ 2,836,619,259 | \$ 3,519,302,816 | | |
| 418,874,178 | 319,371,132 | | |
| 2,367,570 | 3,225,679 | | |
| 15,402,869 | 15,288,447 | | |
| 591,098,842 | 558,651,485 | | |
| 56,347,234 | 35,459,434 | | |
| 2,729,453 | 2,622,347 | | |
| 344,488 | 1,746,692 | | |
| 337,427,045 | 293,164,745 | | |
| \$ 4,261,210,938 | \$ 4,748,832,777 | | — |
| \$ 9,681,597,696 | \$ 9,060,213,238 | | |
| 45,778,659,456 | 44,037,446,699 | | |
| 27,444,070,364 | 27,799,209,308 | | |
| 103,361,824,061 | 98,399,389,968 | | |
| 247,309,645 | (194,917,088) | | |
| 16,782,940,493 | 16,056,005,430 | | |
| \$ 203,296,401,715 | \$ 195,157,347,555 | | — |
| \$ 5,675,098,936 | \$ 6,957,897,984 | | — |
| \$ 78,938,778 | \$ 71,815,320 | | |
| 28,975,264 | 10,946,845 | | |
| (74,689,876) | (63,753,921) | | |
| 19,810,590 | 62,853,766 | | |
| (16,693,699) | (44,564,467) | | |
| 162,001,141 | 131,579,013 | | |
| \$ 198,342,198 | \$ 168,876,556 | | — |
| \$ 217,574,399,634 | \$ 210,930,288,753 | | 7,418 |

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

As of August 31, 2023 (With Comparative Data as of August 31, 2022)

| | 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 | \$ 50,173,422 | \$ — |
| Total Deferred Outflow of Resources | \$ 50,173,422 | \$ — |
| Liabilities (Note 1F) | | |
| Accounts Payable | \$ 78,923,794 | \$ 470,437 |
| Payroll Payable | 22,792,861 | 2,489,787 |
| Investment Fees Payable | 33,567,038 | |
| Benefits Payable | 317,818,243 | |
| Health Care Claims Payable | | 178,457,357 |
| Fees Payable | | 8,123,056 |
| Net Other Post-Employment Benefit Liability | 104,206,608 | |
| Investment Purchased Payable | 751,039,668 | |
| Securities Sold Short | 2,614,427,700 | |
| Obligations Under Reverse Repurchase Agreements | 16,475,945,908 | |
| Collateral Obligations | 5,786,408,584 | |
| Due to State's General Fund | 9,361,039 | 21,127,831 |
| Due to Employees Retirement System of Texas | 41,109,093 | |
| Due to Office of Governor | | |
| Employee Compensable Absences Payable (Note 4) | 17,664,412 | 1,440,258 |
| Right to Use Lease Obligations (Note 5) | 9,560,241 | |
| Other Liabilities | 157,110 | |
| Funds Held for Others | (67,300) | |
| Total Liabilities | \$ 26,262,914,999 | \$ 212,108,726 |
| Deferred Inflow of Resources | | |
| Related to Participation in ERS' OPEB Plan | \$ 34,218,126 | \$ — |
| Gain on Sale - Red River | 55,030,444 | |
| Total Deferred Inflow of Resources | \$ 89,248,570 | \$ — |
| Net Position | | |
| Net Investment in Capital Assets | \$ 181,182,077 | \$ 7,599,880 |
| Restricted for Pensions | 186,989,353,481 | |
| Restricted for Other Post Employment Benefits | | 3,546,165,323 |
| Restricted for OPEB - 60 Day Contingency | | 336,000,000 |
| Net Position Restricted for Pensions and Other Post-Employment Benefits | \$ 187,170,535,558 | \$ 3,889,765,203 |

See accompanying Notes to the Financial Statements.

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds | | Custodial Funds | |
|--|---------------------------|-----------------------------------|-----------------|
| 2023 | 2022 | Child Support Employee Deductions | |
| \$ 50,173,422 | \$ 51,448,955 | | |
| \$ 50,173,422 | \$ 51,448,955 | | — |
| \$ 79,394,231 | \$ 81,649,229 | | |
| 25,282,648 | 9,459,543 | | |
| 33,567,038 | 28,723,884 | | |
| 317,818,243 | 273,747,454 | | |
| 178,457,357 | 172,422,729 | | |
| 8,123,056 | 8,119,399 | | |
| 104,206,608 | 124,038,376 | | |
| 751,039,668 | 3,146,183,242 | | |
| 2,614,427,700 | 805,579,869 | | |
| 16,475,945,908 | 11,969,837,625 | | |
| 5,786,408,584 | 6,963,787,316 | | |
| 30,488,870 | 49,657,388 | | |
| 41,109,093 | 10,186,062 | | |
| | 121,315 | | |
| 19,104,670 | 15,711,775 | | |
| 9,560,241 | 4,454,479 | | |
| 157,110 | 142,517 | | |
| (67,300) | | | 7,418 |
| \$ 26,475,023,725 | \$ 23,663,822,202 | | \$ 7,418 |
| \$ 34,218,126 | \$ 14,361,092 | | |
| 55,030,444 | | | |
| \$ 89,248,570 | \$ 14,361,092 | | — |
| \$ 188,781,957 | \$ 164,422,077 | | |
| 186,989,353,481 | 184,031,400,672 | | |
| 3,546,165,323 | 2,807,731,665 | | |
| 336,000,000 | 300,000,000 | | |
| \$ 191,060,300,761 | \$ 187,303,554,414 | | |

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

| | Pension and Other Post-Employment Benefit (OPEB) Trust Funds | |
|--|---|-------------------------|
| | Pension Trust Fund | TRS-Care |
| Additions | | |
| Contributions | | |
| Member | \$ 4,492,518,277 | \$ 277,468,284 |
| Non-Employer Contributing Entity - State | 2,279,408,927 | 474,356,993 |
| Employer (Notes 9, 11) | | |
| Employer | 1,934,704,999 | 320,154,894 |
| State - Higher Education | 267,636,271 | |
| Employer - Paid at State Rate | | 59,248,095 |
| Employer Surcharges (Notes 9, 11) | | |
| Employment after Retirement - Employee Rate | 23,555,279 | |
| Employment after Retirement - Employer Rate | 23,555,279 | 14,548,344 |
| Public Education Employers | 610,418,144 | |
| Service Credit Purchase - Refundable | 28,578,706 | |
| Service Credit Purchase - Non-Refundable | 25,351,789 | |
| State Contributions for 415 Excess Benefit Arrangement | 4,703,369 | |
| Employees Retirement System of Texas | | |
| Service Contributions | 32,274,517 | |
| 415 Excess Benefit Arrangement | 46,533 | |
| Total Contributions | \$ 9,722,752,090 | \$ 1,145,776,610 |
| Net Investment Income | | |
| Investment Income (Loss) | \$ 7,706,585,429 | \$ 130,069,098 |
| Less: Investing Activity Expenses (Schedule 1) | (843,963,417) | |
| Total Investment Income (Loss) | \$ 6,862,622,012 | \$ 130,069,098 |
| Securities Lending Income (Loss) | \$ 324,996,043 | \$ |
| Less: Securities Lending Expenses | (301,655,066) | |
| Total Securities Income (Loss) | \$ 23,340,977 | \$ |
| Total Net Investment Income | \$ 6,885,962,989 | \$ 130,069,098 |
| Other Additions | | |
| Federal Revenue (Note 6) | \$ | \$ 188,172,734 |
| Rebate and Discount Income | | 578,020,367 |
| Supplemental Funding - Appropriations | | 21,285,114 |
| Miscellaneous Revenue | 971,611 | 40,306,480 |
| Gain on Capital Assets | 46,564,222 | |
| Funds Received for Others | | |
| Total Other Additions | \$ 47,535,833 | \$ 827,784,695 |
| Total Additions | \$ 16,656,250,912 | \$ 2,103,630,403 |

(Continued)

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds | | Custodial Funds | |
|--|----------------------------|-----------------------------------|---------------|
| 2023 | 2022 | Child Support Employee Deductions | |
| \$ 4,769,986,561 | \$ 4,476,950,322 | | |
| 2,753,765,920 | 2,604,824,302 | | |
| 2,254,859,893 | 1,980,862,722 | | |
| 267,636,271 | 234,702,946 | | |
| 59,248,095 | 55,047,334 | | |
| 23,555,279 | 18,211,193 | | |
| 38,103,623 | 29,491,618 | | |
| 610,418,144 | 556,589,918 | | |
| 28,578,706 | 18,586,693 | | |
| 25,351,789 | 32,679,308 | | |
| 4,703,369 | 4,876,548 | | |
| 32,274,517 | 30,824,009 | | |
| 46,533 | 91,878 | | |
| \$ 10,868,528,700 | \$ 10,043,738,791 | | — |
| \$ 7,836,654,527 | \$ (13,140,969,389) | | |
| (843,963,417) | (252,990,936) | | |
| \$ 6,992,691,110 | \$ (13,393,960,325) | | |
| \$ 324,996,043 | \$ 74,414,095 | | |
| (301,655,066) | (50,666,779) | | |
| \$ 23,340,977 | \$ 23,747,316 | | |
| \$ 7,016,032,087 | \$ (13,370,213,009) | | — |
| \$ 188,172,734 | \$ 141,003,332 | | |
| 578,020,367 | 508,931,631 | | |
| 21,285,114 | 784,100,535 | | |
| 41,278,091 | 34,313,189 | | |
| 46,564,222 | | | |
| | | | 77,951 |
| \$ 875,320,528 | \$ 1,468,348,687 | | 77,951 |
| \$ 18,759,881,315 | \$ (1,858,125,531) | | 77,951 |

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

| | Pension and Other Post-Employment Benefit (OPEB) Trust Funds | |
|---|--|-------------------------|
| | Pension Trust Fund | TRS-Care |
| Deductions | | |
| Benefits | \$ 12,740,413,069 | \$ |
| Refunds of Contributions - Active | 696,523,162 | |
| Refunds of Contributions - Death | 11,293,669 | |
| 415 Excess Benefit Arrangement | 4,503,031 | |
| Benefits Paid to Employees Retirement System of Texas | | |
| Service Contributions | 121,685,000 | |
| 415 Excess Benefit Arrangement | 246,871 | |
| Other Post Employment Benefit Expense | 12,241,646 | |
| Health Care Claims | | 1,781,336,522 |
| Less: Health Care Premiums Paid by Retirees (Note 1) | | (502,154,458) |
| Health Care Claims Processing | | 29,614,524 |
| Insurance Premium Payments | | 5,051 |
| Affordable Care Act Fees | | 201,264 |
| Funds Paid to Others | | |
| Administrative Expenses, Excluding Investing Activity Expenses | | |
| Salaries and Wages | 50,784,651 | 10,404,046 |
| Payroll Related Costs | 2,802,880 | 1,453,725 |
| Professional Fees and Services | 3,121,804 | 3,157,458 |
| Travel | 242,936 | 79,884 |
| Materials and Supplies | 3,908,040 | 1,919,798 |
| Communications and Utilities | 687,120 | 77,852 |
| Repairs and Maintenance | 5,440,355 | 625,393 |
| Rentals and Leases | 2,001,081 | 216,062 |
| Printing and Reproduction | 182,645 | 35,108 |
| Depreciation Expense | 1,128,943 | |
| Amortization Expense | 8,395,552 | 2,605,673 |
| Other Expenses | 6,491,732 | 2,224,516 |
| Total Deductions | \$ 13,672,094,187 | \$ 1,331,802,418 |
| Net Increase (Decrease) in Net Position | \$ 2,984,156,725 | \$ 771,827,985 |
| Beginning Net Position Restricted for Pensions and Other Post-Employment Benefits | \$ 184,185,617,196 | \$ 3,117,937,218 |
| Prior Period Adjustments (Note 15) | 761,637 | |
| Beginning Net Position, as Restated | \$ 184,186,378,833 | \$ 3,117,937,218 |
| Ending Net Position Restricted for Pensions and Other Post-Employment Benefits | \$ 187,170,535,558 | \$ 3,889,765,203 |

See accompanying Notes to the Financial Statements.

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds | | Custodial Funds | |
|--|----------------------------|-----------------------------------|---------------|
| 2023 | 2022 | Child Support Employee Deductions | |
| \$ 12,740,413,069 | \$ 13,125,893,718 | | |
| 696,523,162 | 564,468,143 | | |
| 11,293,669 | 14,993,742 | | |
| 4,503,031 | 4,680,058 | | |
| 121,685,000 | 117,530,565 | | |
| 246,871 | 288,368 | | |
| 12,241,646 | 12,595,488 | | |
| 1,781,336,522 | 1,635,849,839 | | |
| (502,154,458) | (399,788,260) | | |
| 29,614,524 | 26,847,878 | | |
| 5,051 | 5,998 | | |
| 201,264 | 161,906 | | |
| | | | 77,951 |
| 61,188,697 | 37,632,518 | | |
| 4,256,605 | 2,375,622 | | |
| 6,279,262 | 4,280,425 | | |
| 322,820 | 119,751 | | |
| 5,827,838 | 5,398,230 | | |
| 764,972 | 573,300 | | |
| 6,065,748 | 5,081,235 | | |
| 2,217,143 | 491,136 | | |
| 217,753 | 312,900 | | |
| 1,128,943 | 2,070,345 | | |
| 11,001,225 | 13,673,267 | | |
| 8,716,248 | 8,509,653 | | |
| \$ 15,003,896,605 | \$ 15,184,045,825 | | 77,951 |
| \$ 3,755,984,710 | \$ (17,042,171,356) | | — |
| 187,303,554,414 | 204,346,244,966 | | |
| 761,637 | (519,196) | | |
| \$ 187,304,316,051 | \$ 204,345,725,770 | | |
| \$ 191,060,300,761 | \$ 187,303,554,414 | | |

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

As of August 31, 2023 (With Comparative Data as of August 31, 2022)

| | Enterprise Funds-Major TRS-ActiveCare | |
|--|--|-----------------------|
| | 2023 | 2022 |
| Assets | | |
| Current Assets | | |
| Cash | | |
| Cash In State Treasury | \$ 474,316,944 | \$ 744,870,637 |
| Total Cash | \$ 474,316,944 | \$ 744,870,637 |
| Receivables | | |
| Interest | \$ 2,225,082 | \$ 1,049,754 |
| Rebate and Discount Income | 123,489,390 | 84,394,663 |
| Total Receivables | \$ 125,714,472 | \$ 85,444,417 |
| Total Assets | \$ 600,031,416 | \$ 830,315,054 |
| Liabilities (Note 1F) | | |
| Current Liabilities | | |
| Accounts Payable | \$ 683,441 | \$ 288,944 |
| Payroll Payable | 431,558 | 208,838 |
| Fees Payable | 1,210,996 | 1,124,500 |
| Health Care Claims Payable | 313,322,761 | 280,408,186 |
| Employee Compensable Absences Payable (Note 4) | 160,195 | 156,522 |
| Total Current Liabilities | \$ 315,808,951 | \$ 282,186,990 |
| Non-Current Liabilities | | |
| Employee Compensable Absences Payable (Note 4) | \$ 103,672 | \$ 80,310 |
| Total Non-Current Liabilities | \$ 103,672 | \$ 80,310 |
| Total Liabilities | \$ 315,912,623 | \$ 282,267,300 |
| Deferred Inflow of Resources | | |
| Deferred Revenue - School Districts | \$ 281,828 | \$ 507,779 |
| Total Deferred Inflow of Resources | \$ 281,828 | \$ 507,779 |
| Net Position | | |
| Restricted for Health Care Programs | \$ 283,836,965 | \$ 547,539,975 |
| Total Net Position | \$ 283,836,965 | \$ 547,539,975 |

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, 2023 (With Comparative Data for August 31, 2022)

| | Enterprise Funds-Major | |
|---------------------------------------|-------------------------|-------------------------|
| | TRS-ActiveCare | |
| | 2023 | 2022 |
| Operating Revenues | | |
| Health Care Premiums | \$ 1,830,920,436 | \$ 2,044,855,892 |
| Rebate and Discount Income | 227,883,761 | 174,729,133 |
| Total Operating Revenues | \$ 2,058,804,197 | \$ 2,219,585,025 |
| Operating Expenses | | |
| Health Care Claims | \$ 2,192,774,626 | \$ 2,151,584,283 |
| Health Care Claims Processing | 67,402,400 | 64,914,013 |
| Premium Payments to HMOs | 83,782,801 | 146,752,232 |
| Affordable Care Act Fees | 1,112,036 | 1,043,018 |
| Administrative Expenses | | |
| Salaries and Wages | 2,287,348 | 1,835,309 |
| Payroll Related Costs | 242,939 | 191,451 |
| Professional Fees and Services | 2,183,352 | 1,490,358 |
| Travel | 38,841 | 26,232 |
| Materials and Supplies | 32,680 | 32,139 |
| Communications and Utilities | 33,133 | 27,101 |
| Repairs and Maintenance | 131,766 | 161,136 |
| Rentals and Leases | 844 | 1,803 |
| Other Expenses | 223,762 | 222,785 |
| Total Operating Expenses | \$ 2,350,246,528 | \$ 2,368,281,860 |
| Operating Income (Loss) | \$ (291,442,331) | \$ (148,696,835) |
| Non-Operating Revenues | | |
| Supplemental Funding - Appropriations | \$ | \$ 638,337,761 |
| Investment Income | 27,739,321 | 1,656,096 |
| Total Non-Operating Revenues | \$ 27,739,321 | \$ 639,993,857 |
| Change in Net Position | \$ (263,703,010) | \$ 491,297,022 |
| Beginning Net Position | \$ 547,539,975 | \$ 56,242,953 |
| Ending Net Position | \$ 283,836,965 | \$ 547,539,975 |

See accompanying Notes to the Financial Statements.

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

| | Enterprise Funds-Major TRS-ActiveCare | |
|---|--|-------------------------|
| | 2023 | 2022 |
| Cash Flows from Operating Activities | | |
| Receipts from Health Care Premiums | \$ 1,830,694,485 | \$ 2,045,552,751 |
| Receipts from Rebate and Discount Income | 188,789,034 | 143,799,262 |
| Payments for Administrative Expenses | (4,530,413) | (29,912,048) |
| Payments for Health Care Claims | (2,159,860,051) | (2,155,466,019) |
| Payments for Health Care Claims Processing | (67,402,400) | (64,914,013) |
| Payments for HMO Premiums | (83,782,801) | (146,752,232) |
| Payments for Affordable Care Act Fees | (1,025,540) | (1,012,010) |
| Net Cash Provided (Used) by Operating Activities | \$ (297,117,686) | \$ (208,704,309) |
| 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 | \$ 26,563,993 | \$ 2,273,541 |
| Net Cash Provided (Used) by Investing Activities | \$ 26,563,993 | \$ 2,273,541 |
| Net Increase (Decrease) in Cash | \$ (270,553,693) | \$ 431,906,993 |
| Beginning Cash and Cash Equivalents | \$ 744,870,637 | \$ 312,963,644 |
| Ending Cash and Cash Equivalents | \$ 474,316,944 | \$ 744,870,637 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | | |
| Operating Income (Loss) | \$ (291,442,331) | \$ (148,696,835) |
| 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 | \$ (225,951) | \$ 696,859 |
| (Increase) Decrease in Rebate and Discount Income | (39,094,727) | (30,929,871) |
| Increase (Decrease) in Health Care Claims Payable | 32,914,575 | (3,881,736) |
| Increase (Decrease) in Affordable Care Act Fees Payable | 86,496 | 31,008 |
| Increase (Decrease) in Accounts Payable | 394,497 | (25,977,574) |
| Increase (Decrease) in Payroll Payable | 222,720 | 60,512 |
| Increase (Decrease) in Employee Compensable Absences Payable | 27,035 | (6,672) |
| Total Adjustments | \$ (5,675,355) | \$ (60,007,474) |
| Net Cash Provided (Used) by Operating Activities | \$ (297,117,686) | \$ (208,704,309) |

See accompanying Notes to the Financial Statements.

Notes to the Financial Statements

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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 eligible employees (and their dependents) of participating public education entities. The plan began operations on September 1, 2002. Authority for TRS-ActiveCare 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. TRS-ActiveCare plan stopped providing long-term care insurance on September 1, 2021.

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 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, including 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. 96, Subscription-Based Information Technology Arrangements (SBITAs), issued May 2020 and first implemented this year, "will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition...[now] requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement."

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, 2022, 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 2023, contributions were made by the State of Texas to the System at the rate of 8.00 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.

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 2023. 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.

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 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 |
| Subscription Assets | 500,000 | 1-5 years |

Table 2.2: Capital Asset Activity

| Asset Class | Balance 9/1/2022 | Adjustments | Reclasses & Completed CIP | Additions | Deletions | Balance 8/31/2023 (Exhibit I) |
|---|-----------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-------------------------------------|
| Non-Depreciable Assets | | | | | | |
| Land and Land Improvements | \$ 8,963,329 | \$ (12,457) | | \$ 32,129 | \$ (1,658,310) | \$ 7,324,691 |
| Construction in Progress | 122,491,548 | (165,507) | (7,123,458) | 39,349,731 | | 154,552,314 |
| Artwork | 124,136 | | | | | 124,136 |
| Total Non-Depreciable Assets | \$131,579,013 | \$ (177,964) | \$ (7,123,458) | \$ 39,381,860 | \$ (1,658,310) | \$162,001,141 |
| Depreciable Assets | | | | | | |
| Buildings and Building Improvements | \$ 43,048,735 | \$ | \$ | \$ 232,518 | \$(43,048,735) | \$ 232,518 |
| Furniture and Equipment | 15,403,518 | | | 421,856 | (6,733) | 15,818,641 |
| 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 | \$ 62,853,766 | \$ — | \$ — | \$ 654,374 | \$(43,697,550) | \$ 19,810,590 |
| Accumulated Depreciation | | | | | | |
| Buildings and Building Improvements | \$(28,506,277) | \$ | \$ | \$ (81,659) | \$ 28,587,099 | \$ (837) |
| Furniture and Equipment | (12,330,557) | | | (1,026,929) | 4,008 | (13,353,478) |
| Vehicles, Boats, and Aircraft | (46,003) | | | (739) | | (46,742) |
| Leasehold Improvements | (3,264,636) | | | (28,006) | | (3,292,642) |
| Facilities and Other Improvements | (416,994) | | | (1,243) | 418,237 | — |
| Total Accumulated Depreciation | \$(44,564,467) | \$ — | \$ — | \$ (1,138,576) | \$ 29,009,344 | \$(16,693,699) |
| Total Net Depreciable Assets | \$ 18,289,299 | \$ — | \$ — | \$ (484,202) | \$(14,688,206) | \$ 3,116,891 |
| Intangible Assets | | | | | | |
| Computer Software | \$ 71,815,320 | \$ | \$ 7,123,458 | \$ | \$ | \$ 78,938,778 |
| Intangible Right to Use Assets | | | | | | |
| Buildings and Building Improvements | \$ 10,946,845 | | | \$ 11,142,000 | \$ (8,762,296) | \$ 13,326,549 |
| Subscription Assets | | 5,684,487 | | 9,964,228 | | 15,648,715 |
| Total Intangible Right to Use Assets | \$ 10,946,845 | \$ 5,684,487 | \$ — | \$ 21,106,228 | \$ (8,762,296) | \$ 28,975,264 |
| Accumulated Amortization | | | | | | |
| Computer Software | \$(57,160,320) | \$ | \$ | \$ (4,895,469) | \$ | \$(62,055,789) |
| Buildings and Building Improvements | (6,593,601) | | | (7,965,371) | 8,762,296 | (5,796,676) |
| Subscription Assets | | (1,773,058) | | (5,064,353) | | (6,837,411) |
| Total Accumulated Amortization | \$(63,753,921) | \$ (1,773,058) | \$ — | \$(17,925,193) | \$ 8,762,296 | \$(74,689,876) |
| Total Net Intangible Assets | \$ 19,008,244 | \$ 3,911,429 | \$ 7,123,458 | \$ 3,181,035 | \$ — | \$ 33,224,166 |
| Total Net Capital Assets | \$168,876,556 | \$ 3,733,465 | \$ — | \$ 42,078,693 | \$(16,346,516) | \$198,342,198 |

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 September 19, 2022, and there were no significant investment policy changes during the reporting period. For the fiscal year ended August 31, 2023, 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, 2023.

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 | 18.0 % | 4.0 % | 1.0 % |
| Non-US Developed | 13.0 | 4.5 | 0.9 |
| Emerging Markets | 9.0 | 4.8 | 0.7 |
| Private Equity* | 14.0 | 7.0 | 1.5 |
| Stable Value | | | |
| Government Bonds | 16.0 | 2.5 | 0.5 |
| Absolute Return* | 0.0 | 3.6 | 0.0 |
| Stable Value Hedge Funds | 5.0 | 4.1 | 0.2 |
| Real Return | | | |
| Real Estate | 15.0 | 4.9 | 1.1 |
| Energy, Natural Resources & Infrastructure | 6.0 | 4.8 | 0.4 |
| Commodities | 0.0 | 4.4 | 0.0 |
| Risk Parity | 8.0 | 4.5 | 0.4 |
| Asset Allocation Leverage | | | |
| Cash | 2.0 | 3.7 | 0.0 |
| Asset Allocation Leverage | (6.0) | 4.4 | (0.1) |
| Inflation Expectation | | | 2.3 |
| Volatility Drag**** | | | (0.9) |
| Expected Return | 100.0 % | | 8.0 % |
| *Absolute Return includes Credit Sensitive Investments. | | | |
| **Target allocations are based on the FY2023 policy model. | | | |
| ***Capital Market Assumptions come from Aon Hewitt (as of 6/30/2023). | | | |
| ****The volatility drag results from the conversion between arithmetic and geometric mean returns. | | | |

For the fiscal year ended August 31, 2023, the annual money-weighted rate of return on pension plan investments was 3.84 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

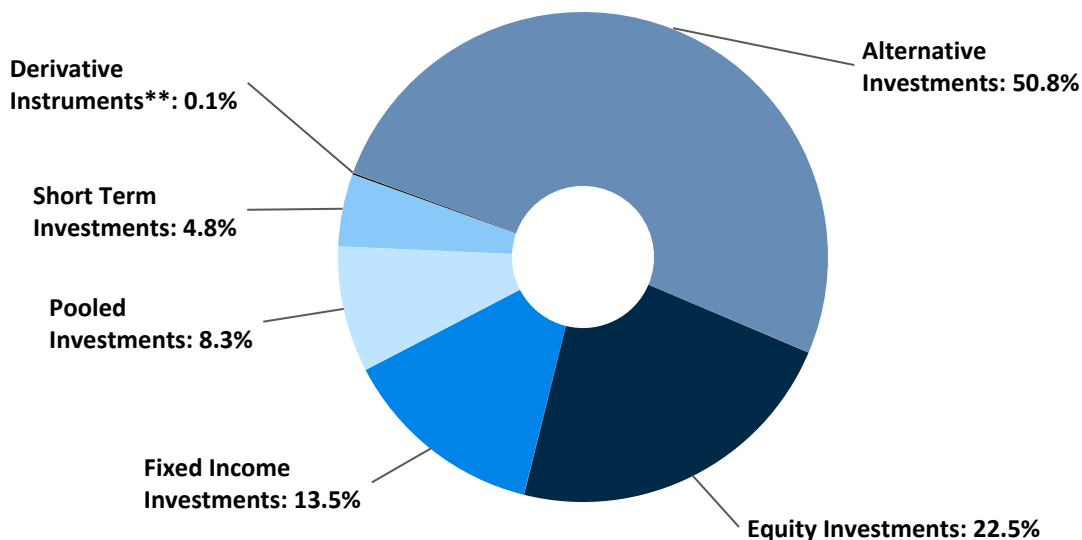
B. Cash and Deposits

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, 2023, the total carrying amount of the System's bank accounts is \$89,799,630, \$656,256 of which was an error and corrected in fiscal year 2024. The bank balance totaled \$67,718,767, and cash on hand totaled \$3,504,732.

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, 2023.

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 in the chart above. Please refer to Note 3.D. of the Notes to the Financial Statements for more information.

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, 2023 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, 2023. An unfunded capital commitment balance of \$15,469,199 has not yet been allocated to a specific Privately Held Equity Investment as of August 31, 2023.

The System also has agreements with certain General Partners who provide an option to invest in additional investment opportunities offered by these General Partners. As of August 31, 2023, these agreements totaled \$2,763,119,276.

As of August 31, 2023, 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 | \$ 672,734 | \$ 672,734 | \$ | \$ |
| U.S. Treasury Bills | 1,380,932,023 | 1,380,932,023 | | |
| Total Short-Term Investments | \$ 1,381,604,757 | \$ 1,381,604,757 | \$ — | \$ — |
| Equity Investments | | | | |
| Domestic Equity | \$ 18,162,569,289 | \$ 18,162,490,804 | \$ | \$ 78,485 |
| International Equity | 27,616,090,167 | 27,614,077,233 | | 2,012,934 |
| Total Equity Investments | \$ 45,778,659,456 | \$ 45,776,568,037 | \$ — | \$ 2,091,419 |
| Fixed Income Investments | | | | |
| Domestic Corporate Bonds | \$ 9,928,645 | \$ | \$ 9,928,618 | \$ 27 |
| Sovereign Government Issue Bonds | 1,332,242,937 | | 1,332,242,937 | |
| U.S. Treasury Bonds | 23,965,096,636 | 23,965,096,636 | | |
| U.S. Treasury STRIPS | 8,642,308 | | 8,642,308 | |
| U.S. TIPS | 2,128,159,838 | | 2,128,159,838 | |
| Total Fixed Income Investments | \$ 27,444,070,364 | \$ 23,965,096,636 | \$ 3,478,973,701 | \$ 27 |
| Alternative Investments | | | | |
| Privately Held Equity | \$ 1,244,474,789 | \$ | \$ | \$ 1,244,474,789 |
| Total Alternative Investments | \$ 1,244,474,789 | \$ — | \$ — | \$ 1,244,474,789 |
| Derivative Instruments | | | | |
| Forwards | \$ 52,859,206 | \$ | \$ 52,859,206 | \$ |
| Futures | 153,313,526 | 153,313,526 | | |
| Options | (10,822,112) | | (10,822,112) | |
| Rights | 80,090 | 80,090 | | |
| Swaps | 44,449,303 | | 44,449,303 | |
| Warrants | 7,429,632 | 7,429,632 | | |
| Total Derivative Instruments | \$ 247,309,645 | \$ 160,823,248 | \$ 86,486,397 | \$ — |
| Other Fair Value Measurements | | | | |
| Invested Securities Lending Collateral* | \$ 5,675,098,936 | \$ | \$ 5,504,374,936 | \$ 170,724,000 |
| Securities Sold Short | (2,614,427,700) | (2,614,427,700) | | |
| Total Other Fair Value Measurements | \$ 3,060,671,236 | \$ (2,614,427,700) | \$ 5,504,374,936 | \$ 170,724,000 |
| Total | \$ 79,156,790,247 | \$ 68,669,664,978 | \$ 9,069,835,034 | \$ 1,417,290,235 |

*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 | \$ | 8,299,992,939 | \$ |
| Total Short-Term Investments | \$ | 8,299,992,939 | \$ — |
| Alternative Investments | | | |
| Absolute Return | \$ | 5,522,010,900 | \$ 3,295,703,190 |
| Hedge Funds | | 17,781,425,158 | 878,832,518 |
| Energy, Natural Resources, and Infrastructure | | 12,670,673,907 | 6,937,568,391 |
| Private Equity | | 32,523,598,067 | 12,204,944,611 |
| Real Estate | | 29,311,833,440 | 14,726,355,205 |
| Risk Parity | | 4,307,807,800 | |
| Total Alternative Investments | \$ | 102,117,349,272 | \$ 38,043,403,915 |
| Pooled Investments | | | |
| Commingled Domestic Equity | \$ | 5,912,775,354 | \$ |
| Commingled Fixed Income | | 1,590,376 | |
| Commingled International Equity | | 10,434,402,203 | |
| Domestic Mutual Funds | | 434,172,560 | |
| Total Pooled Investments | \$ | 16,782,940,493 | \$ — |
| Total | \$ | 127,200,282,704 | \$ 38,043,403,915 |

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 Estate

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, 2023.

| Table 3.C.3: Redemptions and Terms | | | | |
|---|--|---------------------------------|--|--------------------------------------|
| Fair Value | Redemption Frequency | Redemption Notice Period | Redemption Restrictions | Redemption Restrictions Lapse |
| \$ 26,030,211 | Daily | 5 Days | NA | Lapsed |
| 2,901,188,030 | Monthly | 10-30 Days | NA | NA |
| 691,063,143 | Quarterly | 3 Months | Investor Level Gate 17%; Soft Lockup 0-12 months | NA |
| 22,399,726 | Quarterly | 45 Days | NA | Lapsed |
| 356,652,040 | Two Years | 105 Days | NA | NA |
| 1,915,442,204 | NA | NA | NA | NA |
| \$ 5,912,775,354 | Total Commingled Domestic Equity | | | |
| \$ 60,616,327 | Daily | 1-30 Days | NA | Lapsed |
| 696,902,155 | Monthly | 20-90 Days | Soft Lockup 12-36 months | Lapsed |
| 297,692,389 | Monthly | 90 Days | Soft Lockup 12-36 months | NA |
| 5,713,717,987 | Monthly | 6-90 Days | NA | NA |
| 1,292,668,724 | Fortnightly | 9 Business Days | Fund Level Gate 30% | NA |
| 100,000,000 | Quarterly | 65 Days | Soft Lockup 6 months | 2/29/2024 |
| 312,547,443 | Quarterly | 60 Days | Investor Level Gate 25% | NA |
| 23,146,147 | Quarterly | 95 Days | NA | NA |
| 629,006,466 | Three Years | 45 Days | Hard Lockup 36 months | Lapsed |
| 1,308,104,565 | NA | NA | NA | NA |
| \$ 10,434,402,203 | Total Commingled International Equity | | | |

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

| Fair Value | Redemption Frequency | Redemption Notice Period | Redemption Restrictions | Redemption Restrictions Lapse |
|---|---------------------------------|--------------------------|---|-------------------------------|
| \$ 2,504,001 | Daily | 1 Day | NA | NA |
| 70,487,208 | Daily | 1-20 Days | NA | Lapsed |
| 627,274,323 | Fortnightly | 7 Business Days | NA | NA |
| 121,154,422 | Monthly | 90 Days | Hard Lockup 12 months; Soft Lockup 0-12 months | Lapsed |
| 2,018,039,891 | Monthly | 30-90 Days | Investor Level Gate 25-33%; Fund Level Gate 10%; Hard Lockup 12 months; Soft Lockup 0-12 months | NA |
| 2,585,780,425 | Monthly | 5-30 Days | NA | NA |
| 812,268,181 | Monthly/ Quarterly | 30 Days | NA | NA |
| 2,278,290,146 | Quarterly | 30-90 Days | Investor Level Gate 13-25%; Fund Level Gate 20-25%; Soft Lockup 0-12 months; Hard Lockup 6-36 months | Lapsed |
| 81,417,404 | Quarterly | 60-90 Days | NA | Lapsed |
| 4,504,361,065 | Quarterly | 30-90 Days | Investor Level Gate 5-25%; Fund Level Gate 10%; Soft Lockup 0 month to indefinite; Hard Lockup 12-24 months | NA |
| 1,202,945,612 | Quarterly | 45-180 Days | NA | NA |
| 204,744,782 | Quarterly | 60 Days | Fund Level Gate 25%; Soft Lockup 12 Months | 7/31/2024 |
| 140,000,000 | Quarterly | 45 Days | Investor Level Gate 8.33%; Soft Lockup Indefinite | Soft Lockup Not Lapse |
| 528,726,865 | Quarterly/ Annually/Illiquid | 90 Days to 10 months | Investor Level Gate 0% to 50%; Fund Level Gate 0% to 25%; Hard Lockup 0-12 months | Lapsed |
| 559,354,165 | Quarterly/Illiquid | 60 Days | Investor Level Gate 25% | NA |
| 851,722,743 | Semiannually | 60-90 Days | Investor Level Gate 17-25%; Fund Level Gate 10%; Hard Lockup 12-24 months | Lapsed |
| 23,410,554 | Annually | 61 Days | Hard Lockup 12 months | Lapsed |
| 625,570,219 | Annually | 90 Days | NA | NA |
| 53,807,000 | Two Years | 3 Months | Investor Level Gate 25%; Hard Lockup 24 months | Lapsed |
| 287,190,158 | Three Years | 90 Days | Investor Level Gate 13%; Hard Lockup 36 months | Lapsed |
| 2,819,516 | Illiquid | Illiquid | Illiquid; Investor Level Gate 20% | Illiquid |
| 199,556,478 | NA | NA | NA | NA |
| \$17,781,425,158 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, 2023.

| Investment Type | Less than 1 Year | 1-5 Years | 6-10 Years | Greater than 10 Years | N/A | Total |
|---|-------------------------|--------------------------|--------------------------|------------------------------|--------------------------|--------------------------|
| Absolute Return | \$ 857,040,827 | \$ 3,163,106,892 | \$ 983,213,314 | \$ 332,044,746 | \$ 186,605,121 | \$ 5,522,010,900 |
| Energy, Natural Resources, and Infrastructure | 2,393,414,441 | 3,564,057,920 | 4,980,928,654 | 1,715,106,303 | 17,166,590 | 12,670,673,908 |
| Hedge Funds | | | 140,589,966 | | 17,640,835,192 | 17,781,425,158 |
| Private Equity | 4,325,875,600 | 13,653,082,092 | 12,762,661,460 | 1,712,953,727 | 69,025,188 | 32,523,598,067 |
| Privately Held Equity | | | | | 1,244,474,789 | 1,244,474,789 |
| Real Estate | 2,302,091,402 | 8,665,885,525 | 9,219,472,368 | 9,124,384,144 | | 29,311,833,439 |
| Risk Parity | | | | | 4,307,807,800 | 4,307,807,800 |
| Total | \$ 9,878,422,270 | \$ 29,046,132,429 | \$ 28,086,865,762 | \$ 12,884,488,920 | \$ 23,465,914,680 | \$103,361,824,061 |

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, 2023.

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 \$90,494,256, and as of August 31, 2023, the System has posted \$260,843,382 in collateral. At August 31, 2023, 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 | \$ 52,859,206 | \$ (98,725,836) | \$ 4,452,430,094 |
| Total Forwards | \$ 52,859,206 | \$ (98,725,836) | |
| Futures | | | |
| Commodity Futures | \$ 28,028,798 | \$ (54,025,880) | \$ 1,919,276,756 |
| Fixed Income Futures | 40,453,173 | (626,556,569) | 7,345,037,700 |
| Foreign Currency Futures | | (1,942,262) | |
| Index Futures | 84,831,555 | 562,979,322 | 6,939,625,432 |
| Total Futures | \$ 153,313,526 | \$ (119,545,389) | |
| Options | | | |
| Equity Options | \$ (7,546,164) | \$ 23,126,539 | \$ (10,940,787) |
| Index Options | (3,275,948) | 66,095,217 | (12,375,490) |
| Total Options | \$ (10,822,112) | \$ 89,221,756 | |
| Rights | | | |
| Rights | 80,090 | \$ (32,864) | \$ 594,395 |
| Total Rights | \$ 80,090 | \$ (32,864) | |
| Swaps | | | |
| Credit Default Swaps | \$ 4,163,873 | \$ 46,536,099 | \$ 654,069,542 |
| Interest Rate Swaps | 2,650,379 | 5,585,189 | 471,212,451 |
| Total Return Swaps | 37,635,051 | 479,394,104 | 6,120,606,806 |
| Total Swaps | \$ 44,449,303 | \$ 531,515,392 | |
| Warrants | | | |
| Warrants | \$ 7,429,632 | \$ (12,690,306) | \$ 908,203 |
| Total Warrants | \$ 7,429,632 | \$ (12,690,306) | |
| Total | \$ 247,309,645 | \$ 389,742,753 | |

E. Securities Lending

The System is authorized by Section 825.303, Govt Code, to lend securities in accordance with the Securities Lending Policy which was amended on December 9, 2022 and adopted by the Board of Trustees and as required by statute. The amendment provides an alternative source of Trust financing that will be used in accordance with the system's Investment Policy Statement. 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 or floating-rate instrument may not exceed 37 months based on settlement date. As of August 31, 2023, 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 12.64 days, and the weighted average term of all securities on loan at 4.5 days.

As of August 31, 2023, the system reported Invested Securities Lending Collateral worth \$5,675,098,936. The system holds \$5,688,479,255 in cash collateral and \$880,056,947 in non-cash collateral. Securities on loan totaled \$8,276,717,719, which included \$1,879,406,114 lent to the lending agent. Securities on loan include investments in Domestic Equities, International Equities, 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, 2023, \$66,375,443 and £44,402 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, 2023, 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, 2023.

| Investment Type | Securities on Loan Fair Value | | Non-Cash Collateral Value | |
|------------------------|--------------------------------------|--------------------|----------------------------------|--------------------|
| Domestic Equity | \$ | 390,040,672 | \$ | 392,967,818 |
| International Equity | | 475,034,395 | | 487,089,129 |
| Total | \$ | 865,075,067 | \$ | 880,056,947 |

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, 2023 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 | | |
|---------------|-------------------------------------|---|-------------------------|
| | Domestic Corporate Bonds | Sovereign Government Issue Bonds | Total |
| AAA/Aaa | \$ | \$ 234,619,516 | \$ 234,619,516 |
| AA/Aa2 | | 109,789,589 | 109,789,589 |
| AA-/Aa3 | | 662,705,198 | 662,705,198 |
| BBB+/Baa1 | | 44,242,821 | 44,242,821 |
| BBB-/Baa3 | 3,941,855 | 130,264,827 | 134,206,682 |
| BB-/Ba3 | 861,336 | 75,055,895 | 75,917,231 |
| NR | 5,125,454 | 75,565,091 | 80,690,545 |
| Total | \$ 9,928,645 | \$ 1,332,242,937 | \$ 1,342,171,582 |

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, 2023.

The aggregate fair value of Derivative Instruments in asset positions as of August 31, 2023, was \$214,653,961, 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 \$111,267,468 of collateral held and \$90,730,832 of liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$12,655,661.

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 \$97,929,329 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, 2023, the credit risk exposure related to derivative counterparty is summarized in the following table.

Table 3.F.3: Credit Risk: Derivative Counterparty

| Counterparty | Net Exposure | Percentage of Net Exposure | S&P Rating | Fitch Rating | Moody's Rating |
|-----------------------|----------------------|----------------------------|------------|--------------|----------------|
| Royal Bank of Canada | \$ 2,042,190 | 16 % | AA- | AA- | A1 |
| Toronto Dominion Bank | 10,613,471 | 84 | AA- | AA- | A1 |
| Total | \$ 12,655,661 | 100 % | | | |

Reverse Repurchase Agreements

TRS held \$16,475,945,908 in reverse repurchase agreements at August 31, 2023. 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, 2023 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 | \$ 275,673,064 | \$ 274,566,154 | \$ 1,106,910 |
| Goldman Sachs & Co., LLC | 2,190,048,876 | 2,139,063,378 | 50,985,498 |
| JP Morgan Securities, LLC | 4,295,378,403 | 4,213,315,988 | 82,062,415 |
| Nomura Securities International, Inc. | 2,221,718,228 | 2,171,203,203 | 50,515,025 |
| Canadian Imperial Bank of Commerce | 857,900,291 | 837,412,624 | 20,487,667 |
| RBC Dominion Securities, Inc. | 2,457,443,716 | 2,403,116,212 | 54,327,504 |
| Total Term Reverse Repurchase Agreements | \$ 12,298,162,578 | \$ 12,038,677,559 | \$ 259,485,019 |
| Counterparty - Overnight Agreements | | | |
| State Street Bank & Trust Company | \$ 205,064,429 | \$ 200,074,409 | \$ 4,990,020 |
| Goldman Sachs & Co., LLC | 197,973,604 | 196,929,726 | 1,043,878 |
| JP Morgan Securities, LLC | 394,512,264 | 388,642,597 | 5,869,667 |
| Bank of New York Mellon | 410,640,632 | 400,521,020 | 10,119,612 |
| Invesco | 1,067,578,682 | 1,012,450,667 | 55,128,015 |
| Total Overnight Reverse Repurchase Agreements | \$ 2,275,769,611 | \$ 2,198,618,419 | \$ 77,151,192 |
| Total Reverse Repurchase Agreements* | \$ 14,573,932,189 | \$ 14,237,295,978 | \$ 336,636,211 |

*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, 2023, 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, 2023.

| Fixed Income Investment Type | Fair Value | Weighted Effective Duration Rate |
|-------------------------------------|--------------------------|---|
| Domestic Corporate Bonds | \$ 9,928,645 | 3.3 |
| U.S. Treasury STRIPS | 8,642,308 | 16.2 |
| U.S. Treasury Bonds | 23,965,096,636 | 16.1 |
| Sovereign Government Issue Bonds | 1,332,242,937 | 9.9 |
| U.S. TIPS | 2,128,159,838 | 6.8 |
| Total | \$ 27,444,070,364 | 15.1 |

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, 2023, 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 7.36000%, Pay Variable 01-Month TIE | \$ (1,138,722) | \$ | (1,138,722) | \$ 20,429,367 |
| Receive Fixed 6.68000%, Pay Variable 01-Month TIE | (874,091) | | (874,091) | 12,354,746 |
| Receive Fixed 9.96000%, Pay Variable 01-Month TIE | 170,970 | | 170,970 | 37,138,582 |
| Receive Fixed 6.66000%, Pay Variable 01-Month TIE | (880,828) | | (880,828) | 12,354,746 |
| Receive Fixed 9.95500%, Pay Variable 01-Month TIE | 166,889 | | 166,889 | 37,138,582 |
| Receive Fixed 2.56370%, Pay Variable 00-Month CNRR | 735,624 | | 735,624 | 58,250,391 |
| Receive Fixed 10.02480%, Pay Variable 01-Month TIE | 220,522 | | 220,522 | 36,584,274 |
| Receive Fixed 7.37500%, Pay Variable 01-Month TIE | (1,130,082) | | (1,130,082) | 20,429,367 |
| Receive Fixed 2.56345%, Pay Variable 00-Month CNRR | 734,979 | | 734,979 | 58,250,391 |
| Receive Fixed 13.48000%, Pay Variable 00-Month BRCDI | 3,998,017 | | 3,998,017 | 59,251,389 |
| Receive Fixed 2.41000%, Pay Variable 00-Month CNRR | 647,100 | | 647,100 | 119,030,616 |
| Subtotal | \$ 2,650,378 | \$ | — | \$ 2,650,378 |
| Total Return Swaps | | | | |
| Receive Equity, Pay Variable 01-Month HIBOR | \$ (3,138,738) | \$ (3,138,738) | \$ | \$ 28,515,694 |
| Receive Variable 12-Month SOFR, Pay Equity | 21,658,885 | 21,658,885 | | (1,632,781,359) |
| Receive Equity, Pay Variable 03-Month SOFR | (687,335) | (687,335) | | 75,184,166 |
| Receive Variable 00-Month ESTRO, Pay Equity | (2,275,953) | (2,275,953) | | (120,524,492) |
| Receive Equity, Pay Variable 01-Month FEDL | (7,266,726) | (7,266,726) | | 25,911,975 |
| Receive Equity, Pay Variable 00-Month ESTRO | 1,887,620 | 1,887,620 | | 119,475,195 |
| Receive Variable 00-Month SOFR, Pay Equity | 3,810,124 | 3,810,124 | | (533,575,235) |
| Receive Variable 00-Month FEDL, Pay Equity | 84,778 | (212,110) | 296,888 | (41,465,967) |
| Receive Equity, Pay Variable 12-Month SOFR | 1,270,439 | 1,270,439 | | 4,062,296,589 |
| Receive Variable 01-Month BBSW, Pay Equity | (193,402) | | (193,402) | (3,417,086) |
| Receive Equity, Pay Variable 00-Month FEDL | 900,670 | (40,398) | 941,068 | 65,597,587 |
| Receive Variable 12-Month OBFR, Pay Equity | 1,104,832 | 1,104,832 | | (1,104,832) |
| Receive Equity, Pay Variable 12-Month FEDL | 1,871,830 | 2,724,247 | (852,417) | 120,231,498 |
| Receive Variable 12-Month FEDL, Pay Equity | 1,480,321 | 1,321,029 | 159,292 | (39,435,653) |
| Receive Equity, Pay Variable 00-Month SOFR | (11,770,242) | (11,770,242) | | 890,165,124 |
| Subtotal | \$ 8,737,103 | \$ 8,385,674 | \$ 351,429 | |
| Total | \$ 11,387,481 | \$ 8,385,674 | \$ 3,001,807 | |

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, 2023 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 | \$ 20,963,888 | \$ | \$ 2,185,682 | \$ 839,865,507 | \$ 211,669,426 | \$ | \$ 5,150 | \$ 1,074,689,653 |
| Brazil Real | 7,657,001 | | 3,648,162 | 520,213,048 | | | (13,979) | 531,504,232 |
| Canada Dollar | (8,253,220) | | 4,128,124 | 1,513,009,369 | | | 444,072 | 1,509,328,345 |
| Chile Peso | 1,193 | | 33,062 | 31,200,227 | | | | 31,234,482 |
| China Yuan Renminbi | (4,478,933) | | 2,079,769 | 241,946,356 | | | (1,457) | 239,545,735 |
| China Yuan Renminbi Offshore | 11,452,312 | | (163,517) | | | | | 11,288,795 |
| Colombia Peso | | | 979 | 3,960,875 | | | | 3,961,854 |
| Czech Republic Koruna | 3,843,688 | | (68,159) | 11,687,345 | | | 43 | 15,462,917 |
| Denmark Krone | 1,511,877 | | 158 | 458,589,085 | | | 5,230 | 460,106,350 |
| Egypt Pound | 1,460,151 | | | 5,925,951 | | | | 7,386,102 |
| Euro Member Countries | 64,711,097 | 4,978,427,820 | 32,695,741 | 4,679,697,402 | 457,868,312 | 900,538,042 | 62,798 | 11,114,001,212 |
| Hong Kong Dollar | (44,393) | | 1,328,032 | 1,135,095,233 | | | (3,496) | 1,136,375,376 |
| Hungary Forint | | | (3,433) | 15,543,572 | | | 65 | 15,540,204 |
| India Rupee | 1,701,488 | | 124,477 | 1,811,077,520 | | | | 1,812,903,485 |
| Indonesia Rupiah | 12,679 | | 42,174 | 371,056,774 | | | | 371,111,627 |
| Israel Shekel | 1,017,921 | | (565) | 75,857,198 | | | (2,167) | 76,872,387 |
| Japan Yen | 10,576,175 | | 7,749,324 | 3,457,597,232 | | | 27,703 | 3,475,950,434 |
| Korea (South) Won | 36,188,055 | | (9,707,097) | 1,398,328,605 | | | | 1,424,809,563 |
| Kuwait Dinar | | | | 48,683,178 | | | | 48,683,178 |
| Malaysia Ringgit | 1 | | | 66,760,505 | | | | 66,760,506 |
| Mexico Peso | (35,335,955) | | (2,032,168) | 577,686,968 | | | (455) | 540,318,390 |
| New Zealand Dollar | 8,574 | | 1,770,563 | 21,231,306 | | | 1,341 | 23,011,784 |
| Nigeria Naira | 2,330 | | | | | | | 2,330 |
| Norway Krone | 813,208 | | (1,130,088) | 110,106,955 | | | 8,358 | 109,798,433 |
| Philippines Peso | | | (67,187) | 34,693,797 | | | | 34,626,610 |
| Poland Zloty | 311,873 | | 85,804 | 100,275,837 | | | 1,121 | 100,674,635 |
| Qatar Riyal | (83) | | | 77,736,399 | | | | 77,736,316 |
| Romania New Leu | | | (13,908) | | | | | (13,908) |
| Russia Ruble | 9,626,712 | | | | | | | 9,626,712 |
| Saudi Arabia Riyal | 19,068,525 | | | 505,828,762 | | | | 524,897,287 |
| Singapore Dollar | 1,079,570 | | 1,075,013 | 168,504,813 | | | (2,235) | 170,657,161 |
| South Africa Rand | 1,936,080 | | (1,519,313) | 344,584,210 | | | 7,966 | 345,008,943 |
| Sweden Krona | 2,270,652 | | (1,396,514) | 317,715,142 | | | 38,307 | 318,627,587 |
| Switzerland Franc | 1,301,639 | | 1,084,050 | 875,070,805 | | | 100,568 | 877,557,062 |
| Taiwan New Dollar | 3,745,161 | | 19,522 | 1,604,651,817 | | | (415) | 1,608,416,085 |
| Thailand Baht | 999,964 | | 183,956 | 247,952,357 | | | | 249,136,277 |
| Turkey Lira | 1,384 | | 1,066 | 43,123,649 | | | (1,636) | 43,124,463 |

Table 3.F.7: Foreign Currency Risk (Continued)

| Currency by Country | Cash | Alternative Investments | Derivative Instruments* | Equity Investments* | Fixed Income Investments | Pooled Investments | Short-Term Investments | Total |
|-----------------------------|----------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------|------------------------|--------------------------|
| United Arab Emirates Dirham | 4,275 | | | 151,562,602 | | | | 151,566,877 |
| United Kingdom Pound | 4,392,455 | 723,961,930 | 24,134,301 | 2,475,989,964 | 662,705,199 | | (4,148) | 3,891,179,701 |
| Total | \$158,547,344 | \$ 5,702,389,750 | \$ 66,268,010 | \$24,342,810,365 | \$ 1,332,242,937 | \$ 900,538,042 | \$ 672,734 | \$ 32,503,469,182 |

*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/SBITAs

Leases

The System has entered into various non-cancelable lease agreements to secure facilities for its operations, including leased office space and parking facilities to support IMD staff, office space and apartments in London for TRS seconded employees through the Teacher Retirement Investment Company (TRICOT), a regional office in El Paso, and a sale-leaseback transaction related to its former headquarters. These agreements have terms that will expire in various years through 2029. In accordance with GASB Statement No. 87, *Leases*, the System recognizes right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the interest rate charged on the lease, if available, or are otherwise discounted using an estimated incremental borrowing rate. The System uses guidance from the State of Texas Comptroller's Office in determining the interest rate by which expected payments should be discounted when it was not stated in the lease agreement. The System does not have any leases featuring payments tied to an index or market rate or any leases subject to a residual value guarantee. See Note 2 - Capital Assets for information on leased assets and associated accumulated amortization.

Sale-leaseback on Headquarters

On October 4, 2022, the System entered into a sale-leaseback transaction on its Red River headquarters. The leaseback term is for two years with an additional one-year renewal option. The lease agreement included off-market terms stating that the System shall not pay base rent during the lease period, but it shall cover its proportionate share of real estate taxes and operating expenses. As defined under GASB 87, a sale-leaseback transaction is considered to have off-market terms if there is a significant difference between the present value of the contractual lease payments and the estimated present value of what the lease payments for that asset would be at the market price. Accordingly, the System estimated the fair market value for rent at \$28 per square foot, relying on an appraisal report conducted before the sale. The economic substance of the lease transaction was recognized by calculating the fair market value for rent based on total rentable square footage of 198,972, resulting in a right-to-use asset of \$11,142,000 rounded to the nearest thousands.

Additionally, the sale transaction resulted in a gain of \$101,594,666 being systematically amortized over the two-year term of the leaseback. As of August 31, 2023, a portion of the gain of \$46,564,222 was recognized as an inflow of resources and \$55,030,444 remained as a deferred inflow of resources.

Subscription-Based Information Technology Arrangements (SBITAs)

The System has entered into certain non-cancelable subscription-based information technology arrangements to support its operations, including investment management tools, compliance and reporting solutions, due diligence and deal management platforms, and analytic reporting software. The subscriptions expire at various dates through 2026. In accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, the System records right-to-use assets and subscription liabilities based on the present value of expected payments over the subscription term of the respective software. The expected payments are discounted using an estimated incremental borrowing rate. The System uses guidance from the State of Texas Comptroller's Office in determining the interest rate by which expected payments should be discounted when it was not stated in the subscription agreement. Of these subscriptions, some arrangements call for payments that are partially or completely variable and therefore were not included in the right-to-use asset or lease liabilities. These variable subscription payments are derived from use of the underlying IT asset or number of user seats. The System recognized a total of \$9,613,401 as expenses from these variable payments for the year ended August 31, 2023. See Note 2 - Capital Assets for information on subscription assets and associated accumulated amortization.

Future commitments for leases and software subscriptions having remaining terms in excess of one year as of August 31, 2023 were as follows:

Table 5.1: Lease and Subscription Based Obligations

| Fiscal Year | Building & Building Improvements Lease | | | Subscription-Based Information Technology Arrangements (SBITAs) | | | Total Future Minimum Subscription Payments |
|--------------|--|------------------|-------------------------------------|---|-------------------|---------------------|--|
| | Principal | Interest | Total Future Minimum Lease Payments | Principal | Interest | | |
| 2024 | \$ 285,495 | \$ 15,971 | \$ 301,466 | \$ 5,554,474 | \$ 234,440 | \$ 5,788,914 | |
| 2025 | 288,692 | 12,773 | 301,465 | 2,318,799 | 58,157 | 2,376,956 | |
| 2026 | 291,900 | 9,566 | 301,466 | 206,063 | 6,038 | 212,101 | |
| 2027 | 232,317 | 6,450 | 238,767 | | | | |
| 2028 | 190,011 | 3,970 | 193,981 | | | | |
| 2029 | 192,490 | 1,492 | 193,982 | | | | |
| Total | \$ 1,480,905 | \$ 50,222 | \$ 1,531,127 | \$ 8,079,336 | \$ 298,635 | \$ 8,377,971 | |

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 include Medicare Part D direct subsidies, catastrophic reinsurance subsidies, and low income subsidies for a total of \$188,172,734.

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, 2023, the maximum liability for pending retirement benefits payable is \$6.2 million.

In addition, under Texas Insurance Code - Not Codified, 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 Pay Plan was established by the Board in September 2007, 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 award performance pay for Investment Management Division (IMD) employees based on specified performance criteria, which is an industry practice in the private sector and in the public sector. The Board adopted an amendment in September 2022 to change the award payout schedule from two annual payments to a single payment effective October 1, 2022. As of September 30, 2022, the remaining liability for the Performance Pay Plan from previous two years ending on September 30, 2022, will not exceed \$24.5 million. For the performance Pay Plan year ending on September 30, 2023, the liability is estimated not to exceed \$44.8 million. Any potential awards are paid in the following years in which the Pension Trust Fund has a positive return, and employees must be employed by TRS on the designated dates in the Plan to receive payment. The Board of Trustees may cancel or modify the Plan at any time.

An Executive Director Performance Incentive Pay Plan was adopted effective July 1, 2016 and revised effective October 1, 2022 in order to remain competitive in its efforts to attract and retain high caliber executives. The purpose of the plan is designed to reward the Executive Director for performance based on key objectives tied to the overall success of TRS. The Board adopted an amendment in September 2022 to change the award payout schedule from two annual payments to a single payment effective October 1, 2022. As of September 30, 2022, the remaining liability of the Executive Performance Incentive Plan is \$91,235. The liability for plan year ending on September 30, 2023, is estimated not to exceed \$300,000. The Board of Trustees may cancel or modify the Plan at any time.

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 2035, 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 \$336,000,000 as of August 31, 2023.

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 2023, the number of participating employers are presented in the following table.

| Table 9.C.1: Number of Participating Employers | |
|---|---------------|
| Participating Employers | Number |
| Independent School Districts* | 1,019 |
| Open Enrollment Charter Schools | 200 |
| Regional Service Centers | 20 |
| Other Educational Districts | 2 |
| Total | 1,241 |
| *Excludes Windham School District which is not covered by TRS-Care. | |

TRS-Care plan membership as of August 31, 2022 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.

| Table 9.C.2: TRS-Care Plan Membership Numbers by Category | |
|--|----------------|
| Membership Type | Number |
| Active plan members | 757,626 |
| Inactive plan members currently receiving benefits | 188,218 |
| Inactive plan members entitled to but not yet receiving benefits | 13,971 |
| Total | 959,815 |

The Average Expected Remaining Service Life (AERSL) of 9.2215 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 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

| Contributor | Rate | Amount |
|---|-------------|------------------------|
| Active Employee | 0.65 % | \$ 277,468,284 |
| Non-Employer Contributing Entity (State) | 1.25 | 474,356,993 |
| Participating Employers | 0.75 | 320,154,894 |
| Federal/Private Funding* | 1.25 | 59,248,095 |
| Total | | \$1,131,228,266 |

*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 2023 totaled \$14,548,344.

A supplemental appropriation was received in 2023 for \$21.3 million provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS Care. 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, 2023 are disclosed in the following table.

| Components of Liability | Amount |
|---|--------------------------|
| Total OPEB Liability | \$ 26,028,070,267 |
| Less: Plan Fiduciary Net Position | (3,889,765,203) |
| Net OPEB Liability | \$ 22,138,305,064 |
| Net Position as a Percentage of Total OPEB Liability | 14.94 % |

The Net OPEB Liability decreased by \$1.8 billion, from \$23.9 billion as of August 31, 2022, to \$22.1 billion as of August 31, 2023. The decrease was primarily due to favorable claims experience.

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2023.

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 updated based on the experience study performed for TRS for the period ending August 31, 2021.

Mortality Assumptions

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 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-2021.

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 7.75 percent for Medicare retirees and 7.00 percent for non-Medicare retirees. The initial prescription drug trend rate was 7.75 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

| Table 9.F.1: Actuarial Methods and Assumptions | |
|---|--|
| Component | Result |
| Valuation Date | August 31, 2022 rolled forward to August 31, 2023 |
| Actuarial Cost Method | Individual Entry-Age Normal |
| Inflation | 2.30% |
| Single Discount Rate | 4.13% as of August 31, 2023 |
| 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 | 2.95% to 8.95%, including inflation |
| Ad Hoc Post-Employment Benefit Changes | None |

Discount Rate

A single discount rate of 4.13 percent was used to measure the total OPEB liability. This was an increase of 0.22 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 3.91 percent as of August 31, 2022 to 4.13 percent, as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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, 3.13 percent or one percentage point higher, 5.13 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 the Fidelity "20-Year Municipal GO AA Index", as of August 31, 2023.

| Table 9.H.1: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption | | | |
|--|-------------------------------------|--------------------|--|
| 1% Decrease | Current Single Discount Rate | 1% Increase | |
| 3.13% | 4.13% | 5.13% | |
| \$ 26,074,313,528 | \$ 22,138,305,064 | \$ 18,926,429,065 | |

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 | |
| \$ 18,229,786,300 | \$ 22,138,305,064 | \$ 27,166,627,825 | |

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, 2023, 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 | \$ 622.60 | \$ |
| Employee + Spouse | 980.60 | 358.00 |
| Employee + Children | 862.30 | 239.70 |
| Employee + Family | 1,220.30 | 597.70 |

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 \$10,786,027.

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 2022 requiring that all funds be invested in cash and equivalent securities. The expected rate of return on these investments is 4.1%, in line with the prevailing returns on 90 day U.S. Treasury bills.

F. Net OPEB Liability

At August 31, 2023, 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 | \$ 104,206,608 |
| State's proportionate share of the collective Net OPEB Liability associated with TRS | N/A* |
| Total | \$ 104,206,608 |

*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, 2023 was 0.36580452 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, 2021 through August 31, 2022. There was an increase of 0.02005784 percent in TRS’ proportionate share from the prior year of 0.34574668 percent.

The Net OPEB Liability at August 31, 2023 was based on a measurement date of August 31, 2022, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2022.

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, 2022 |
| Discount Rate | 3.59% |
| Actuarial Cost Method | Entry Age |
| Salary Increases | 2.30% to 8.95% including inflation |
| Inflation | 2.30% |
| Ad Hoc Post-Employment Benefit Changes | None |
| Annual Healthcare Trend Rates | <u>HealthSelect</u> 5.60% for FY2024, 5.30% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years <u>HealthSelect Medicare Advantage</u> 66.67% for FY2024, 24.00% for FY2025, 5.00% for FY2026, 4.75% for FY2027, 4.60% for FY2028, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2031 and later years <u>Pharmacy</u> 10.00% for FY2024 and FY2025, decreasing 100 basis points per year to 5.00% for FY2030 and 4.30% for FY2031 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-2019 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-2019 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-2019 Projection Scale projected 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-2021 Projection Scale from the year 2021
- Disability Retirees - Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021 using a 3 year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
- Active Members - Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010

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, 2021.

Discount Rate

The discount rate used to measure the Total OPEB Liability was 3.59 percent. The change in the discount rate since the OPEB plan's prior fiscal year-end is an increase of 1.45 percent (from 2.14 percent to 3.59 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 3.59 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 | |
| \$ 89,238,639 | \$ 104,206,608 | \$ 123,316,664 | |

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 | |
| 2.59% | 3.59% | 4.59% | |
| \$ 121,536,395 | \$ 104,206,608 | \$ 90,346,944 | |

I. Changes of Assumptions Since the Prior Measurement Date

Demographic Assumptions

Since the prior measurement date, demographic assumptions (including rates of retirement, disability, termination, and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the TRS Trustees. These new assumptions were adopted to reflect an experience study on the TRS retirement plan performed by the TRS retirement plan actuary. In addition, 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 retirees assumed to cover dependent children.
- 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.

Economic Assumptions

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

- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act has been updated to reflect the most recent available information.
- The discount rate was changed from 2.14 percent to 3.59 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 FY2023, are provided for in the FY2023 Assumed Per Capita Health Benefit Costs.

K. OPEB Expense and Deferred Inflow and Outflow of Resources

TRS recognized \$12,241,646 in OPEB expense during fiscal year 2023.

At August 31, 2023, 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 | | \$ (3,023,757) |
| Changes in assumptions | 5,429,759 | (31,194,369) |
| Net difference between projected and actual earnings | 16,799 | |
| Changes in proportion and differences between employer's contributions and employer's proportionate share of contributions | 33,786,017 | |
| Employer contributions subsequent to the measurement date of the ending Net OPEB Liability | 10,940,847 | |
| Total | \$ 50,173,422 | \$ (34,218,126) |

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) |
|-----------------------------------|----------------------|--|
| 2023 | \$ 4,931,918 | \$ 82,531 |
| 2024 | 2,628,265 | (2,545,734) |
| 2025 | 446,078 | (2,991,812) |
| 2026 | (1,170,829) | (1,820,983) |
| 2027 | (1,820,983) | |
| Thereafter | | |
| Total | \$ 5,014,449 | |

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 2023 are disclosed in the following table.

| Employer Type | Number |
|--|---------------|
| Independent School Districts | 1,020 |
| Charter Schools (open enrollment only) | 200 |
| Community and Junior Colleges | 50 |
| Senior Colleges and Universities | 48 |
| Regional Service Centers | 20 |
| Medical Schools | 9 |
| Educational Districts | 2 |
| State Agency | 1 |
| Total | 1,350 |

Plan membership as of August 31, 2022 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2022 (see Section F), the Plan membership counts are as of August 31, 2022.

| Pension Plan Member Type | Number |
|---|------------------|
| Inactive plan members or beneficiaries currently receiving benefits | 475,952 |
| Inactive plan members entitled to but not yet receiving benefits | 544,537 |
| Active plan members | 928,418 |
| Total | 1,948,907 |

The Average Expected Remaining Service Life (AERSL) of 5.6705 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 2023.

| Contributor | Contribution Rate | Amount |
|--|--------------------------|------------------------|
| Member | 8.00 % | \$4,492,518,277 |
| Non-Employer Contributing Entity (State) | 8.00 | 2,279,408,927 |
| Employers | 8.00 | 2,202,341,270 |
| Total | | \$8,974,268,474 |

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

- All public schools, charter schools and regional education service centers must contribute 1.8 percent of the member's salary beginning in fiscal year 2023, 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 2023 are shown below.

| Surcharge | Rate | Amount |
|--|-------------|-----------------------|
| Public Education Employers | 1.80 % | \$ 610,418,144 |
| Employment after Retirement - Employer | 8.00 | 23,555,279 |
| Employment after Retirement - Employee | 8.00 | 23,555,279 |
| Total | | \$ 657,528,702 |

The current and future contribution rates are shown below.

| Fiscal Year | State | Public Education Employer | Active Employee |
|--------------------|--------------|----------------------------------|------------------------|
| 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, 2023 are disclosed below.

| Components of Liability | Amount |
|--|--------------------------|
| Total Pension Liability | \$ 255,860,886,500 |
| Less: Plan Fiduciary Net Position | (187,170,535,558) |
| Net Pension Liability | \$ 68,690,350,942 |
| Net Position as Percentage of Total Pension Liability | 73.15 % |

F. Actuarial Methods and Assumptions

Roll Forward

The actuarial valuation was performed as of August 31, 2022. Update procedures were used to roll forward the total pension liability to August 31, 2023.

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, 2023 are summarized in Note 3.

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

| Component | Result |
|---|--|
| Valuation Date | August 31, 2022 rolled forward to August 31, 2023 |
| 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 2023 | 4.13% - 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) | 2122 |
| 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, 2022. For a full description of these assumptions please see the actuarial valuation report dated November 22, 2022.

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 9.50 percent of payroll in fiscal year 2024 increasing to 9.56 percent in fiscal year 2025 and thereafter. 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 are the same as used in the determination of the prior year's Net Pension Liability.

H. Changes in Benefit Provisions Since Prior Measurement Date

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the Net Pension Liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

I. 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 11.1.1: 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% |
| \$ | 102,695,878,717 | \$ | 68,690,350,942 |
| | | | \$ 40,414,736,337 |

J. 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, 2023 was \$431,549 and had 2 members.

K. 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. Claims for the health insurance coverages are recorded in the TRS-ActiveCare Plan. These coverages are provided through a self-funded health plan. For self-funded coverages, the System's liabilities are reported when it is both probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Changes in the balances of the self-funded claims liabilities for the current fiscal year are presented in the following table.

| Table 12.1: Changes in Health Care Claims Liabilities | | | |
|--|------------------------|--------------------|------------------------|
| | August 31, 2023 | | August 31, 2022 |
| Beginning Balance | \$ | 280,408,186 | \$ 284,289,922 |
| Current-Year Claims and Changes in Estimates | | (2,227,262,451) | (2,220,380,033) |
| Claims Payments | | 2,260,177,026 | 2,216,498,297 |
| Ending Balance | \$ | 313,322,761 | \$ 280,408,186 |

The System is exposed to the following types of claims for risk of loss:

- Health Insurance
- Property and Casualty
- Unemployment
- Workers' compensation

The System purchases commercial insurance to cover the risk of loss related to general liability, theft of, damage to, and destruction of assets, and natural disasters. The risk of financing for different types of coverages are presented in the following table.

Table 12.2: Summary of Risk Financing

| Type of Coverage | Plan Name | Self-Funded | Risk Retained With |
|------------------------------|-------------------|-------------|--------------------|
| Health | TRS-ActiveCare | Yes | System |
| | Prescription Drug | Yes | System |
| | HMOs | No | Insurance Carrier |
| Property and Casualty | N/A | No | Insurance Carrier |
| Unemployment | N/A | No | Insurance Carrier |
| Workers Compensation | N/A | No | Insurance Carrier |

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

During the 88th Regular Legislative Session, House Bill 1 - General Appropriation Act included a one-time appropriation payment of \$588.5 million to keep the average premium rate increase in TRS-ActiveCare below 10%. This payment will be paid in late October 2023. Senate Bill (SB) 10 also passed to provide two types of benefit enhancements to eligible annuitants for an amount of \$1.645 billion. The stipends, regardless of annuity amount, were paid in September 2023 as follows:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants ages 70 to 74.
- Annuitants must meet the qualifying age on or before August 31, 2023.

In addition House Joint Resolution (HJR) 2 was passed to provide Cost of Living Adjustments to be paid in January 2024 based on retirement dates of eligible retirees since HJR 2 was approved by Texas voters in the November 2023 Constitutional Amendment election. The Cost of Living adjustments will be paid in the following manner.

- 2% COLA for eligible retirees who retired between Sept. 1, 2013 through Aug. 31, 2020.
- 4% COLA for eligible retirees who retired between Sept. 1, 2001 through Aug. 31, 2013.
- 6% COLA for eligible retirees who retired on or before Aug. 31, 2001.

Note 15: Adjustment to Fund Balances and Net Position

The restatement in the Pension Trust Fund of \$761,637 is due to changes in the prior year. Pursuant to the requirements in GASB 96, a \$761,637 restatement was reported to properly report right to use assets and obligations related to subscription-based information technology arrangements that had not previously been required. The beginning balance and related restatement for 2023 is presented in the table below.

| Table 15.1: Adjustment to Net Position | |
|---|--------------------------|
| | 2023 |
| Beginning Net Position as Previously Reported | \$184,185,617,196 |
| Prior Period Adjustment | 761,637 |
| Beginning Net Position as Restated | \$184,186,378,833 |

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Required Supplementary Information

Pension Trust Fund

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TRS-Care

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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)

| | 2023 | 2022 | 2021 | 2020 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | |
| Service Cost | \$ 6,791,856 | \$ 6,093,119 | \$ 5,793,398 | \$ 5,651,647 |
| Interest on the Total Pension Liability | 16,815,740 | 16,201,213 | 15,645,734 | 15,014,048 |
| Benefit Changes | | | | |
| Differences between Expected and Actual Experience | 2,148,475 | 1,043,774 | (1,004,527) | (259,157) |
| Changes of Actuarial Assumptions | | 6,651,511 | | |
| Benefit Payments | (12,740,413) | (13,130,574) | (11,686,211) | (10,972,292) |
| Refunds of Member Accounts | (707,817) | (579,462) | (449,136) | (421,366) |
| Net Change in Total Pension Liability | \$ 12,307,841 | \$ 16,279,582 | \$ 8,299,259 | \$ 9,012,880 |
| Beginning Total Pension Liability | \$ 243,553,045 | \$ 227,273,464 | \$ 218,974,205 | \$ 209,961,325 |
| Ending Total Pension Liability (a) | \$ 255,860,887 | \$ 243,553,045 | \$ 227,273,464 | \$ 218,974,205 |
| Plan Fiduciary Net Position | | | | |
| Employer Contributions | \$ 2,859,870 | \$ 2,504,170 | \$ 2,124,028 | \$ 2,016,482 |
| Member Contributions | 4,492,518 | 4,213,622 | 3,839,244 | 3,736,877 |
| Non-Employer Contributing Entity Contributions | 2,279,409 | 2,153,483 | 2,140,553 | 2,107,999 |
| Net Investment Income | 6,885,963 | (13,383,751) | 40,512,139 | 11,068,917 |
| Benefit Payments | (12,740,413) | (13,130,574) | (11,686,211) | (10,972,292) |
| Refunds of Member Accounts | (707,817) | (579,462) | (449,136) | (421,366) |
| Administrative Expenses | (85,188) | (62,053) | (71,360) | (67,136) |
| Other | 576 | 663,179 | (18,500) | (31,435) |
| Net Change in Plan Fiduciary Net Position** | \$ 2,984,918 | (17,621,385) | 36,390,757 | \$ 7,438,046 |
| Beginning Plan Fiduciary Net Position | \$ 184,185,617 | \$ 201,807,002 | \$ 165,416,245 | \$ 157,978,199 |
| Ending Plan Fiduciary Net Position (b) | \$ 187,170,536 | \$ 184,185,617 | \$ 201,807,002 | \$ 165,416,245 |
| Ending Net Pension Liability (a)-(b) | \$ 68,690,351 | \$ 59,367,428 | \$ 25,466,461 | \$ 53,557,960 |

*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.

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 5,642,075 | \$ 4,654,171 | \$ 4,489,046 | \$ 4,392,077 | \$ 4,225,449 | \$ 3,965,994 |
| 14,267,256 | 14,109,277 | 13,515,486 | 12,896,571 | 12,555,646 | 11,813,446 |
| 588,828 | | | | | |
| (982,694) | | (969,831) | 373,669 | (1,588,619) | 482,639 |
| (7,425,279) | 22,106,679 | 700,880 | | (1,474,724) | 2,028,541 |
| (11,253,729) | (10,172,997) | (9,775,775) | (9,379,123) | (8,935,112) | (8,548,643) |
| (486,461) | (422,336) | (420,421) | (373,419) | (391,341) | (410,600) |
| \$ 349,996 | \$ 30,274,794 | \$ 7,539,385 | \$ 7,909,775 | \$ 4,391,299 | \$ 9,331,377 |
| \$ 209,611,329 | \$ 179,336,535 | \$ 171,797,150 | \$ 163,887,375 | \$ 159,496,076 | \$ 150,164,699 |
| \$ 209,961,325 | \$ 209,611,329 | \$ 179,336,535 | \$ 171,797,150 | \$ 163,887,375 | \$ 159,496,076 |
| \$ 1,761,822 | \$ 1,671,257 | \$ 1,588,309 | \$ 1,483,390 | \$ 1,377,973 | \$ 984,552 |
| 3,482,870 | 3,360,773 | 3,242,556 | 2,943,669 | 2,576,024 | 2,357,686 |
| 1,737,852 | 1,715,785 | 1,697,963 | 1,675,631 | 1,591,483 | 1,530,624 |
| 7,669,029 | 11,242,814 | 17,079,807 | 9,193,281 | (412,759) | 19,434,430 |
| (11,253,729) | (10,172,997) | (9,775,775) | (9,379,123) | (8,935,112) | (8,548,643) |
| (486,461) | (422,336) | (420,421) | (373,419) | (391,341) | (410,600) |
| (60,486) | (64,926) | (44,190) | (44,403) | (35,557) | (41,904) |
| 558,400 | (123,390) | (14,964) | (29,095) | (11,248) | 84,954 |
| \$ 3,409,297 | \$ 7,206,980 | \$ 13,353,285 | \$ 5,469,931 | \$ (4,240,537) | \$ 15,391,099 |
| \$ 154,568,902 | \$ 147,361,922 | \$ 134,008,637 | \$ 128,538,706 | \$ 132,779,243 | \$ 117,388,144 |
| \$ 157,978,199 | \$ 154,568,902 | \$ 147,361,922 | \$ 134,008,637 | \$ 128,538,706 | \$ 132,779,243 |
| \$ 51,983,126 | \$ 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: Demographic and economic assumptions were updated based on experience study performed for TRS for the period ending August 31, 2021. The primary change was the lowering of the discount rate 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 |
| 2023 | 255,860,886,500 | 187,170,535,558 | 68,690,350,942 | 73.15 | 56,156,478,463 | 122.32 |

*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

Last Ten Fiscal Years*

| 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 |
| 2023 | 5,318,018,510 | 5,139,278,899 | 178,739,611 | 56,156,478,463 | 9.15 |

*This schedule is 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, 2022 (to determine contribution rate for fiscal year ending August 31, 2023) |
| Actuarial Cost Method | Individual Entry Age Normal actuarial cost method |
| Amortization Method | Level Percentage of Payroll, Floating |
| Remaining Amortization Period | 26 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 | 2.95% to 8.95%, including inflation |
| Investment Rate of Return | 7.00% |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2022 valuation pursuant to an experience study conducted for the period ending on August 31, 2021. |
| Mortality | The active mortality rates were based on PUB (2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males), also with full generational mortality using Scale UMP 2021. Post-Retirement: The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale UMP 2021 (the ultimate rates of MP-2021) but with immediate convergence. |
| 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. The assumptions described above are based on the August 31, 2022 actuarial valuation on which the actuarially determined employer contributions is based. |

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

| 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------|--------|--------|-------|-------|-------|--------|-------|--------|--------|
| 3.8 % | (6.7)% | 25.0 % | 7.2 % | 5.1 % | 7.8 % | 13.0 % | 7.3 % | (0.3)% | 16.9 % |

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 |
| 2023 | 104,206,608 | 0.36580452 | 92,074,281 | 113.18 | 0.57 |

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 |
| 2023 | 12,142,297 | 12,142,297 | | 111,849,135 | 10.86 |

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.

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)

| | 2023 | 2022 | 2021 | 2020 |
|--|-----------------------|------------------------|----------------------|-----------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$ 1,167,928 | \$ 2,329,444 | \$ 2,123,507 | \$ 2,580,691 |
| Interest on the Total OPEB Liability | 1,070,343 | 818,451 | 951,216 | 1,304,452 |
| Changes of Benefit Terms | | | | |
| Differences between Expected and Actual Experience | (2,155,815) | (4,519,113) | (4,029,450) | (11,973,222) |
| Changes of Actuarial Assumptions | (573,519) | (12,067,408) | 2,553,299 | 64,950 |
| Benefit Payments | (542,810) | (613,142) | (495,695) | (549,284) |
| Net Change in Total OPEB Liability | \$ (1,033,872) | \$ (14,051,769) | \$ 1,102,877 | \$ (8,572,413) |
| Beginning Total OPEB Liability | \$ 27,061,943 | \$ 41,113,711 | \$ 40,010,834 | \$ 48,583,247 |
| Ending Total OPEB Liability (a) | \$ 26,028,070 | \$ 27,061,943 | \$ 41,113,711 | \$ 40,010,834 |
| Plan Fiduciary Net Position | | | | |
| Employer Contributions | \$ 393,951 | \$ 370,736 | \$ 334,028 | \$ 324,974 |
| Non-Employer Contributing Entity Contributions | 495,642 | 534,341 | 452,858 | 666,588 |
| Member Contributions | 277,468 | 263,328 | 250,413 | 243,532 |
| Net Investment Income | 130,069 | 13,538 | 9,227 | 25,537 |
| Benefit Payments** | (542,810) | (613,142) | (495,696) | (549,284) |
| Administrative Expense | (22,800) | (18,466) | (7,906) | (7,069) |
| Other | 40,306 | 28,360 | | 18 |
| Net Change in Plan Fiduciary Net Position | \$ 771,828 | \$ 578,695 | \$ 542,924 | \$ 704,296 |
| Beginning Plan Fiduciary Net Position | \$ 3,117,937 | \$ 2,539,242 | \$ 1,996,318 | \$ 1,292,022 |
| Ending Plan Fiduciary Net Position (b) | \$ 3,889,765 | \$ 3,117,937 | \$ 2,539,242 | \$ 1,996,318 |
| Ending Net OPEB Liability (a)-(b) | \$ 22,138,305 | \$ 23,944,005 | \$ 38,574,469 | \$ 38,014,516 |

*This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 74, paragraph 62.

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

| | 2019 | 2018 | 2017 |
|-----------|--------------------|----------------------|------------------------|
| \$ | 2,306,961 | \$ 2,284,418 | \$ 4,312,406 |
| | 1,904,512 | 1,524,880 | 2,356,367 |
| | | | (18,610,363) |
| | (7,950,584) | 2,979,259 | (1,027,634) |
| | 2,133,219 | 936,862 | (19,563,767) |
| | (540,351) | (881,714) | (995,486) |
| \$ | (2,146,243) | \$ 6,843,705 | \$ (33,528,477) |
| \$ | 50,729,490 | \$ 43,885,785 | \$ 77,414,262 |
| \$ | 48,583,247 | \$ 50,729,490 | \$ 43,885,785 |
| | | | |
| \$ | 305,363 | \$ 296,098 | \$ 215,361 |
| | 482,056 | 789,870 | 324,662 |
| | 227,338 | 221,325 | 213,241 |
| | 25,047 | 10,127 | 4,697 |
| | (540,351) | (881,714) | (995,486) |
| | (6,006) | (6,672) | (4,954) |
| | | (29,995) | 529 |
| \$ | 493,447 | \$ 399,039 | \$ (241,950) |
| \$ | 798,575 | \$ 399,536 | \$ 641,486 |
| \$ | 1,292,022 | \$ 798,575 | \$ 399,536 |
| \$ | 47,291,225 | \$ 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.

2023: Changes of Assumptions: The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, revised demographic and economic assumptions based on the TRS experience study.

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 |
| 2023 | 26,028,070,267 | 3,889,765,203 | 22,138,305,064 | 14.94 | 42,687,428,308 | 51.86 |

*This schedule will ultimately contain 10 years of information. Additional years will be presented on a prospective basis in accordance with GASB 74, paragraph 62.

Other Supplementary Information

| | |
|--|-----|
| Schedule 1: Schedule of Administrative and Investing Activity Expenses | 106 |
| Schedule 2: Schedule of Professional and Consulting Services | 108 |

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

For the Fiscal Year Ended August 31, 2023

| | Pension Trust Fund | | | | |
|---|----------------------|-----------------------|----------------------|---------------------|-----------------------|
| | Benefits | Investments | TRS-Care | TRS-ActiveCare | Total |
| Administrative Expenses | | | | | |
| Personnel Services | | | | | |
| Salaries and Wages | \$ 50,784,651 | \$ 65,813,187 | \$ 10,404,046 | \$ 2,287,348 | \$ 129,289,232 |
| Payroll Related Costs | 2,802,880 | 6,576,655 | 1,453,725 | 242,939 | 11,076,199 |
| Total Personnel Services | \$ 53,587,531 | \$ 72,389,842 | \$ 11,857,771 | \$ 2,530,287 | \$ 140,365,431 |
| Total Professional Fees and Services | \$ 3,121,804 | \$ 5,866,870 | \$ 3,157,458 | \$ 2,183,352 | \$ 14,329,484 |
| Other Operating Expenses | | | | | |
| Travel | \$ 242,936 | \$ 978,623 | \$ 79,884 | \$ 38,841 | \$ 1,340,284 |
| Materials and Supplies | | | | | |
| Consumable Supplies and Fuels | 307,703 | 46,066 | 136,978 | 1,942 | 492,689 |
| Subscriptions and Reference Information | 250,260 | 507,693 | 37,529 | 7,269 | 802,751 |
| Postage, Mailing and Delivery Services | 2,787,995 | 285,407 | 1,662,266 | 6,069 | 4,741,737 |
| Furniture and Equipment - Expensed | 562,082 | 698,732 | 83,025 | 17,400 | 1,361,239 |
| Communications and Utilities | 687,120 | 833,227 | 77,852 | 33,133 | 1,631,332 |
| Repairs and Maintenance | | | | | |
| Software Purchases and Maintenance | 3,462,282 | 4,705,729 | 505,015 | 106,382 | 8,779,408 |
| Computer Hardware Maintenance | 1,595,072 | | | | 1,595,072 |
| Buildings and Equipment Maintenance | 383,001 | 498,801 | 120,378 | 25,384 | 1,027,564 |
| Rentals and Leases | 2,001,081 | 1,581,681 | 216,062 | 844 | 3,799,668 |
| Printing and Reproduction | 182,645 | 88,906 | 35,108 | | 306,659 |
| Depreciation Expense | 1,128,943 | 9,633 | | | 1,138,576 |
| Amortization Expense | 8,395,552 | 6,923,968 | 2,605,673 | | 17,925,193 |
| Other Expenses | | | | | |
| Dues, Fees And Staff Development | 124,381 | 331,993 | 27,581 | 22,368 | 506,323 |
| Insurance Premiums | 412,447 | 490,178 | 51,874 | 10,926 | 965,425 |
| Miscellaneous Expenses | 5,954,904 | 6,174,304 | 2,145,064 | 190,469 | 14,464,741 |
| Total Other Operating Expenses | \$ 28,478,404 | \$ 24,154,941 | \$ 7,784,289 | \$ 461,027 | \$ 60,878,661 |
| Total Administrative Expenses | \$ 85,187,739 | \$ 102,411,653 | \$ 22,799,518 | \$ 5,174,666 | \$ 215,573,576 |

Schedule 1

Schedule of Administrative and Investing Activity Expenses

All Funds

For the Fiscal Year Ended August 31, 2023

| Pension Trust Fund | | | | | |
|--|-----------------|-------------------------|-----------------|-----------------------|-------------------------|
| | Benefits | Investments | TRS-Care | TRS-ActiveCare | Total |
| Investment Fees | | | | | |
| Bank Fees | \$ | \$ 54,541,363 | \$ | \$ | \$ 54,541,363 |
| Research Fees | | 4,685,488 | | | 4,685,488 |
| External Manager Fees* | | 75,456,968 | | | 75,456,968 |
| External Legal and Other Fees | | 5,538,625 | | | 5,538,625 |
| External Custodial Fees | | 22,000,000 | | | 22,000,000 |
| Interest Expense on Reverse Repurchase Agreements | | 579,329,320 | | | 579,329,320 |
| Total Investment Fees | \$ | — \$ 741,551,764 | \$ | — \$ | — \$ 741,551,764 |
| Total Administrative Expenses and Investment Fees** | \$ | 85,187,739 | \$ | 22,799,518 | \$ |
| | | 843,963,417 | \$ | 5,174,666 | \$ |
| | | | | | 957,125,340 |

*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, 2023

| | Amount | | Amount |
|--|---------------------|--|---------------------|
| Consulting Services | | SAS Institute Inc | 170,314 |
| CBRE Inc | \$ 1,031,555 | Quisitive LLC | 157,895 |
| Square One Consultants Inc | 727,095 | Open Text Inc | 89,585 |
| Focus Consulting Group Inc | 153,600 | Presidio Networked Solutions Group LLC | 74,234 |
| International Center for Management | 119,700 | Adjacent Technologies Inc | 12,500 |
| Elite Research LLC | 93,063 | Total IT Consulting Services | \$ 3,167,102 |
| Crowe LLP | 53,400 | Investment Research Fees | |
| Coleman & Associates Consultants | 11,050 | Macquarie Group | \$ 711,884 |
| Total Consulting Services | \$ 2,189,463 | Wolfe Advisors LP | 600,000 |
| Financial & Accounting Services | | Bank of America Merrill Lynch | 362,577 |
| Ernst & Young LLP | \$ 1,527,249 | Jefferies & Company | 329,101 |
| Milliman Inc | 1,142,863 | Green Street Advisors | 246,970 |
| Segal Company (Southeast) Inc | 1,134,507 | SMBC Nikko | 234,692 |
| Gabriel Roeder Smith & Company | 748,996 | Credit Suisse | 233,545 |
| Health Management System Inc | 522,334 | Exane BNP | 217,517 |
| Texas State Auditor's Office | 295,000 | HSBC Bank | 211,433 |
| Pharmaceutical Strategies Group LLC | 153,045 | Sanford Bernstein | 195,840 |
| CEM Benchmarking Inc | 125,000 | Kepler Cheuvreux | 195,086 |
| Total Financial & Accounting Services | \$ 5,648,994 | Tegus Inc | 174,750 |
| Investment Consulting Services | | Berenberg Capital Markets | 162,977 |
| Albourne | \$ 2,466,763 | Nomura Group | 153,206 |
| Jones Lang Lasalle Securities | 1,025,000 | Santander Invest Securities Inc | 144,839 |
| AON Hewitt Consulting Services | 850,000 | Gerson Lehrman Group | 136,848 |
| PCCP2 | 210,000 | Enverus Inc | 125,000 |
| Citigroup | 122,285 | CLSA Limited | 117,349 |
| Keith C Brown | 80,000 | Mizuho Research | 76,669 |
| UBS | 34,696 | Robert W Baird | 66,379 |
| Total Investment Consulting Services | \$ 4,788,744 | Piper Jaffray | 60,395 |
| IT Consulting Services | | BCA Research | 50,000 |
| Advanced Call Center Technologies LLC | \$ 1,000,441 | BMO Capital Markets | 50,000 |
| Accenture | 570,000 | Deutsche Bank | 50,000 |
| Gartner Inc | 447,259 | Keefe Bruyette & Woods | 50,000 |
| International Business Machines Corporation | 426,554 | Redburn (Europe) Limited | 50,000 |
| Catapult Systems LLC | 218,320 | Zelman & Associates | 50,000 |
| | | Stifel Nicolaus & Co | 32,124 |
| | | Renaissance Macro | 30,000 |

| | Amount | | Amount |
|---------------------------------------|---------------------|---|----------------------|
| Raymond James | 28,787 | Other Professional Services | |
| BTG Pactual | 25,000 | Novo Construction | \$ 27,352,216 |
| Cornerstone Macro | 25,000 | Aquila Commercial LLC | 626,507 |
| Empirical Research Partners | 25,000 | Shorenstein Realty Services | 476,272 |
| Evercore ISI | 25,000 | Valuation Research Corporation | 245,000 |
| RBC Capital Markets | 16,710 | McLagan | 213,500 |
| Yardeni Research | 13,750 | Institutional Shareholder Services Inc | 160,090 |
| Numis Securities Inc | 12,500 | Perryman Consultants Inc | 128,000 |
| Total Investment Research Fees | \$ 5,290,928 | Netsync Network Solutions Inc | 108,744 |
| Legal Services | | Lexisnexis Risk Solutions FI Inc | 67,644 |
| Foster Garvey PC | \$ 1,126,566 | University of Texas - Austin | 65,350 |
| Ropes & Gray LLP | 1,117,376 | Leanne Lowish Consulting | 57,150 |
| Norton Rose Fulbright US LLP | 815,034 | Citibank NA | 56,235 |
| Seyfarth Shaw LLP | 803,305 | United Training Commercial LLC | 55,214 |
| DLA Piper LLP US | 494,946 | Carahsoft Technology Corporation | 45,517 |
| Jackson Walker LLP | 461,182 | Amity Search Partners | 40,000 |
| Morgan Lewis & Bockius LLP | 341,919 | Uptodate Inc | 31,270 |
| Purrington Moody Weil LLP | 315,550 | Workers Assistance Program Inc | 30,327 |
| BLA Schwartz PC | 300,000 | Institutional Limited Partners Association | 26,378 |
| Katten Muchin Roseman LLP | 179,760 | Korn Ferry (US) | 26,003 |
| Ice Miller LLP | 156,362 | The Berwyn Group | 22,794 |
| JAE Law Group | 116,163 | Performance Training Resources LLC | 19,500 |
| Cohen Milstein Sellers & Toll PLLC | 104,701 | The Escal Institute Of Advanced Technologies (SANS) | 18,448 |
| Akin Gump Strauss Hauer & Feld LLP | 87,146 | Cprime Inc | 10,000 |
| Foley & Lardner LLP | 30,592 | Aggregate Payees less than \$10,000 | 152,882 |
| Goodsill Anderson Quinn & Stifel | 24,375 | Total Other Professional Services | \$ 30,035,041 |
| Nossaman LLP | 18,900 | Research Services | |
| Total Legal Services | \$ 6,493,877 | Info-Tech Research Group Inc | \$ 48,510 |
| Medical Services | | Total Research Services | \$ 48,510 |
| Alice D Cox MD | \$ 45,320 | Architectural & Engineering Services | |
| Dr Brian Buck | 45,320 | Page Southerland Inc | \$ 322,333 |
| David E Rothschild MD | 45,320 | Total Architectural & Engineering Services | \$ 322,333 |
| Total Medical Services | \$ 135,960 | Total Professional and Consulting Services | \$ 58,120,952 |

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INVESTMENT SECTION



Jason J.
Investment
Operations



| | | |
|-----------------------------------|--|--|
| | MAILING ADDRESS 1000 Red River Street Austin, Texas 78701 | Brian K. Guthrie <i>Executive Director</i> |
| 512.542.6460 www.trs.texas.gov | PHYSICAL ADDRESS 1900 Aldrich Street Austin, TX 78723 | Jase Auby <i>Chief Investment Officer</i> |

Global financial markets and asset values generally performed better than expected throughout this fiscal year, driven by lowered inflationary pressures, resilient economic data in the face of restrictive monetary policy, and stronger than expected corporate earnings. After a dismal 2022 which saw the S&P 500 index enter a bear market and at one point decline to more than -20.0% since its previous high, US markets rebounded sharply in fiscal year 2023 with a 15.94% gain for the 1-year period ended August 31, 2023. While economic and market results have exceeded expectations, the year still experienced disruptive headwinds as the world's major reserve banks continued to raise interest rates at the fastest pace in history, the US regional banking sector was hit with a liquidity crisis, and geopolitical tensions between key economies resurfaced. Despite the hurdles, consumer spending and economic growth remained steady, while a breakthrough development in artificial intelligence and its potential impact on the economy helped propel public equity markets higher.

Overall, investment returns for the fiscal year ended August 31, 2023 were positive as the pension trust fund returned 3.85% for the 1-year period and closed the year with a total of \$186.6 billion in assets under management, a \$3.1 billion increase over last year, net of benefit payments. The annualized rate of return for the 5-year period ended August 31, 2023 was 6.42%, while the longer-term 10-year return was 7.62% and continues to remain in excess of the pension trust fund's long-term investment return assumption of 7.00%.

During the 2023 fiscal year, TRS continued to focus on managing the pension trust fund in the long-term interest of members by generating positive investment returns, prudently managing risk, and completing multiple strategic and regulatory initiatives. At the close of calendar year 2022 the Investment Management Division (IMD) completed its Reduce Investment Fees initiative, which started in 2018 and was supported by TRS Rider 20 (SB 1, 87R) and TRS Rider 19 (HB 1, 88R), to bring more investment personnel in house to reduce fees paid to external managers. The initiative resulted in total headcount growth of 75 full time employees and over \$1.2 billion in estimated external manager fee savings for the five-year period ended December 31, 2022.

TRS served as a resource during the 88th Texas Legislative Session to offer subject matter expertise on four investment related proposals which were ultimately enacted. The proposals introduced improved investment flexibility and governance for TRS and included improvements to the pension trust fund's repurchase agreement process, removal of the statutory hedge fund allocation limit, the ability to make direct real estate investments, and improvements to procurement and contracting. In the last fiscal quarter of 2023, TRS began moving its agency headquarters to the Mueller development in Austin, Texas, with the IMD completing the first phase of the move by transferring all operations and employees successfully. The move provides a larger space with greater resources for future growth, an improved work environment for TRS employees, and a more accessible location for visitation by TRS members and external partners.

TRS' public markets investment portfolios recorded strong absolute returns as equities sharply rebounded from the previous year, with the pension trust fund's Public Equity investments returning 12.29% for the 1-year period ended August 31, 2023 versus a -16.26% decline a year ago. Within the portfolio, the Non-US Developed and US Equities regions produced double digit returns, returning 16.55% and 13.99%, respectively, while Emerging Markets gained 2.34%. The TRS asset allocation had 36.1% in Public Equity investments valued at \$67.4 billion as of August 31, 2023, including approximately \$32.0 billion in internally managed strategies. TRS' \$24.9 billion Government Bonds portfolio declined -11.89% during the fiscal year as restrictive monetary policy continued to result in rising interest rates, driving down the prices of bonds and the value of the portfolio. Despite the recent short-term underperformance in Government Bonds, TRS still views this portfolio as a defensive strategy that adds diversification benefits to the overall portfolio. Assets within the pension trust fund's other Stable Value allocations performed well, with \$9.6 billion in Stable Value Hedge Funds and \$5.8 billion in Absolute Return gaining 4.12% and 11.17% for the fiscal year ended August 31, 2023, respectively.

The pension trust fund's private markets portfolios returned 1.66% in total for the 1-year period ended August 31, 2023 and comprised 40.7% of the asset allocation, or \$75.9 billion in assets. While the portfolio's annual return was lower than the total return in fiscal year 2023, Private Markets has generated a strong three-year return of 15.33%. Across the three private markets asset classes, TRS is making progress towards meeting 2023 goals of committing \$2.6 billion to Private Equity opportunities, \$2.1 billion to Energy, Natural Resources and Infrastructure (ENRI) investments, and \$1.9 billion to Real Estate. Underlying portfolio performance in Private Markets was mixed, with an 8.63% 1-year return in ENRI, a 5.02% return in Private Equity, and a -4.31% return in Real Estate. A combination of elevated oil prices due to higher demand expectations, voluntary production cuts, and the improved overall financial health of the energy sector led to the strong outperformance by ENRI. While Private Equity returns were still positive, the portfolio underperformed the Public Equities allocation as both the lagged nature of valuations coupled with lingering effects of inflation and challenges around the higher cost of debt have lowered private portfolio company valuations. In Real Estate, unfavorable market conditions such as rapidly changing interest rates and lower economic growth impacted property values and returns. The Private Markets team was a key contributor to the success of the Reduce Investment Fees initiative, which helped grow the team's skillset and capabilities as these asset classes continue to innovate and produce a diversified return stream for the pension trust fund.

TRS continues to seek and develop ongoing relationships with emerging managers as an additional diversification component and return generator for the pension trust fund's long-term growth. As of August 31, 2023, the Emerging Manager Program (EMP) comprised 1.6% of the total pension trust fund value and had a 1-year and 3-year return of 1.80% and 13.09%, respectively. Since inception, the team has allocated \$5.9 billion to funds under four major asset classes, 53% of which was allocated to diverse managers. During fiscal year 2023, the team continued the implementation of the Emerging Manager Select initiative, a \$1 billion program, with allocations to two Private Equity and three Real Estate managers. Since inception of the EMP, there have been 14 managers initially sourced through the portfolio that have graduated out of the program and secured commitments in the pension trust fund's primary asset class portfolios. These managers are currently managing \$4.7 billion for the TRS. In January 2023, TRS and ERS hosted the flagship Emerging Manager Conference, attracting over 2,100 allocators and investors.

The TRS Risk and Portfolio Management (RPM) Team monitored all key risk metrics to maintain policy compliance while the pension trust fund maintained a strong liquidity position, an important metric to monitor as TRS continues to deliver annual benefit payments of \$12.7 billion to its members. The \$12.8 billion Risk Parity portfolio comprised 6.9% of investments as of August 31, 2023 and delivered a slightly negative -0.47% performance as the portfolio's heavily diversified strategies struggled to keep pace with the broader public equity market due to high variability in the portfolio's underlying risk exposures and asset class returns during the year. In an effort to support liquidity and expand TRS' financing capabilities, the RPM team helped TRS achieve a significant milestone by becoming the first US defined pension plan to complete a direct repurchase agreement with an industry leading money market fund. The team also began research on the Strategic Asset Allocation study to support the decision on the optimal portfolio benchmark asset mix going forward, which will be proposed and voted on by the TRS Board of Trustees in 2024.

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.

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Report on Investment Activities

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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, 2023. A reconciliation to fair value is provided following Table 1.

Table 1: Asset Allocation as of August 31, 2023

| 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 | \$ 30,028,573,587 | 16.09 |
| Non-US Developed | 8.00 | 18.00 | 13.00 | 21,925,862,567 | 11.75 |
| Emerging Markets | 4.00 | 14.00 | 9.00 | 15,439,686,877 | 8.27 |
| Private Equity* | 9.00 | 19.00 | 14.00 | 33,003,968,189 | 17.69 |
| Total Global Equity | 47.00 | 61.00 | 54.00 | \$ 100,398,091,220 | 53.80 |
| Stable Value | | | | | |
| Government Bonds | 0.00 | 21.00 | 16.00 | \$ 24,922,156,351 | 13.36 |
| Absolute Return | 0.00 | 20.00 | 0.00 | 5,847,433,167 | 3.14 |
| Stable Value Hedge Funds | 0.00 | 10.00 | 5.00 | 9,629,316,715 | 5.16 |
| Total Stable Value | 14.00 | 28.00 | 21.00 | \$ 40,398,906,233 | 21.66 |
| Real Return | | | | | |
| Real Estate | 10.00 | 20.00 | 15.00 | \$ 30,137,643,958 | 16.15 |
| Energy, Natural Resources & Infrastructure | 1.00 | 11.00 | 6.00 | 12,772,800,383 | 6.84 |
| Commodities | 0.00 | 5.00 | 0.00 | 764,439,520 | 0.41 |
| Total Real Return | 14.00 | 28.00 | 21.00 | \$ 43,674,883,861 | 23.40 |
| Total Risk Parity | 0.00 | 13.00 | 8.00 | \$ 12,804,834,295 | 6.86 |
| Asset Allocation Leverage | | | | | |
| Cash | 0.00 | 7.00 | 2.00 | \$ 3,495,079,776 | 1.87 |
| Asset Allocation Leverage | N/A | N/A | (6.00) | (14,164,238,267) | (7.59) |
| Net Asset Allocation Leverage | N/A | N/A | (4.00) | \$ (10,669,158,491) | (5.72) |
| Total Fund Fair Value | | | 100.00 | \$ 186,607,557,118 | 100.00 |
| Reconciling Items | | | | | |
| Investment Related Cash | | | | \$ (47,479,990) | |
| Investment Related Receivables | | | | (3,236,585,057) | |
| Investment Related Payables | | | | 784,606,707 | |
| Securities Sold Short | | | | 2,614,427,700 | |
| Obligations under Reverse Repurchase Agreements | | | | 16,475,945,908 | |
| Collateral Obligations** | | | | 97,929,329 | |
| Total Reconciling Items | | | | \$ 16,688,844,597 | |
| Total Fund Fair Value (Exhibit 1) | | | | \$ 203,296,401,715 | |

* 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 | | | | |
|---|-------------------|-------------------|-------------------|-------------------|--------------------|
| | 2013 | 2018 | 2020 | 2022 | 2023 |
| Global Equity | | | | | |
| USA ¹ | \$ 22.842 | \$ 27.151 | \$ 26.006 | \$ 24.647 | \$ 24.799 |
| Non-US Developed ¹ | 16.641 | 20.341 | 21.237 | 19.934 | 20.511 |
| Emerging Markets ¹ | 12.829 | 13.584 | 15.090 | 14.859 | 14.086 |
| Directional Hedge Funds ^{1,4} | 5.918 | 6.073 | 5.589 | 6.711 | 7.998 |
| Private Equity | 14.365 | 21.239 | 23.927 | 31.550 | 33.004 |
| Total Global Equity | \$ 72.595 | \$ 88.388 | \$ 91.849 | \$ 97.701 | \$ 100.398 |
| Stable Value | | | | | |
| Government Bonds ² | \$ 22.236 | \$ 21.109 | \$ 23.680 | \$ 24.330 | \$ 24.922 |
| Stable Value Hedge Funds ⁴ | 4.207 | 6.502 | 8.219 | 9.518 | 9.629 |
| Absolute Return ⁴ | 0.465 | 3.830 | 6.052 | 5.241 | 5.847 |
| Total Stable Value | \$ 26.908 | \$ 31.441 | \$ 37.951 | \$ 39.089 | \$ 40.398 |
| Real Return | | | | | |
| Real Estate ⁴ | \$ 15.920 | \$ 18.277 | \$ 22.023 | \$ 30.016 | \$ 30.138 |
| Energy, Natural Resources & Infrastructure ⁴ | N/A | 7.696 | 8.225 | 11.371 | 12.773 |
| Commodities | 0.498 | 0.053 | 0.342 | 0.366 | 0.764 |
| Total Real Return | \$ 16.418 | \$ 26.026 | \$ 30.590 | \$ 41.753 | \$ 43.675 |
| Total Risk Parity⁴ | N/A | \$ 7.675 | \$ 13.256 | \$ 13.197 | \$ 12.805 |
| Asset Allocation Leverage | | | | | |
| Asset Allocation Leverage | N/A | N/A | \$ (11.551) | \$ (11.184) | \$ (14.164) |
| Cash ³ | \$ 1.129 | \$ 0.597 | 2.546 | 2.953 | 3.495 |
| Net Asset Allocation Leverage | N/A | N/A | \$ (9.005) | \$ (8.231) | \$ (10.669) |
| Total Fund | \$ 117.050 | \$ 154.127 | \$ 164.641 | \$ 183.509 | \$ 186.607 |

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 | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2013 | 2018 | 2020 | 2022 | 2023 |
| Global Equity | | | | | |
| USA ¹ | 19.51 % | 17.62 % | 15.80 % | 13.43 % | 13.29 % |
| Non-US Developed ¹ | 14.22 | 13.20 | 12.90 | 10.86 | 10.99 |
| Emerging Markets ¹ | 10.96 | 8.81 | 9.16 | 8.10 | 7.55 |
| Directional Hedge Funds ^{1, 4} | 5.06 | 3.94 | 3.39 | 3.66 | 4.28 |
| Private Equity ⁴ | 12.27 | 13.78 | 14.53 | 17.19 | 17.69 |
| Total Global Equity | 62.02 % | 57.35 % | 55.78 % | 53.24 % | 53.80 % |
| Stable Value | | | | | |
| Government Bonds ² | 19.00 % | 13.70 % | 14.38 % | 13.25 % | 13.36 % |
| Stable Value Hedge Funds ⁴ | 3.59 | 4.22 | 4.99 | 5.19 | 5.16 |
| Absolute Return ⁴ | 0.40 | 2.48 | 3.68 | 2.86 | 3.14 |
| Total Stable Value | 22.99 % | 20.40 % | 23.05 % | 21.30 % | 21.66 % |
| Real Return | | | | | |
| Real Estate ⁴ | 13.60 % | 11.86 % | 13.38 % | 16.35 % | 16.15 % |
| Energy, Natural Resources & Infrastructure ⁴ | N/A | 4.99 | 5.00 | 6.20 | 6.84 |
| Commodities | 0.43 | 0.03 | 0.21 | 0.20 | 0.41 |
| Total Real Return | 14.03 % | 16.88 % | 18.59 % | 22.75 % | 23.40 % |
| Total Risk Parity⁴ | N/A | 4.98 % | 8.05 % | 7.19 % | 6.86 % |
| Asset Allocation Leverage | | | | | |
| Asset Allocation Leverage | N/A | N/A | (7.02)% | (6.09)% | (7.59)% |
| Cash ³ | 0.96 % | 0.39 % | 1.55 | 1.61 | 1.87 |
| Net Asset Allocation Leverage | N/A | N/A | (5.47)% | (4.48)% | (5.72)% |
| Total Fund | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % |
| ¹ Beginning in Fiscal Year 2020, Directional Hedge Funds were allocated across USA, Non US-Developed, and Emerging Market Equities. | | | | | |
| ² Beginning in Fiscal Year 2020, TIPS and US Treasuries were combined under the Stable Value Allocation into Government Bonds. | | | | | |
| ³ Cash was included with the Stable Value Allocation through FY2018. | | | | | |
| ⁴ Allocation includes Alternative Investments. | | | | | |

D. Largest Holdings**Fixed Income Investments**

Table 4 discloses the Fund's ten largest fixed income investments as of August 31, 2023 reported at GAAP fair value which constitute 23.85 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, 2023 | | | | | |
|--|--|-------------------------|-------------------------|-------------------------------------|--|
| 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 | \$ 1,225,090,000 | \$ 851,437,550 | 3.10 % | |
| 2 | U.S. Treasury Bond 1.875% Due 02/15/2051 | 1,133,780,000 | 699,223,384 | 2.55 | |
| 3 | U.S. Treasury Bond 1.875% Due 02/15/2041 | 1,005,545,000 | 697,439,727 | 2.54 | |
| 4 | U.S. Treasury Bond 1.75% Due 08/15/2041 | 1,026,650,000 | 689,620,055 | 2.51 | |
| 5 | U.S. Treasury Bond 1.625% Due 11/15/2050 | 1,125,700,000 | 650,795,313 | 2.37 | |
| 6 | U.S. Treasury Bond 2% Due 08/15/2051 | 985,470,000 | 625,465,491 | 2.29 | |
| 7 | U.S. Treasury Bond 1.375% Due 08/15/2050 | 1,132,265,000 | 611,776,933 | 2.23 | |
| 8 | U.S. Treasury Bond 3% Due 02/15/2049 | 728,800,000 | 578,371,125 | 2.11 | |
| 9 | U.S. Treasury Bond 2.25% Due 05/15/2041 | 783,900,000 | 577,391,344 | 2.10 | |
| 10 | U.S. Treasury Bond 2.875% Due 05/15/2049 | 726,900,000 | 563,574,656 | 2.05 | |
| Total Top Ten | | \$ 9,874,100,000 | \$ 6,545,095,578 | 23.85 % | |
| Total Fixed Income Investments | | | | | |

Equity Investments

Table 5 discloses the Fund's ten largest equity investments as of August 31, 2023 reported at GAAP fair value which constitute 11.03 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, 2023 | | | | | |
|--|--|------------|--------------------------|--------|--|
| 1 | Apple, Inc. | 4,418,168 | \$ 830,041,222 | 1.81 % | |
| 2 | Microsoft Corporation | 2,320,592 | 760,597,234 | 1.66 | |
| 3 | Taiwan Semiconductor Manufacturing Company | 43,345,126 | 747,224,159 | 1.63 | |
| 4 | Samsung Electronics Company Limited | 10,608,045 | 536,923,178 | 1.17 | |
| 5 | Alphabet, Inc. | 3,342,940 | 455,208,140 | 0.99 | |
| 6 | Amazon, Inc. | 2,938,039 | 405,478,762 | 0.89 | |
| 7 | Nvidia Corp | 774,055 | 382,034,845 | 0.84 | |
| 8 | Novo Nordisk | 1,835,716 | 340,573,644 | 0.75 | |
| 9 | Nestlé S.A. | 2,484,837 | 299,333,888 | 0.65 | |
| 10 | Vanguard S&P 500 ETF | 704,609 | 291,588,343 | 0.64 | |
| Total Equity Investments | | | \$ 45,778,659,456 | | |

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 | 50% MSCI EM/50% MSCI EM ex China |
| 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

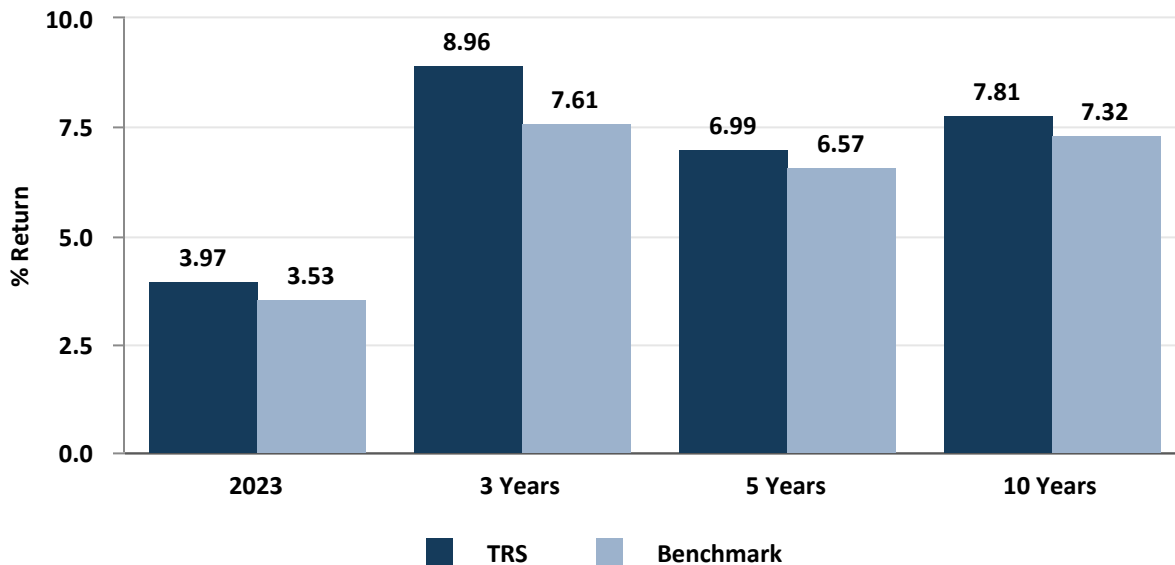
Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, TRS' custodian bank, independently and using industry best practices. The total time-weighted rates of return have been adjusted for cash flows and are calculated 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, 2023, the most complete performance and benchmark information by asset class is available as of June 30, 2023, 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, 2023 | | | | |
|---|----------------|----------------|----------------|-----------------|
| Asset Class | 2023 | 3 Years | 5 Years | 10 Years |
| Global Equity | | | | |
| USA | 17.16 % | 15.03 % | 10.28 % | 11.06 % |
| USA Composite Benchmark | 19.16 | 14.08 | 11.54 | 12.47 |
| Non-US Developed | 17.61 | 8.90 | 4.42 | 5.75 |
| Non-US Developed Composite Benchmark | 17.35 | 9.24 | 4.56 | 5.39 |
| Emerging Markets | 2.81 | 3.78 | 2.30 | 3.91 |
| Emerging Markets Composite Benchmark | 1.39 | 2.18 | 0.89 | 2.93 |
| Private Equity | (3.50) | 20.91 | 13.94 | 13.86 |
| Private Equity Composite Benchmark | (2.11) | 22.69 | 15.22 | 13.47 |
| Total Global Equity | 7.99 % | 13.49 % | 8.61 % | 9.05 % |
| Global Equity Composite Benchmark | 9.24 % | 13.86 % | 9.26 % | 9.31 % |
| Stable Value | | | | |
| Government Bonds | (8.82)% | (12.97)% | (1.27)% | 1.88 % |
| Government Bonds Benchmark | (6.82) | (12.09) | (0.88) | 1.80 |
| Absolute Return | 9.30 | 10.28 | 7.24 | 8.03 |
| Absolute Return Composite Benchmark | 8.22 | 4.73 | 4.47 | 3.62 |
| Stable Value Hedge Funds | 3.69 | 8.70 | 6.10 | 5.69 |
| Stable Value Hedge Funds Composite Benchmark | 3.67 | 6.08 | 3.93 | 3.47 |
| Total Stable Value | (3.50)% | (5.07)% | 1.57 % | 3.63 % |
| Stable Value Composite Benchmark | (4.21)% | (7.93)% | 0.40 % | 2.24 % |
| Real Return | | | | |
| Real Estate | (0.42)% | 12.51 % | 9.92 % | 11.22 % |
| Real Estate Composite Benchmark | (3.91) | 7.46 | 6.56 | 8.47 |
| Energy, Natural Resources & Infrastructure | 9.74 | 15.36 | 7.55 | N/A |
| Energy, Natural Resources & Infrastructure Composite Benchmark | 6.89 | 14.81 | 7.04 | N/A |
| Commodities | (5.33) | 7.97 | (0.89) | (3.31) |
| Commodities Composite Benchmark | (14.22) | 25.11 | 2.76 | (3.52) |
| Total Real Return | 2.17 % | 13.20 % | 9.07 % | 8.98 % |
| Real Return Composite Benchmark | (0.93)% | 9.45 % | 6.65 % | 7.10 % |
| Total Risk Parity | (0.87)% | 1.73 % | 1.50 % | 4.12 % |
| Risk Parity Benchmark | (3.15)% | 0.11 % | 1.83 % | 3.24 % |
| Asset Allocation Leverage | | | | |
| Cash | 5.05 % | 2.09 % | 1.81 % | 2.25 % |
| Cash Composite Benchmark | 3.75 | 1.33 | 1.57 | 0.99 |
| Net Asset Allocation Leverage | | | | |
| TRS | 3.97 % | 8.96 % | 6.99 % | 7.81 % |
| Custom Benchmark | 3.53 % | 7.61 % | 6.57 % | 7.32 % |

Time-Weighted Returns as of June 30, 2023



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, 2023 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, 2023. The amount of fees paid from the Pension Trust Fund and booked as expenses for the fiscal year ended August 31, 2023, which appear in Exhibit II and Schedule 1 as External Manager Fees, amounted to \$75,456,968, which includes \$48,328,662 in management fees and \$27,128,306 in performance fees.

| Table 8: Investment Manager Fees | | | | | |
|--|---------------------------------------|---------------------------------------|----------------------|-----------------------------|-----------------------------------|
| For the Twelve Months Ended June 30, 2023 | | | | | |
| 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 | \$ 29,868,664,846 | \$ 19,539,108 | \$ 8,155,946 | \$ 59,104,927 | \$ 89,419,562 |
| Non-US Developed | 22,577,751,483 | 7,440,928 | 4,150,368 | 38,374,945 | 59,515,137 |
| Emerging Markets | 15,457,817,054 | 11,951,923 | 9,237,082 | 18,908,750 | 76,394,011 |
| Private Equity | 32,275,719,923 | | | 217,645,190 | 256,538,001 |
| Total Global Equity | \$ 100,179,953,306 | \$ 38,931,959 | \$ 21,543,396 | \$ 334,033,812 | \$ 481,866,711 |
| Stable Value | | | | | |
| Government Bonds | \$ 26,219,214,247 | \$ 2,551,627 | \$ 2,704,479 | \$ | \$ |
| Absolute Return | 5,600,515,126 | 174,468 | 184,919 | 17,876,646 | 8,299,753 |
| Stable Value Hedge Funds | 9,108,064,430 | | | 126,476,234 | 148,796,181 |
| Total Stable Value | \$ 40,927,793,803 | \$ 2,726,095 | \$ 2,889,398 | \$ 144,352,880 | \$ 157,095,934 |
| Real Return | | | | | |
| Real Estate | \$ 30,365,647,025 | \$ 1,301,970 | \$ 2,646,430 | \$ 203,912,053 | \$ 110,219,803 |
| Energy, Natural Resources & Infrastructure | 12,424,208,804 | | | 87,508,504 | 32,087,929 |
| Commodities | 767,328,847 | 46,308 | 49,082 | | |
| Total Real Return | \$ 43,557,184,676 | \$ 1,348,278 | \$ 2,695,512 | \$ 291,420,557 | \$ 142,307,732 |
| Total Risk Parity | \$ 12,710,075,464 | \$ — | \$ — | \$ 21,202,363 | \$ 100,836 |
| Asset Allocation Leverage | \$ (13,465,594,132) | | | | |
| Cash | 3,759,747,948 | | | | |
| Total Asset Allocation Leverage | \$ (9,705,846,184) | | | | |
| Total Fund | \$ 187,669,161,065 | \$ 43,006,332 | \$ 27,128,306 | \$ 791,009,612 | \$ 781,371,213 |

External Managers

TRS engages investment managers to administer and search for investment opportunities in the private markets. As of August 31, 2023, the names of these investment managers are listed in Table 9.

Table 9: External Managers

| | | |
|---------------------------------------|---|--|
| 10T | Carlyle Group | Galaxy Digital Capital Management LP |
| Abacus Capital Group | Carrhae Capital LLC | GCM Grosvenor |
| Aberdeen Asset Management | Caxton Associates LP | General Catalyst Group Management, LLC |
| Actis | CBRE Global Investors | Global Infrastructure Partners |
| Adelphi Capital | CCMP Capital Advisors | Goldman Sachs |
| Advent International | Cerberus Capital Management | Gores Group |
| Aeolus Capital Management | Certares Management | Great Hill Equity Partners |
| AEW Capital Management | Charterhouse Group | Green Court Capital |
| AGR Ag Infrastructure (TIAA) | CIFC Asset Management | Greenbelt Capital Partners |
| Alpine Investors | CIM Group | Greenbriar Equity Group |
| Alterna Capital Partners | Cinven Capital Management | GreenPoint Group, LP |
| American Securities Associates | Citadel Wellington LLC | Greystar Real Estate Partners |
| Antin Infrastructure Partners | Clayton Dubilier & Rice | Groupe Alpha Accueil |
| Apollo Global Management | Clearlake Capital Group | GTCR |
| AQR Capital Management, LLC | CLSA Capital Partners | Halcyon Capital |
| Aquatic Capital Management LLC | CoinFund | Harrison Street |
| Arrowstreet Capital LP | Colony Capital | Hawkeye Partners |
| Austin Ventures | Crestview Advisors | Heitman Capital Management |
| Avenue Capital Management | CVC Capital Partners | Hellman & Friedman |
| AXA Investment Managers | Deer Park Road Corporation | Hg |
| Bain Capital | Digital Colony (DigitalBridge) Management | Highland Capital Partners |
| Baker Brothers Advisors | Distributed Global | Hillhouse China Limited Partnership |
| Balyasny Asset Management | DivcoWest | Hines |
| Banner Oak Capital Partners | Echo Minerals | Hony Capital |
| Baring Asset Management | EIG Energy Partners | Horizon Asset Management |
| Bayview Asset Management | EIV Capital | HPS Investment Partners |
| BFAM Partners | Element Capital Management LLC | I Squared Capital |
| BlackRock | Elliott Investment Management | IDR Investment Management |
| Blackstone Group | EnCap/EnCap Flatrock | InfraVia Capital Partners |
| Blackstone Group GSO Capital Partners | Energy Capital Partners | Insight Partners |
| Blockchain Capital | EQT/BPEA | Invesco |
| Bluemountain Capital Management | Equity International Management | Iron Point Partners |
| Brandes Investment Partners | ExodusPoint Capital Management LP | J.H. Whitney & Co |
| Bridgepoint Capital | Falfurrias Capital Partners | JP Morgan Investment Management |
| Bridgewater Associates | Fir Tree Partners | Kelso & Company |
| Brockton Capital | First Reserve | King Street Capital Management |
| Brookfield/Oaktree | Five Mile Capital Partners | Kohlberg Kravis Roberts & Co |
| Cantillon Capital Management | Formentera Partners, LP | LaSalle Investment Management |
| Canyon Capital | Fortress Investment Group | Lead Edge Capital |
| Capri Capital Partners | Forum Partners | Leonard Green & Partners |

Table 9: External Managers (Continued)

| | | |
|---|--|-----------------------------------|
| Lightspeed Venture Partners | Patria Inestimentos | Theleme Partners LLP |
| Lindsay Goldberg | Pavus Asset Management | Thoma Bravo |
| Lion Capital | PDT Partners | Tilden Park Investment Management |
| Lionstone | Peak Rock Capital | TPG Capital |
| Lone Star | Pennybacker Capital | Tricon Capital Group |
| Luxor Capital Group | Permira | Trinsic Residential Group |
| Mack Real Estate Group | Pershing Square Capital | Tristan Capital Partners |
| Macquarie Asset Management | PGIM Real Estate | Triton Capital Partners |
| Madison Dearborn Partners | Pharo Management | Two Sigma Investments |
| Madison International Realty | Pickering Energy Partners | USAA Real Estate/Square Mile |
| Madrone Reinsurance Partners | Platinum Equity | Valeas Capital Partners |
| Magnetar | Polaris Venture Partners | Vaughan Nelson |
| Man Group | Polymer Capital Management | Verition |
| Marathon Asset Management | Principal Global Investors | Vista Equity Partners |
| Marshall Wace | Providence Equity Partners | Voss Capital |
| Mesarete Capital LLP | Providence Strategic Growth Capital Partners | Walton Street Capital |
| Millennium Management | QEP Advisers LLC | Warburg Pincus |
| Monashee Capital | Quad-C Management | Wayzata Investment Partners |
| Morgan Creek Capital Partners | Related Fund Management | Wellington |
| Morgan Stanley | RenaissanceRe Fund Management | Westbrook Partners |
| Nautic Partners | Reservoir Capital Group | Wheelock Street Capital |
| Neuberger Berman | REVCAP Advisors | Whitebox Advisors |
| New Enterprise Associates | Ridgewood Energy | WindAcre |
| NGP Energy Capital Management | Riverstone Holdings | Wolverine Asset Management |
| Nordic Capital | Roark Capital Group | |
| Normandy Real Estate Partners | Rock Creek Group | |
| North Island Ventures | Senator Investment Group | |
| Oak Investment Partners | Silver Lake Partners | |
| Oak Street Real Estate Capital | Sixth Street Partners | |
| Oakley Capital Limited | Soroban Capital Partners | |
| Oasis Management Co Ltd | Starboard | |
| Onex Corporation | Stark Investments | |
| Orchard Asia | Starwood Capital Group | |
| Orchard Global Asset Management | SteelRiver Infrastructure Partners | |
| Oxbow Capital Management | Stockbridge Capital Group | |
| Pacific Coast Capital Partners | Stonepeak Partners | |
| Pacific Investment Management Company LLC | Stratford Company | |
| PAG Investment Advisors | Systematica Investment Management | |
| PAI Partners | TA Associates | |
| Paine Schwartz Partners | Teays River Investment | |

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, 2023. Over 8.9 billion shares were traded by 140 brokers, and commissions paid amounted to \$54,816,885.

For the fiscal year ended August 31, 2023, a portion of the total commissions was paid through various Commission Sharing Arrangements (CSA) and Commission Recapture Arrangements (CRA). CSA proceeds generated \$21,738,889 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 \$19,045,649. CRA proceeds generated \$12,670 and were used to acquire services totaling \$15,425. Unspent CSA proceeds, totaling \$4,120,095, and unspent CRA proceeds, totaling \$5,451, 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 \$318,007 in vendor paid expenses and contractual allowances for the fiscal year ended August 31, 2023.

| Brokerage Firm | Shares Traded* | Commissions Paid** |
|--|-----------------------|---------------------------|
| Goldman Sachs & Co., LLC | 586,765,521 | \$ 8,258,545 |
| J.P. Morgan Securities, LLC | 1,513,956,473 | 5,960,945 |
| Citigroup Global Markets, Inc. | 621,657,197 | 4,974,485 |
| Jefferies, LLC | 700,107,507 | 3,228,494 |
| Morgan Stanley & Co., LLC | 886,711,861 | 3,031,774 |
| Goldman Sachs International | 117,335,551 | 1,895,980 |
| Barclays Capital Inc. | 440,008,390 | 1,712,238 |
| UBS Securities, LLC | 888,183,606 | 1,694,086 |
| Pershing, LLC | 81,331,299 | 1,633,481 |
| BofA Securities, Inc. | 83,583,394 | 1,588,589 |
| Summary of remaining 130 brokerage firms | 3,010,530,079 | 20,838,268 |
| Total | 8,930,170,878 | \$ 54,816,885 |

* 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, 2023 | | |
|--|-----------------------|---------------------------|
| Asset Class | Shares Traded* | Commissions Paid** |
| Global Equity | | |
| USA | 471,560,439 | \$ 9,199,068 |
| Non-US Developed | 2,270,933,264 | 24,709,498 |
| Emerging Markets | 6,114,672,123 | 15,819,035 |
| Private Equity | 10,810,484 | 250,758 |
| Total Global Equity | 8,867,976,310 | \$ 49,978,359 |
| Stable Value | | |
| Government Bonds | 247,097 | \$ 376,495 |
| Absolute Return | 5,700,821 | 6,581 |
| Total Stable Value | 5,947,918 | \$ 383,076 |
| Real Return | | |
| Real Estate | 18,271,048 | \$ 331,629 |
| Commodities | 36,274,173 | 1,295,229 |
| Total Real Return | 54,545,221 | \$ 1,626,858 |
| Risk Parity | 1,701,429 | \$ 2,828,592 |
| Total Risk Parity | 1,701,429 | \$ 2,828,592 |
| Total | 8,930,170,878 | \$ 54,816,885 |
| * 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. PPP is an incentive compensation plan that reinforces long-term investment performance and aligns compensation with the TRS Pension Trust Fund’s (Trust) overall performance. The plan year begins on October 1st and ends on September 30th of the following year.

The potential award for each participant in PPP is based on the participant’s annual base salary, a maximum potential award percentage for the participant, and the results of the performance measurement metrics assigned to the participant. Participants’ potential awards are prorated if they join the PPP, receive a promotion, or transfer within the Investment Management Division during the plan year. In September 2022, the TRS Board of Trustees approved the changes to the weights of the performance measurement metrics, effective October 1, 2022. The metrics are summarized as follows:

| Table 12: Summary of Investment Performance Metrics | | |
|--|-------------------------------|---|
| Metrics | Weight | |
| | Before October 1, 2022 | Beginning October 1, 2022 |
| Investment performance against established benchmarks | 50% for all participants | 30% or 50%, depending on a participant’s position title |
| Investment performance against selected peer groups | 30% for all participants | No change |
| Qualitative performance based on the assessment of a participant’s job performance | 20% for all participants | 20% or 40%, depending on a participant’s position title |

The Trust’s investment performance returns are determined based on 100% of one-year return, 50% of one-year and 50% of two-year returns, or 33% of one-year and 67% of three-year returns, depending on the age of the return history.

In September 2022, the TRS Board of Trustees also approved the change to the award payout schedule from two payments across two years to one payment in one year, effective October 1, 2022. Potentials award will continue to be paid only in a payout period 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 year when the Trust return is positive. Participants will receive their prior potential awards only if they are still employed by TRS, subject to the plan requirements.

No PPP payment was paid in Fiscal Year 2023 because the Trust did not have a positive return for Plan Year 2021-2022. The contingent liabilities as of August 31, 2023 are summarized in the following table:

| Table 13: Summary of PPP Contingent Liabilities | | |
|---|---------------------------------|-------------------|
| Contingent Liabilities as of August 31, 2023 (Potential awards to be paid in future years when Trust return is positive) | | |
| From Plan Years | Trust Return¹ | Amount |
| 2020-2021: Remaining 50% | 23.90 % \$ | 7,759,999 |
| 2021-2022: 100% | (6.72) | 16,744,784 |
| Total | \$ | 24,504,783 |

¹ The reporting date of Trust return is September 30th.

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ACTUARIAL SECTION



*Always putting
the needs of
our members
first.*

Nathan W.
Internal Audit

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Pension Trust Fund Actuarial Information

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November 22, 2022

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, 2022

We certify that the information included herein and contained in the 2022 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) Pension Fund (Fund) as of August 31, 2022. 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. Newton and Ms. Woolfrey 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 Fund, and to analyze changes in the Fund'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 Fund 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 Fund'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

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assessment of the current contribution rates performed in this actuarial valuation are intended to ensure they provide for the normal cost plus fully amortizing the unfunded actuarial accrued liability over a reasonable time. 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, 2022, the Fund’s unfunded actuarial accrued liability (UAAL) has increased to \$51.7 billion compared to \$47.6 billion as of August 31, 2021. The primary reason for the increase was investment performance for fiscal year 2022 which produced a loss on the actuarial value of assets of \$2.4 billion. In addition, there was a loss on the liability side associated with higher than expected salary increases for continuing active employees, which appear to be primarily driven from federal grants provided for various COVID relief efforts. 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. As of 2022, the UAAL is \$1.6 billion less than originally projected in the impact statement and currently expected to peak in 2027. In addition, the investment return assumption was lowered from 7.25% to 7.00% with this valuation. Thus, the amortization schedule of the UAAL has been slightly accelerated, even on a more conservative assumption set.

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 public education employers 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 surcharge 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 1.24% of total payroll at the end of the phase-in. Combined, these contributions are ultimately assumed to approximate 9.49% of total payroll. Over the same time period, the member contribution rate has increased from 7.70% to the current 8.00% and will increase to 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 0.07% of total payroll. As a result, for FY2025 and thereafter, the Fund 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.

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This valuation shows a normal cost equal to 12.09% of pay plus 0.14% of pay to cover the annual cost of administrative expenses. The total contribution rate pattern discussed above is sufficient to pay this normal cost and amortize the current unfunded actuarial accrued liabilities of the Fund 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).


The actuarial valuation report as of August 31, 2022 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 79.0%, slightly decreasing from 79.1% last year. The funded status is one of many metrics used to show trends and develop future expectations about the health of the Fund. 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 Fund's investments earned less than the assumed rate of return during fiscal year 2022 (-6.7% on market value compared to a previously assumed 7.25%). However, the Fund was deferring meaningful investment gains from the prior year, and the market value loss was largely offset through the smoothing resulting in only a modest change to this year's smoothed results. However, due to the outstanding shortfall from this year's loss the Fund is now deferring an investment shortfall of \$9.7 billion and the funded status using the market value of assets is 75.0%. If there are no significant investment gains or other actuarial gains over the next several years, the funded status of the Fund would be expected to either decrease towards this number or remain stagnant until all those losses are recognized.

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 \$53.6 billion in 2027 before beginning to decline. The projection shows the UAAL is expected to be fully amortized 21 years after that in 2048 (assuming all assumptions are exactly met including a 7.00% annual return on assets).

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.



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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 Fund since the prior valuation.

DISCLOSURE OF PENSION INFORMATION

Beginning with Fiscal Year 2014, the Fund 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 detailed in Appendix 2 of this 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, 2021 and adopted on July 15, 2022. The most notable change was a reduction in the assumed invested return from 7.25% to 7.00%. Please see our experience study report dated July 15, 2022 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.

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 Fund 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.



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Data

Member data for retired, active and inactive members was supplied as of August 31, 2022 by the TRS staff. The staff also supplied asset information as of August 31, 2022. 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.

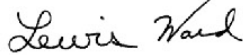
The following schedules in the Actuarial Section of the TRS Annual Comprehensive Financial Report were prepared by GRS:

- 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 2022 comprise the full actuarial report.

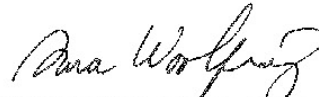
Respectfully submitted,
Gabriel, Roeder, Smith & Company



Lewis Ward
Consultant



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



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant and Actuary

Actuarial Disclosure

The Actuarial Section is based on a valuation as of August 31, 2022.

Table 1: Actuarial Present Value of Future Benefits
(With Comparative Data for August 31, 2021)

| | 2022 | 2021 |
|--|---------------------------|---------------------------|
| Present Value of Benefits Presently Being Paid | | |
| Service Retirement Benefits | \$ 116,831,601,519 | \$ 108,948,080,707 |
| Disability Retirement Benefits | 1,268,694,353 | 1,257,772,887 |
| Death Benefits | 1,101,317,268 | 1,003,508,883 |
| Present Survivor Benefits | 359,855,389 | 330,790,908 |
| Total Present Value of Benefits Presently Being Paid | \$ 119,561,468,529 | \$ 111,540,153,385 |
| Present Value of Benefits Payable in the Future to Present Active Members | | |
| Service Retirement Benefits | \$ 145,250,741,563 | \$ 135,708,442,690 |
| Disability Retirement Benefits | 4,844,260,984 | 3,532,104,523 |
| Termination Benefits | 16,859,685,949 | 14,572,731,217 |
| Death and Survivor Benefits | 2,492,915,908 | 2,603,853,694 |
| Total Active Member Liabilities | \$ 169,447,604,404 | \$ 156,417,132,124 |
| Present Value of Benefits Payable in the Future to Present Inactive Members | | |
| Inactive Vested Participants | \$ 6,446,570,982 | \$ 5,709,144,378 |
| Refunds of Contributions to Inactive Non-vested Members | 1,070,097,132 | 946,018,345 |
| Future Survivor Benefits Payable On Behalf of Present Annuitants | 1,927,287,686 | 1,811,789,519 |
| Total Inactive Liabilities | \$ 9,443,955,800 | \$ 8,466,952,242 |
| Total Actuarial Present Value of Future Benefits | \$ 298,453,028,733 | \$ 276,424,237,751 |

Table 2: Summary of Cost Items
(With Comparative Data for August 31, 2021)

| | 2022 | 2021 |
|---|---------------------------|---------------------------|
| Present Value of Future Benefits | \$ 298,453,028,733 | \$ 276,424,237,751 |
| Present Value of Future Normal Costs | (52,892,062,383) | (48,177,557,988) |
| Actuarial Accrued Liability | \$ 245,560,966,350 | \$ 228,246,679,763 |
| Actuarial Value of Assets | \$ (193,908,589,662) | \$ (180,598,980,455) |
| Unfunded Actuarial Accrued Liability | \$ 51,652,376,688 | \$ 47,647,699,308 |

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, 2023 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, 2021 and adopted on July 15, 2022.

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, 2022 was 7.00 percent, compounded annually, which was composed of an assumed 2.30 percent inflation rate and a 4.70 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 2022 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, 2021, with values at specimen ages shown in the tables below.

| Table 3: Post Retirement Mortality Projections | | | |
|---|---------------------|--|-----------------------|
| Age | Male Members | | Female Members |
| 40 | 0.000611 | | 0.000419 |
| 50 | 0.001782 | | 0.001096 |
| 60 | 0.006049 | | 0.004261 |
| 70 | 0.013223 | | 0.008454 |
| 80 | 0.044291 | | 0.030552 |
| 90 | 0.156994 | | 0.115687 |
| 100 | 0.380070 | | 0.317033 |
| 110 | 0.390080 | | 0.473135 |
| 120 | 1.000000 | | 1.000000 |

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 |
| 50-52 | 0.11 | 0.11 | 45-59 | 0.01 | 0.01 |
| 53 | 0.11 | 0.12 | 60 | 0.01 | 0.01 |
| 54 | 0.11 | 0.13 | 61 | 0.02 | 0.02 |
| 55 | 0.11 | 0.14 | 62 | 0.03 | 0.03 |
| 56 | 0.12 | 0.15 | 63 | 0.04 | 0.04 |
| 57 | 0.13 | 0.15 | 64 | 0.05 | 0.05 |
| 58 | 0.14 | 0.16 | | | |
| 59 | 0.15 | 0.17 | | | |
| 60 | 0.15 | 0.18 | | | |
| 61 | 0.16 | 0.19 | | | |
| 62 | 0.17 | 0.19 | | | |
| 63 | 0.18 | 0.20 | | | |
| 64 | 0.19 | 0.21 | | | |
| 65-69 | 0.23 | 0.25 | | | |
| 70-74 | 0.25 | 0.25 | | | |
| 75+ | 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 | 0.000149 | 0.000006 |
| 30 | 0.000249 | 0.000010 |
| 40 | 0.000332 | 0.000013 |
| 50 | 0.001692 | 0.000068 |
| 60 | 0.005945 | 0.000238 |

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 | 0.000250 | 0.000112 |
| 30 | 0.000293 | 0.000146 |
| 40 | 0.000577 | 0.000344 |
| 50 | 0.001550 | 0.000801 |
| 60 | 0.003729 | 0.001757 |
| 70 | 0.009921 | 0.005370 |
| 80 | 0.036755 | 0.020525 |
| 90 | 0.157790 | 0.096885 |

*Based on the PUB (2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for male. The rates are projected on a fully generational basis by the long-term rates of scale UPM 2021 to account for future mortality improvements.

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/Female Members |
| 1 | 0.143011 |
| 2 | 0.121016 |
| 3 | 0.101138 |
| 4 | 0.080224 |
| 5 | 0.072583 |
| 6 | 0.064553 |
| 7 | 0.056077 |
| 8 | 0.049875 |
| 9 | 0.044869 |
| 10 | 0.041029 |

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 0.65 percent, plus step-rate/promotional component as shown.

| Table 8: Rates of Salary Increase Due to Merit and Promotion | | | |
|---|------------------------------------|----------------|--------------|
| Years of Service | Merit, Promotion, Longevity | General | Total |
| 1 | 6.00 % | 2.95 % | 8.95 % |
| 2 | 2.50 | 2.95 | 5.45 |
| 3 | 1.80 | 2.95 | 4.75 |
| 4 | 1.50 | 2.95 | 4.45 |
| 5 | 1.30 | 2.95 | 4.25 |
| 6 | 1.20 | 2.95 | 4.15 |
| 7 | 1.10 | 2.95 | 4.05 |
| 8 | 1.00 | 2.95 | 3.95 |
| 9 | 0.95 | 2.95 | 3.90 |
| 10 | 0.90 | 2.95 | 3.85 |
| 11 | 0.85 | 2.95 | 3.80 |
| 12 | 0.80 | 2.95 | 3.75 |
| 13 | 0.75 | 2.95 | 3.70 |
| 14 | 0.65 | 2.95 | 3.60 |
| 15 | 0.60 | 2.95 | 3.55 |
| 16 | 0.55 | 2.95 | 3.50 |
| 17 | 0.45 | 2.95 | 3.40 |
| 18 | 0.40 | 2.95 | 3.35 |
| 19 | 0.35 | 2.95 | 3.30 |
| 20 | 0.30 | 2.95 | 3.25 |
| 21 | 0.25 | 2.95 | 3.20 |
| 22 | 0.20 | 2.95 | 3.15 |
| 23 | 0.15 | 2.95 | 3.10 |
| 24 | 0.10 | 2.95 | 3.05 |
| 25 & up | | 2.95 | 2.95 |

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 less than the prior year's assumed rate of return during fiscal year 2022 (-6.7% on market value compared to previously assumed 7.25%). The System was deferring meaningful investment gains from the

prior year, and the market value loss was largely offset through the smoothing resulting in only a modest change to this year's smoothed results. However, due to the outstanding shortfall from this year's loss, the System is now deferring an investment shortfall of \$9.7 billion and the funded status using the market value of assets is 75.0%. The actuarial value of assets was \$193.9 billion at 08/31/2022.

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 12.09 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. This estimate is based on the last three years of actual history for the System. Thus, for fiscal year 2023, the total normal cost is 12.23 percent of pay and the net employer cost is 4.23 percent of pay based on the fiscal year 2023 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 26.0 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 |
|-----------------------|-----------------------|--|------------------------------|--|--|
| 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 |
| 2022 | 928,415 | 50,849,290 | 54,770 | 1.9 | 1,348 |

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 | Annual Benefits | | |
| 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 | |
| 2022 | 32,756 | 877,905,521 | 14,937 | 287,276,320 | 475,952 | 11,861,190,276 | 24,921 | 5.2 | |

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 | | |
| 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 | | |
| 2022 | (2.431) | 0.222 | | (1.352) | 4.004 | 47.648 | 51.652 | | |

*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) |
| 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 |
| 2022 | 45,700 | 121,489 | 78,372 | 193,909 | 100 | 100 | 34.1 |

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] |
| 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 |
| 2022 | 193,909 | 245,561 | 51,652 | 79.0 | 54,198 | 95.3 |

TRS-Care Actuarial Information

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Funding Objective and Funding Policy 150
Table 1: Retirees and Beneficiaries Added to and Removed from Membership 150



November 7, 2022

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, 2022 for TRC-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 TRC-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, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2022. 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 TRC-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 TRC-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.

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

Board of Trustees
Teacher Retirement System of Texas
November 7, 2022
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) 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 of participation assumptions, and a large increase in the discount rate from 1.95% to 3.91%.

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 and has no material limitations or known weaknesses. 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 Blake Orth 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,
Gabriel, Roeder, Smith & Company



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



Blake Orth, FSA, EA, MAAA
Consultant and Actuary



Actuarial Disclosure

The Actuarial Section is based on a valuation as of August 31, 2022.

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* | | |
| 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 |
| 2022 | 16,212 | 113,328,143 | 16,906 | 55,044,005 | 221,773 | 806,426,537 | (1.4) | 3,636 |

*Expected employer provided claims and expenses (net of retiree premiums). Headcounts include dependents. 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.

STATISTICAL SECTION



Merritt S.
IT – Business
Relationship
Management

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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 | 154 |
| Changes in Fiduciary Net Position - TRS-Care | 156 |
| Revenues, Expenses, and Changes in Net Position - TRS-ActiveCare | 158 |
| Benefit and Refund Deductions from Net Position by Type - Pension Trust Fund | 160 |
| Benefit Deductions from Net Position by Type - TRS-Care | 160 |
| Benefit Deductions from Net Position by Type - TRS-ActiveCare | 160 |

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 | 162 |
| Average Monthly Benefits - Pension Trust Fund | 163 |
| Average Benefit Payments - TRS-Care and TRS-ActiveCare | 164 |
| Health Benefits by Plan - TRS-Care and TRS-ActiveCare | 165 |
| Retired Members by Type of Benefit - Pension Trust Fund | 167 |
| Principal Participating Employers - Pension Trust Fund and TRS-Care | 168 |

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

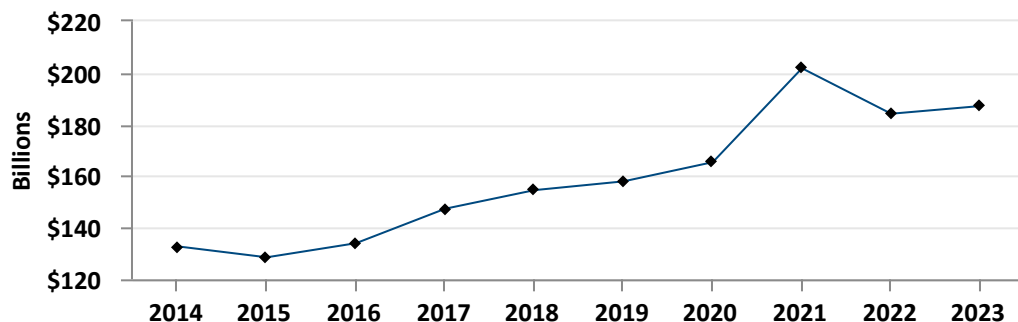
Changes in Fiduciary Net Position

Pension Trust Fund

For the Fiscal Years Ended August 31

| | 2023 | 2022 | 2021 | 2020 |
|--|---------------------------|----------------------------|---------------------------|---------------------------|
| Additions | | | | |
| Member Contributions | \$ 4,492,518,277 | \$ 4,213,621,873 | \$ 3,839,243,646 | \$ 3,736,877,464 |
| Non-Employer Contributing Entity Contributions | 2,284,112,296 | 2,158,359,554 | 1,883,257,341 | 1,848,502,439 |
| Supplemental Appropriation - Non-Employer Contributing Entity | | | 261,000,000 | 263,000,000 |
| Employer Contributions | 2,859,869,972 | 2,504,170,115 | 2,124,027,701 | 2,016,481,636 |
| Purchase of Service Credit | 53,930,495 | 51,266,001 | 70,618,789 | 46,272,689 |
| Contributions from ERS | 32,321,050 | 30,915,887 | 29,400,741 | 27,607,824 |
| Net Investment Income | 6,885,962,989 | (13,383,750,566) | 40,512,139,247 | 11,068,916,613 |
| Supplemental Funding - Appropriations | | 701,100,535 | | |
| Gain on Capital Assets | 46,564,222 | | | |
| Miscellaneous Revenue | 971,611 | 5,953,359 | 3,130,786 | 10,266,475 |
| Total Additions | \$ 16,656,250,912 | \$ (3,718,363,242) | \$ 48,722,818,251 | \$ 19,017,925,140 |
| Deductions | | | | |
| Benefits | \$ 12,744,916,100 | \$ 13,130,573,776 | \$ 11,689,780,302 | \$ 10,975,638,999 |
| Refunds of Contributions | 707,816,831 | 579,461,885 | 449,135,634 | 421,366,179 |
| Service Contributions Transferred to ERS | 121,931,871 | 117,818,933 | 112,530,025 | 108,003,549 |
| Other Post-Employment Benefit Expense | 12,241,646 | 12,595,488 | 9,255,187 | 7,734,365 |
| Administrative Expenses, Excluding Investing Activity Expenses | 85,187,739 | 62,052,780 | 71,359,850 | 67,135,880 |
| Total Deductions | \$ 13,672,094,187 | \$ 13,902,502,862 | \$ 12,332,060,998 | \$ 11,579,878,972 |
| Net Increase (Decrease) | \$ 2,984,156,725 | \$ (17,620,866,104) | \$ 36,390,757,253 | \$ 7,438,046,168 |
| Beginning Net Position | \$ 184,185,617,196 | \$ 201,807,002,496 | \$ 165,416,245,243 | \$ 157,978,199,075 |
| Prior Period Adjustments | 761,637 | (519,196) | | |
| Beginning Net Position, as Restated | \$ 184,186,378,833 | \$ 201,806,483,300 | \$ 165,416,245,243 | \$ 157,978,199,075 |
| Ending Net Position | \$ 187,170,535,558 | \$ 184,185,617,196 | \$ 201,807,002,496 | \$ 165,416,245,243 |

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



| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------|------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| \$ | 3,482,869,726 | \$ 3,360,773,197 | \$ 3,242,556,261 | \$ 2,943,669,320 | \$ 2,576,024,311 | \$ 2,357,686,000 |
| | 1,741,178,188 | 1,715,784,550 | 1,697,962,608 | 1,675,631,248 | 1,591,482,988 | 1,530,623,829 |
| | 1,761,821,902 | 1,671,257,303 | 1,588,309,345 | 1,483,389,348 | 1,377,972,653 | 984,552,391 |
| | 42,205,185 | 41,538,371 | 55,092,741 | 37,389,534 | 50,089,106 | 143,534,091 |
| | 26,464,135 | 27,670,302 | 24,974,328 | 23,950,878 | 21,205,594 | 19,714,145 |
| | 7,669,028,874 | 11,242,813,657 | 17,079,807,347 | 9,193,280,560 | (412,759,100) | 19,434,430,034 |
| | 588,827,787 | | | | | |
| | 3,844,018 | 8,108,248 | 1,299,284 | 1,993,029 | 3,733,133 | 4,143,449 |
| \$ | 15,316,239,815 | \$ 18,067,945,628 | \$ 23,690,001,914 | \$ 15,359,303,917 | \$ 5,207,748,685 | \$ 24,474,683,939 |
| \$ | 11,256,781,486 | \$ 10,176,447,093 | \$ 9,778,497,039 | \$ 9,382,696,876 | \$ 8,937,328,045 | \$ 8,550,916,357 |
| | 486,460,902 | 422,335,740 | 420,421,056 | 373,418,687 | 391,341,181 | 410,600,319 |
| | 103,044,924 | 97,333,401 | 93,609,174 | 88,854,383 | 84,059,353 | 80,163,847 |
| | 4,438,264 | 4,380,304 | | | | |
| | 60,485,645 | 64,926,169 | 44,189,998 | 44,402,710 | 35,556,979 | 41,904,190 |
| \$ | 11,911,211,221 | \$ 10,765,422,707 | \$ 10,336,717,267 | \$ 9,889,372,656 | \$ 9,448,285,558 | \$ 9,083,584,713 |
| \$ | 3,405,028,594 | \$ 7,302,522,921 | \$ 13,353,284,647 | \$ 5,469,931,261 | \$ (4,240,536,873) | \$ 15,391,099,226 |
| \$ | 154,568,901,833 | \$ 147,361,922,120 | \$ 134,008,637,473 | \$ 128,538,706,212 | \$ 132,779,243,085 | \$ 117,388,143,859 |
| | 4,268,648 | (95,543,208) | | | | |
| \$ | 154,573,170,481 | \$ 147,266,378,912 | \$ 134,008,637,473 | \$ 128,538,706,212 | \$ 132,779,243,085 | \$ 117,388,143,859 |
| \$ | 157,978,199,075 | \$ 154,568,901,833 | \$ 147,361,922,120 | \$ 134,008,637,473 | \$ 128,538,706,212 | \$ 132,779,243,085 |

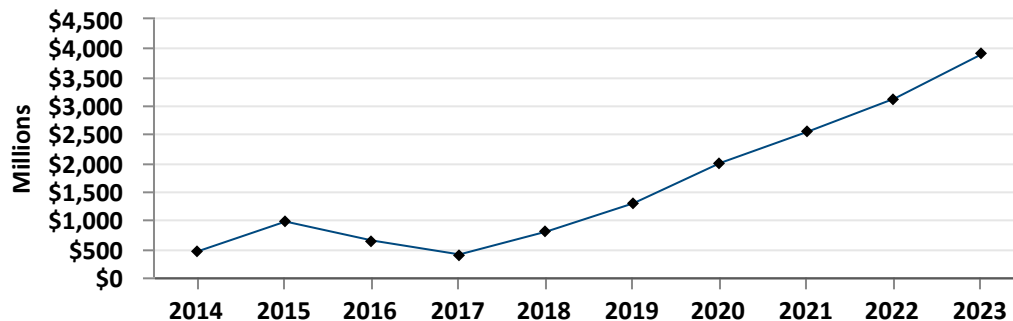
Changes in Fiduciary Net Position

TRS-Care

For Fiscal Years Ended August 31

| | 2023 | 2022 | 2021 | 2020 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Additions | | | | |
| Member Contributions | \$ 277,468,284 | \$ 263,328,449 | \$ 250,413,572 | \$ 243,532,120 |
| Non-Employer Contributing Entity - State Contributions | 474,356,993 | 451,341,296 | 447,337,574 | 435,768,774 |
| Employer Contributions | 393,951,333 | 370,735,616 | 334,027,999 | 324,973,591 |
| Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees | | | | |
| Supplemental Appropriation - Non-Employer Contributing Entity | | | | |
| Federal Revenue | 188,172,734 | 141,003,332 | 173,912,657 | 186,169,146 |
| Rebate and Discount Income | 578,020,367 | 508,931,631 | 416,754,264 | 423,426,202 |
| Supplemental Funding - Appropriations | 21,285,114 | 83,000,000 | 5,520,343 | 230,756,971 |
| Investment Income | 130,069,098 | 13,537,557 | 9,226,940 | 25,536,560 |
| Miscellaneous Revenue | 40,306,480 | 28,359,830 | | 17,879 |
| Total Additions | \$ 2,103,630,403 | \$ 1,860,237,711 | \$ 1,637,193,349 | \$ 1,870,181,243 |
| Deductions | | | | |
| Health Care Claims | \$ 1,781,336,522 | \$ 1,635,849,839 | \$ 1,553,439,820 | \$ 1,538,211,599 |
| Less: Health Care Premiums Paid by Retirees | (502,154,458) | (399,788,260) | (533,595,349) | (499,057,861) |
| Health Care Claims Processing and Other | 29,815,788 | 27,009,784 | 51,028,376 | 68,252,843 |
| Insurance Premium Payments | 5,051 | 5,998 | 15,489,580 | 51,410,469 |
| Administrative Expenses | 22,799,515 | 18,465,602 | 7,906,384 | 7,068,610 |
| Total Deductions | \$ 1,331,802,418 | \$ 1,281,542,963 | \$ 1,094,268,811 | \$ 1,165,885,660 |
| Net Increase (Decrease) | \$ 771,827,985 | \$ 578,694,748 | \$ 542,924,538 | \$ 704,295,583 |
| Beginning Net Position | \$ 3,117,937,218 | \$ 2,539,242,470 | \$ 1,996,317,932 | \$ 1,292,022,349 |
| Prior Period Adjustments | | | | |
| Beginning Net Position, as Restated | \$ 3,117,937,218 | \$ 2,539,242,470 | \$ 1,996,317,932 | \$ 1,292,022,349 |
| Ending Net Position | \$ 3,889,765,203 | \$ 3,117,937,218 | \$ 2,539,242,470 | \$ 1,996,317,932 |

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



| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ | 227,338,454 | \$ 221,325,377 | \$ 213,241,179 | \$ 208,581,990 | \$ 198,196,273 | \$ 189,003,903 |
| | 404,936,501 | 395,588,628 | 303,760,632 | 297,070,920 | 281,098,358 | 267,497,910 |
| | 305,363,084 | 296,098,420 | 215,360,520 | 212,936,351 | 202,976,470 | 193,124,772 |
| | | | | | | 139,422 |
| | 73,641,562 | | 15,559,552 | | 768,100,754 | 36,058,148 |
| | 220,783,898 | 103,402,579 | 101,718,551 | 124,739,649 | 126,806,652 | 78,589,415 |
| | 356,439,596 | 284,291,173 | 291,725,635 | 218,995,436 | 231,569,472 | 200,859,859 |
| | | 394,600,000 | | | | |
| | 25,046,771 | 10,127,259 | 4,696,973 | 5,421,446 | 1,495,680 | 2,061,745 |
| | | 803,022 | 529,020 | 89,388 | | |
| \$ | 1,613,549,866 | \$ 1,706,236,458 | \$ 1,146,592,062 | \$ 1,067,835,180 | \$ 1,810,243,659 | \$ 967,335,174 |
| \$ | 1,515,397,609 | \$ 1,593,381,709 | \$ 1,678,892,217 | \$ 1,651,712,836 | \$ 1,554,181,197 | \$ 1,347,532,839 |
| | (517,965,033) | (488,069,004) | (404,027,710) | (374,736,269) | (369,066,459) | (363,631,292) |
| | 44,868,838 | 80,585,608 | 46,931,559 | 48,361,151 | 47,380,407 | 45,387,769 |
| | 71,794,507 | 83,828,910 | 61,792,671 | 69,228,872 | 59,000,081 | 27,507,106 |
| | 6,006,229 | 6,672,488 | 4,953,492 | 4,701,677 | 3,769,680 | 3,646,546 |
| \$ | 1,120,102,150 | \$ 1,276,399,711 | \$ 1,388,542,229 | \$ 1,399,268,267 | \$ 1,295,264,906 | \$ 1,060,442,968 |
| \$ | 493,447,716 | \$ 429,836,747 | \$ (241,950,167) | \$ (331,433,087) | \$ 514,978,753 | \$ (93,107,794) |
| \$ | 798,574,633 | \$ 399,535,986 | \$ 641,486,153 | \$ 972,919,240 | \$ 457,940,487 | \$ 551,048,281 |
| | | (30,798,100) | | | | |
| \$ | 798,574,633 | \$ 368,737,886 | \$ | \$ | \$ | \$ |
| \$ | 1,292,022,349 | \$ 798,574,633 | \$ 399,535,986 | \$ 641,486,153 | \$ 972,919,240 | \$ 457,940,487 |

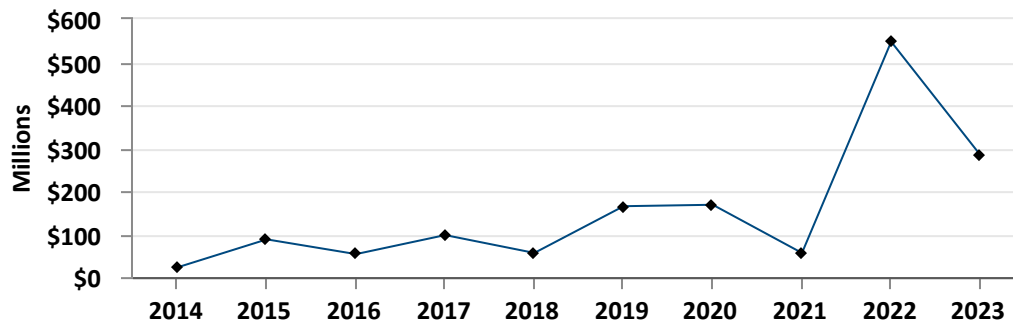
Revenues, Expenses, and Changes in Net Position

TRS-ActiveCare

For the Fiscal Years Ended August 31

| | 2023 | 2022 | 2021 | 2020 |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenues | | | | |
| Health Care Premiums | \$ 1,830,920,436 | \$ 2,044,855,892 | \$ 2,031,686,347 | \$ 2,158,997,317 |
| Rebate and Discount Income | 227,883,761 | 174,729,133 | 147,047,176 | 145,208,054 |
| Administrative Fees and Non-Operating Revenue | | | 142,718 | 413,313 |
| Investment Income | 27,739,321 | 1,656,096 | 2,121,724 | 7,853,806 |
| Supplemental Funding - Appropriations | | 638,337,761 | | |
| Fringe Benefits Paid by State's General Fund on Behalf of TRS Employees | | | | |
| Total Revenues | \$ 2,086,543,518 | \$ 2,859,578,882 | \$ 2,180,997,965 | \$ 2,312,472,490 |
| Expenses | | | | |
| Health Care Claims | 2,192,774,626 | 2,151,584,283 | 2,041,118,606 | 1,932,461,054 |
| Health Care Claims Processing and Other | 68,514,436 | 65,957,031 | 74,546,983 | 116,068,297 |
| Premium Payments to HMOs | 83,782,801 | 146,752,232 | 173,297,782 | 256,850,839 |
| Administrative Expenses | 5,174,665 | 3,988,314 | 4,090,985 | 3,746,187 |
| Total Expenses | \$ 2,350,246,528 | \$ 2,368,281,860 | \$ 2,293,054,356 | \$ 2,309,126,377 |
| Change in Net Position | \$ (263,703,010) | \$ 491,297,022 | \$ (112,056,391) | \$ 3,346,113 |
| Beginning Net Position | 547,539,975 | 56,242,953 | 168,299,344 | 164,953,231 |
| Ending Net Position | \$ 283,836,965 | \$ 547,539,975 | \$ 56,242,953 | \$ 168,299,344 |

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



| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-----------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ | 2,170,132,057 | \$ 2,171,125,097 | \$ 2,119,959,039 | \$ 2,055,658,822 | \$ 1,938,621,262 | \$ 1,919,557,855 |
| | 157,307,700 | 144,543,929 | 120,049,492 | 17,904,885 | 5,328,003 | 9,337,610 |
| | 685,623 | 259,417 | 321,030 | 356,054 | 236,749 | 139,608 |
| | 10,623,456 | 6,883,872 | 4,668,888 | 3,079,039 | 1,537,408 | 940,022 |
| | | | | | | 79,792 |
| \$ | 2,338,748,836 | \$ 2,322,812,315 | \$ 2,244,998,449 | \$ 2,076,998,800 | \$ 1,945,723,422 | \$ 1,930,054,887 |
| | 1,863,374,439 | 2,002,142,744 | 1,846,526,430 | 1,768,287,120 | 1,565,255,957 | 1,521,834,989 |
| | 119,811,563 | 121,483,408 | 123,783,747 | 125,802,110 | 135,073,416 | 109,925,954 |
| | 243,198,667 | 237,386,929 | 227,088,895 | 214,529,160 | 178,192,468 | 154,913,859 |
| | 3,703,320 | 3,311,679 | 3,345,442 | 2,644,792 | 2,225,417 | 2,569,850 |
| \$ | 2,230,087,989 | \$ 2,364,324,760 | \$ 2,200,744,514 | \$ 2,111,263,182 | \$ 1,880,747,258 | \$ 1,789,244,652 |
| \$ | 108,660,847 | \$ (41,512,445) | \$ 44,253,935 | \$ (34,264,382) | \$ 64,976,164 | \$ 140,810,235 |
| \$ | 56,292,384 | \$ 97,804,829 | \$ 53,550,894 | \$ 87,815,276 | \$ 22,839,112 | \$ (117,971,123) |
| \$ | 164,953,231 | \$ 56,292,384 | \$ 97,804,829 | \$ 53,550,894 | \$ 87,815,276 | \$ 22,839,112 |

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

For the Fiscal Years Ended August 31

| | 2023 | 2022 | 2021 | 2020 |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Benefits | | | | |
| Service Retirements | \$ 11,898,734,057 | \$ 12,015,079,659 | \$ 10,881,357,829 | \$ 10,272,047,096 |
| Deferred Retirement Option | 1,003,473 | 1,279,319 | 1,778,707 | 2,488,283 |
| Partial Lump Sum Option | 276,821,363 | 285,250,124 | 312,957,038 | 237,796,738 |
| Disability Retirements | 201,842,583 | 211,456,609 | 191,856,226 | 189,250,368 |
| Death and Survivor Benefits | | | | |
| Annual Salary | 76,474,258 | 289,644,144 | 45,040,179 | 38,560,083 |
| Survivor Annuities | 144,888,040 | 167,196,397 | 127,921,344 | 116,051,294 |
| Life Annuities | 108,994,190 | 121,098,941 | 99,935,054 | 93,091,163 |
| 60 Monthly Payments | 22,231,013 | 23,231,822 | 18,063,389 | 15,786,007 |
| Remainder of Contributions | 9,424,092 | 11,656,703 | 7,301,288 | 7,221,136 |
| Total Benefits | \$ 12,740,413,069 | \$ 13,125,893,718 | \$ 11,686,211,054 | \$ 10,972,292,168 |
| Refunds | | | | |
| Death | \$ 11,293,669 | 14,993,742 | 8,444,658 | 5,536,660 |
| Separation | 696,523,162 | 564,468,143 | 440,690,976 | 415,829,519 |
| Total Refunds | \$ 707,816,831 | \$ 579,461,885 | \$ 449,135,634 | \$ 421,366,179 |

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

For the Fiscal Years Ended August 31

| | 2023 | 2022 | 2021 | 2020 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Claims | | | | |
| Medical Claims and Insurance Premiums | \$ 590,230,636 | \$ 551,757,337 | \$ 605,096,859 | \$ 659,834,968 |
| Prescription Drugs** | 739,387,636 | 694,534,458 | 705,239,917 | 668,307,637 |
| Total Claims | \$ 1,329,618,272 | \$ 1,246,291,795 | \$ 1,310,336,776 | \$ 1,328,142,605 |

** Note: For TRS-Care, 2014 prescription claim amounts have been revised to reflect claims net of rebates. This year was previously reported gross of rebates.

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

For Fiscal Years Ended August 31

| | 2023 | 2022 | 2021 | 2020 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Claims | | | | |
| Medical Claims and Insurance Premiums | \$ 1,768,883,147 | \$ 1,838,495,829 | \$ 1,790,208,094 | \$ 1,780,181,703 |
| Prescription Drugs | 288,020,255 | 293,845,034 | 285,092,898 | 271,480,530 |
| Total Claims | \$ 2,056,903,402 | \$ 2,132,340,863 | \$ 2,075,300,992 | \$ 2,051,662,233 |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 10,503,570,237 | \$ 9,495,487,665 | \$ 9,059,855,790 | \$ 8,633,505,859 | \$ 8,215,765,876 | \$ 7,795,690,586 |
| 2,871,239 | 3,407,936 | 5,231,060 | 5,166,851 | 9,643,121 | 14,974,505 |
| 258,417,662 | 234,071,031 | 263,705,342 | 300,420,702 | 288,923,266 | 322,033,388 |
| 199,708,594 | 181,817,426 | 177,627,306 | 173,464,936 | 169,318,064 | 164,299,506 |
| 45,133,662 | 35,735,208 | 44,398,830 | 44,952,730 | 39,574,595 | 44,846,010 |
| 116,094,299 | 106,201,977 | 109,519,771 | 108,509,074 | 100,150,048 | 97,822,817 |
| 102,595,155 | 94,809,551 | 93,714,871 | 92,087,967 | 90,563,081 | 89,547,742 |
| 17,326,148 | 16,184,228 | 15,518,472 | 15,523,059 | 14,443,193 | 13,415,885 |
| 8,011,977 | 5,281,986 | 6,204,030 | 5,491,553 | 6,730,215 | 6,012,086 |
| \$ 11,253,728,973 | \$ 10,172,997,008 | \$ 9,775,775,472 | \$ 9,379,122,731 | \$ 8,935,111,459 | \$ 8,548,642,525 |
| \$ 6,060,703 | \$ 5,574,637 | \$ 6,371,748 | \$ 7,379,576 | \$ 5,474,475 | \$ 5,455,829 |
| 480,400,199 | 416,761,103 | 414,049,308 | 366,039,111 | 385,866,706 | 405,144,490 |
| \$ 486,460,902 | \$ 422,335,740 | \$ 420,421,056 | \$ 373,418,687 | \$ 391,341,181 | \$ 410,600,319 |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 688,148,610 | \$ 840,420,584 | \$ 807,831,048 | \$ 858,985,138 | \$ 805,668,819 | \$ 691,283,731 |
| 648,749,351 | 669,082,905 | 734,805,874 | 716,536,786 | 649,457,501 | 539,842,962 |
| \$ 1,336,897,961 | \$ 1,509,503,489 | \$ 1,542,636,922 | \$ 1,575,521,924 | \$ 1,455,126,320 | \$ 1,231,126,693 |

| 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| \$ 1,702,719,298 | \$ 1,826,632,040 | \$ 1,653,483,496 | \$ 1,644,795,868 | \$ 1,479,302,696 | \$ 1,397,249,236 |
| 254,168,852 | 275,730,514 | 306,703,364 | 325,475,512 | 264,145,729 | 279,499,612 |
| \$ 1,956,888,150 | \$ 2,102,362,554 | \$ 1,960,186,860 | \$ 1,970,271,380 | \$ 1,743,448,425 | \$ 1,676,748,848 |

| 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+ | |
| 2023 | | | | | | | |
| Average Monthly Benefit* | \$ 546 | \$ 1,023 | \$ 1,703 | \$ 2,360 | \$ 3,451 | \$ 4,523 | |
| Average Final Average Salary | \$ 41,117 | \$ 45,761 | \$ 52,726 | \$ 56,494 | \$ 67,492 | \$ 76,354 | |
| Number of Retirees | 1,999 | 1,758 | 2,386 | 3,003 | 3,231 | 2,615 | |
| 2022 | | | | | | | |
| Average Monthly Benefit* | \$ 513 | \$ 1,037 | \$ 1,664 | \$ 2,304 | \$ 3,271 | \$ 4,337 | |
| Average Final Average Salary | \$ 39,076 | \$ 46,045 | \$ 51,228 | \$ 55,159 | \$ 64,573 | \$ 72,390 | |
| Number of Retirees | 2,733 | 2,542 | 3,863 | 5,355 | 5,874 | 5,016 | |
| 2021 | | | | | | | |
| Average Monthly Benefit* | \$ 516 | \$ 997 | \$ 1,620 | \$ 2,248 | \$ 3,148 | \$ 4,254 | |
| Average Final Average Salary | \$ 39,367 | \$ 44,324 | \$ 50,430 | \$ 53,696 | \$ 61,961 | \$ 70,814 | |
| Number of Retirees | 2,394 | 2,762 | 3,822 | 5,205 | 5,494 | 5,207 | |
| 2020 | | | | | | | |
| Average Monthly Benefit* | \$ 513 | \$ 978 | \$ 1,588 | \$ 2,229 | \$ 3,093 | \$ 4,231 | |
| Average Final Average Salary | \$ 39,228 | \$ 43,812 | \$ 49,611 | \$ 53,502 | \$ 61,075 | \$ 69,981 | |
| Number of Retirees | 1,938 | 2,497 | 3,411 | 4,188 | 4,626 | 4,257 | |
| 2019 | | | | | | | |
| Average Monthly Benefit* | \$ 482 | \$ 948 | \$ 1,514 | \$ 2,119 | \$ 3,081 | \$ 4,144 | |
| Average Final Average Salary | \$ 37,290 | \$ 43,729 | \$ 48,190 | \$ 51,412 | \$ 61,096 | \$ 69,230 | |
| Number of Retirees | 2,159 | 2,612 | 3,317 | 4,358 | 4,542 | 4,068 | |
| 2018 | | | | | | | |
| Average Monthly Benefit* | \$ 481 | \$ 907 | \$ 1,433 | \$ 2,130 | \$ 3,006 | \$ 4,150 | |
| Average Final Average Salary | \$ 36,802 | \$ 42,870 | \$ 46,295 | \$ 51,604 | \$ 59,756 | \$ 69,066 | |
| Number of Retirees | 2,069 | 2,477 | 3,403 | 4,244 | 4,321 | 4,191 | |
| 2017 | | | | | | | |
| Average Monthly Benefit* | \$ 447 | \$ 869 | \$ 1,412 | \$ 2,081 | \$ 2,964 | \$ 4,059 | |
| Average Final Average Salary | \$ 34,635 | \$ 41,504 | \$ 45,948 | \$ 50,618 | \$ 58,755 | \$ 67,598 | |
| Number of Retirees | 2,211 | 2,452 | 3,523 | 4,331 | 4,568 | 4,632 | |
| 2016 | | | | | | | |
| Average Monthly Benefit* | \$ 445 | \$ 839 | \$ 1,351 | \$ 2,054 | \$ 2,898 | \$ 4,063 | |
| Average Final Average Salary | \$ 33,904 | \$ 40,408 | \$ 44,703 | \$ 50,295 | \$ 57,750 | \$ 67,429 | |
| Number of Retirees | 2,182 | 2,278 | 3,195 | 4,299 | 4,290 | 4,668 | |
| 2015 | | | | | | | |
| Average Monthly Benefit* | \$ 425 | \$ 826 | \$ 1,348 | \$ 2,012 | \$ 2,855 | \$ 4,001 | |
| Average Final Average Salary | \$ 33,580 | \$ 40,064 | \$ 44,613 | \$ 49,606 | \$ 56,894 | \$ 66,601 | |
| Number of Retirees | 2,274 | 2,234 | 3,101 | 4,131 | 4,392 | 4,412 | |
| 2014 | | | | | | | |
| Average Monthly Benefit* | \$ 414 | \$ 803 | \$ 1,330 | \$ 1,968 | \$ 2,852 | \$ 3,886 | |
| Average Final Average Salary | \$ 32,917 | \$ 39,271 | \$ 43,884 | \$ 49,220 | \$ 56,835 | \$ 65,447 | |
| Number of Retirees | 2,290 | 2,284 | 3,082 | 4,251 | 4,429 | 4,197 | |

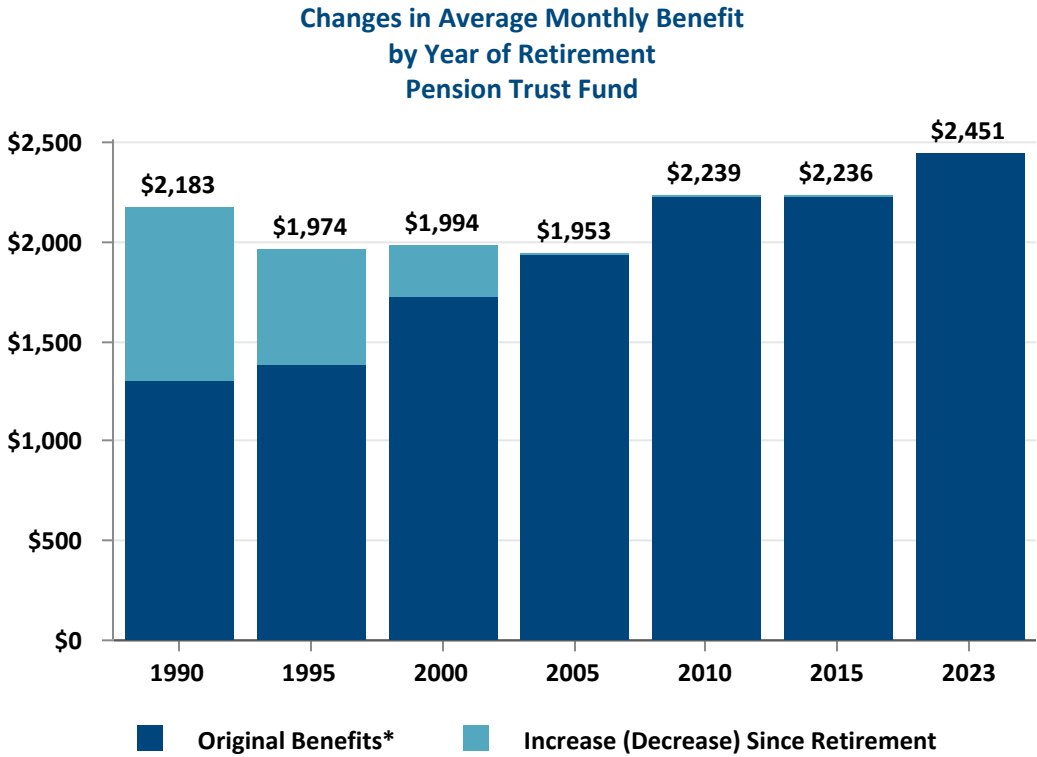
*Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$322.0, \$288.9, \$300.4, \$263.7, \$234.1, \$258.4, \$237.8, \$313.0, \$285.3 and \$276.8 million in fiscal years 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, and 2023, respectively.

| Average Monthly Benefits Pension Trust Fund For Fiscal Years Ended August 31 | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 1990 | 1995 | 2000 | 2005 | 2010 | 2015 | 2023 |
| Benefits | | | | | | | |
| Original Benefits* | \$ 1,309 | \$ 1,391 | \$ 1,730 | \$ 1,938 | \$ 2,226 | \$ 2,229 | \$ 2,453 |
| Increase (Decrease) Since Retirement | 874 | 583 | 264 | 15 | 13 | 7 | (2) |
| Current Benefits | \$ 2,183 | \$ 1,974 | \$ 1,994 | \$ 1,953 | \$ 2,239 | \$ 2,236 | \$ 2,451 |
| Number of Retirees** | 1,446 | 3,140 | 7,739 | 8,603 | 14,414 | 19,133 | 14,978 |

*Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,872, \$2,117, \$2,407, \$2,338, and \$2,531 for fiscal years 2000, 2005, 2010, 2015, and 2023, 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, 2023 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 | |
| 2023 | \$ 6,161 | \$ 1,329,618,272 | 215,824 | |
| 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 | |

| Average Benefit Payments | | | | |
|---------------------------------|--|-------------------------|-----------------------------|--|
| TRS-ActiveCare | | | | |
| Last Ten Fiscal Years | | | | |
| Fiscal Year | Average Benefit Per Participant | Benefit Payments | Average Participants | |
| 2023 | \$ 4,843 | \$ 2,056,903,402 | 424,696 | |
| 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 | |

| Health Benefits by Plan | | | |
|---|-----------------------------------|------------------------------------|---|
| TRS-Care | | | |
| As of August 31, 2023 | | | |
| TRS-Care Plans | TRS-Care Under-65 Retirees | TRS-Care Medicare Advantage | TRS-Care Alternative |
| As of August 31, 2022 | | | |
| Count of Retirees | 43,394 | 131,267 | 3,382 |
| Count of Members | 57,595 | 154,604 | 3,623 |
| Medical | | | Plan Description |
| Individual/Family Deductible | \$1,500/\$3,000 | \$400 / 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, 2023 | | | | | | | |
| 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 | 107,023 | 53,878 | 98,209 | 4,225 | 8,167 | 701 | 944 |
| Count of Members | 161,428 | 92,188 | 146,850 | 6,790 | 14,570 | 1,117 | 1,753 |
| Medical | | | | | | | |
| Individual/Family Deductible | \$2,500/\$5,000 | \$1,200/\$3,600 | \$3,000/\$6,000 | \$1,000/\$3,000 | \$1,900/\$4,750 | \$500/\$1,000 | \$950/\$2,850 |
| Individual/Family Out-of-Pocket Maximum | \$8,150/\$16,300 | \$6,900/\$13,800 | \$7,050/\$14,100 | \$7,900/\$15,800 | \$8,000/\$15,000 | \$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 | \$15 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 | \$45 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 | \$12/\$30 copay | \$10/\$30 copay | \$5/\$12.50 Day copay |
| Preferred Brand | 30% after deductible | 25% after deductible | 25% after deductible | 25% after deductible | 30% after deductible | \$40/120 copay | 30% after Brand deductible |
| Non-preferred Brand | 50% after deductible | 50% after deductible | 50% after deductible | 50% after deductible | 50% after deductible | \$65/\$195 copay | 50% after Brand deductible |
| Specialty Drug | 30% after deductible | 30% after deductible | 20% after deductible | 30% after deductible | 25%/35% 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, 2023**

| Amounts of Monthly Benefits | Number of Retired Members | Type of Retirement* | | | | | | |
|-----------------------------|---------------------------|---------------------|---------------|--------------|---------------|--------------|--------------|---------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| \$ 1-200 | 14,924 | 5,909 | 6,526 | 138 | 2,269 | 46 | 21 | 15 |
| 201-400 | 46,163 | 12,563 | 11,517 | 536 | 3,520 | 870 | 1,239 | 15,918 |
| 401-600 | 28,783 | 15,206 | 8,571 | 1,131 | 3,206 | 480 | 189 | |
| 601-800 | 27,041 | 17,031 | 5,578 | 1,179 | 2,575 | 490 | 188 | |
| 801-1,000 | 26,722 | 18,633 | 3,936 | 1,078 | 2,406 | 523 | 146 | |
| 1,001-1,200 | 24,946 | 18,553 | 2,748 | 914 | 2,216 | 406 | 109 | |
| 1,201-1,400 | 21,679 | 16,439 | 1,920 | 761 | 2,166 | 320 | 73 | |
| 1,401-1,600 | 21,160 | 16,101 | 2,009 | 692 | 1,982 | 319 | 57 | |
| 1,601-1,800 | 20,903 | 16,482 | 1,788 | 595 | 1,714 | 270 | 54 | |
| 1,801-2,000 | 21,846 | 18,039 | 1,454 | 520 | 1,518 | 285 | 30 | |
| 2,001-3,000 | 111,111 | 98,509 | 3,966 | 1,323 | 6,218 | 1,041 | 54 | |
| 3,001-4,000 | 74,143 | 69,709 | 741 | 234 | 2,933 | 519 | 7 | |
| 4,001-5,000 | 30,572 | 29,155 | 161 | 29 | 1,017 | 208 | 2 | |
| Over 5,000 | 19,928 | 19,144 | 65 | 6 | 588 | 124 | 1 | |
| Totals | 489,921 | 371,473 | 50,980 | 9,136 | 34,328 | 5,901 | 2,170 | 15,933 |

***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, 2023**

| Amounts of Monthly Benefits | Number of Retired Members | Option Selected* | | | | | |
|-----------------------------|---------------------------|------------------|----------------|---------------|---------------|---------------|---------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 |
| \$ 1-200 | 14,924 | 6,427 | 5,090 | 1,768 | 509 | 1,091 | 39 |
| 201-400 | 46,163 | 12,409 | 9,332 | 3,482 | 1,205 | 2,069 | 17,666 |
| 401-600 | 28,783 | 12,652 | 8,899 | 3,983 | 1,336 | 1,913 | |
| 601-800 | 27,041 | 11,817 | 8,229 | 4,176 | 1,191 | 1,628 | |
| 801-1,000 | 26,722 | 11,738 | 7,927 | 4,427 | 1,249 | 1,381 | |
| 1,001-1,200 | 24,946 | 10,400 | 7,815 | 4,335 | 1,064 | 1,332 | |
| 1,201-1,400 | 21,679 | 8,700 | 7,105 | 3,972 | 903 | 999 | |
| 1,401-1,600 | 21,160 | 8,291 | 7,036 | 3,959 | 847 | 1,027 | |
| 1,601-1,800 | 20,903 | 8,209 | 6,985 | 3,926 | 777 | 1,006 | |
| 1,801-2,000 | 21,846 | 8,393 | 7,564 | 4,087 | 772 | 1,030 | |
| 2,001-3,000 | 111,111 | 41,063 | 40,369 | 20,940 | 3,575 | 5,164 | |
| 3,001-4,000 | 74,143 | 28,276 | 25,749 | 14,644 | 2,166 | 3,308 | |
| 4,001-5,000 | 30,572 | 12,193 | 9,809 | 6,603 | 832 | 1,135 | |
| Over 5,000 | 19,928 | 7,544 | 6,819 | 4,551 | 412 | 602 | |
| Totals | 489,921 | 188,112 | 158,728 | 84,853 | 16,838 | 23,685 | 17,705 |

***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 | 2023 | | | 2014 | | |
| | Covered Employees | Rank | Percentage of Total Covered Employment | Covered Employees | Rank | Percentage of Total Covered Employment |
| Houston ISD | 28,341 | 1 | 2.53 % | 23,303 | 1 | 2.82 % |
| UT MD Anderson Cancer Center | 24,854 | 2 | 2.21 | 17,770 | 3 | 2.15 |
| Dallas ISD | 24,134 | 3 | 2.15 | 19,104 | 2 | 2.31 |
| UT SW Medical Center | 22,687 | 4 | 2.02 | 9,674 | 9 | 1.17 |
| Cypress Fairbanks ISD | 18,231 | 5 | 1.62 | 13,957 | 4 | 1.69 |
| Northside ISD - San Antonio | 15,782 | 6 | 1.40 | 13,198 | 5 | 1.60 |
| UT at Austin | 15,305 | 7 | 1.36 | 9,820 | 8 | 1.19 |
| Katy ISD | 15,223 | 8 | 1.35 | | | |
| UT Med Branch at Galveston | 14,054 | 9 | 1.25 | 9,205 | 10 | 1.11 |
| Austin ISD | 11,993 | 10 | 1.07 | 12,323 | 6 | 1.49 |
| Fort Worth ISD | | | | 10,775 | 7 | 1.30 |
| All Others | 932,978 | | 83.04 | 687,600 | | 83.17 |
| Total | 1,123,582 | | 100.00 % | 826,729 | | 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 | 2023 | | | 2014 | | |
| | Covered OPEB Employees | Rank | Percentage of Total Covered OPEB Employment | Covered OPEB Employees | Rank | Percentage of Total Covered OPEB Employment |
| Houston ISD | 28,341 | 1 | 3.15 % | 23,303 | 1 | 3.41 % |
| Dallas ISD | 24,134 | 2 | 2.69 | 19,104 | 2 | 2.80 |
| Cypress Fairbanks ISD | 18,231 | 3 | 2.03 | 13,957 | 3 | 2.05 |
| Northside ISD - San Antonio | 15,782 | 4 | 1.76 | 13,198 | 4 | 1.93 |
| Katy ISD | 15,223 | 5 | 1.70 | 8,589 | 9 | 1.26 |
| Austin ISD | 11,993 | 6 | 1.34 | 12,323 | 5 | 1.81 |
| Fort Bend ISD | 11,716 | 8 | 1.31 | | | |
| IDEA Public Schools | 11,332 | 7 | 1.26 | | | |
| Fort Worth ISD | 11,044 | 9 | 1.23 | 10,775 | 6 | 1.58 |
| North East ISD | 9,927 | 10 | 1.11 | 9,174 | 7 | 1.34 |
| Aldine ISD | | | | 8,830 | 8 | 1.29 |
| El Paso ISD | | | | 8,552 | 10 | 1.25 |
| All Others | 739,218 | | 82.42 | 554,775 | | 81.28 |
| Total | 896,941 | | 100.00 % | 682,580 | | 100.00 % |

Source: Information submitted to TRS by participating employers

List of Participating Employers

| Public Schools | | |
|-----------------------|-------------------------------|-----------------------|
| Abbott ISD | Azle ISD | Boys Ranch ISD |
| Abernathy ISD | Baird ISD | Brackett ISD |
| Abilene ISD | Ballinger ISD | Brady ISD |
| Academy ISD | Balmorhea ISD | Brazos ISD |
| Adrian ISD | Bandera ISD | Brazosport ISD |
| Agua Dulce ISD | Bangs ISD | Breckenridge ISD |
| Alamo Heights ISD | Banquete ISD | Bremond ISD |
| Alba - Golden ISD | Barbers Hill ISD | Brenham ISD |
| Albany ISD | Bartlett ISD | Bridge City ISD |
| Aldine ISD | Bastrop ISD | Bridgeport ISD |
| Aledo ISD | Bay City ISD | Broaddus ISD |
| Alice ISD | Beaumont ISD | Brock ISD |
| Alief ISD | Beckville ISD | Bronte ISD |
| Allen ISD | Beeville ISD | Brookeland ISD |
| Alpine ISD | Bellevue ISD | Brookesmith ISD |
| Alto ISD | Bells ISD | Brooks County ISD |
| Alvarado ISD | Bellville ISD | Brownfield ISD |
| Alvin ISD | Belton ISD | Brownsboro ISD |
| Alvord ISD | Ben Bolt-Palito ISD | Brownsville ISD |
| Amarillo ISD | Benavides ISD | Brownwood ISD |
| Amherst ISD | Benjamin ISD | Bruceville - Eddy ISD |
| Anahuac ISD | Big Sandy ISD - Big Sandy | Bryan ISD |
| Anderson - Shiro CISD | Big Sandy ISD - Dallardsville | Bryson ISD |
| Andrews ISD | Big Spring ISD | Buckholts ISD |
| Angleton ISD | Birdville ISD | Buena Vista ISD |
| Anna ISD | Bishop CISD | Buffalo ISD |
| Anson ISD | Blackwell CISD | Bullard ISD |
| Anthony ISD | Blanco ISD | Buna ISD |
| Anton ISD | Bland ISD | Burkburnett ISD |
| Apple Springs ISD | Blanket ISD | Burkeville ISD |
| Aquilla ISD | Bloomberg 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 |
| Axtell ISD | Bowie ISD | Canutillo ISD |
| | Boyd ISD | Canyon ISD |

List of Participating Employers

| | | |
|----------------------------------|----------------------------------|------------------------------|
| 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 |
| Collinsville ISD | Danbury ISD | Eden CISD |

List of Participating Employers

| | | |
|----------------------------|-----------------------------|------------------------------|
| Edgewood ISD - Edgewood | Frenship ISD | Greenwood ISD |
| Edgewood ISD - San Antonio | Friendswood ISD | Gregory - Portland ISD |
| Edinburg CISD | Friona ISD | Groesbeck ISD |
| Edna ISD | Frisco ISD | Groom ISD |
| El Campo ISD | Frost ISD | Groveton ISD |
| El Paso ISD | Fruitvale ISD | Gruver ISD |
| Electra ISD | Gainesville ISD | Gunter ISD |
| Elgin ISD | Galena Park ISD | Gustine ISD |
| Elkhart ISD | Galveston ISD | Guthrie CSD |
| Elysian Fields ISD | Ganado ISD | Hale Center ISD |
| Ennis ISD | Garland ISD | Hallettsville ISD |
| Era 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 |
| Ezell 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 |
| Fredericksburg ISD | Grapevine - Colleyville ISD | Highland Park ISD - Dallas |
| Freer ISD | Greenville ISD | Hillsboro ISD |

List of Participating Employers

| | | |
|------------------------------|--------------------------|------------------------------------|
| 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 |
| Joshua ISD | Lampasas ISD | Lubbock ISD |
| Jourdanton ISD | Lancaster ISD | Lubbock - Cooper ISD |

List of Participating Employers

| | | |
|---------------------|--------------------------------|-----------------------------|
| 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 |
| Merkel ISD | New Boston ISD | Pasadena ISD |
| Mesquite ISD | New Braunfels ISD | Patton Springs ISD |

List of Participating Employers

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

List of Participating Employers

| | | |
|------------------------------------|-----------------------|-------------------------------|
| 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 |
| Sulphur Springs ISD | Utopia ISD | White Oak ISD |

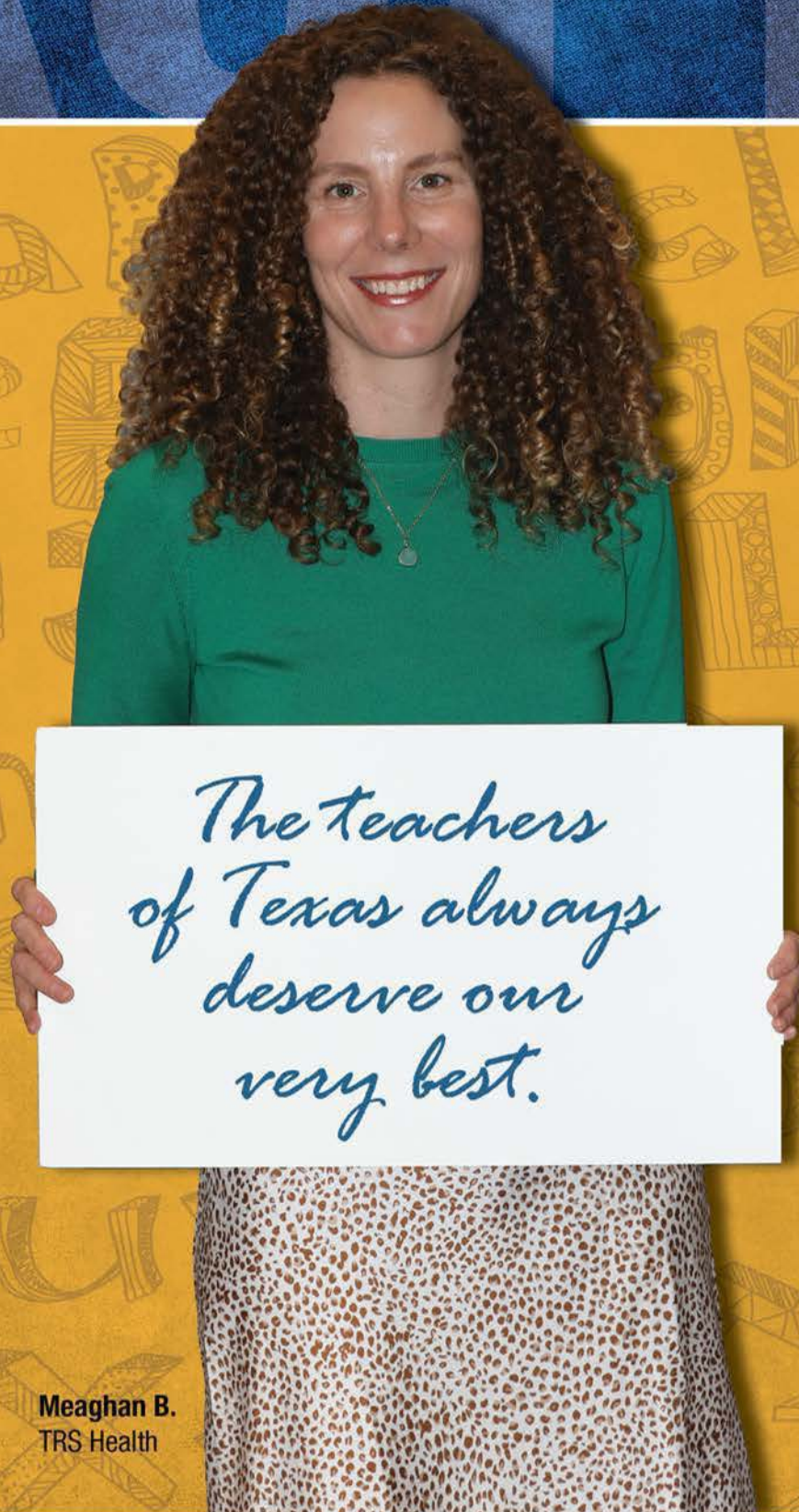
List of Participating Employers

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|---|--|--|
| 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 | Harmony School of Excellence - Houston |
| Wink - Loving CISD | Brillante Academy | Harmony School of Science - Houston |
| Winnsboro ISD | Brooks Academy of Science & Engineering | Harmony Science Academy - Austin |
| Winona ISD | Burnham Wood Charter School District | Harmony Science Academy - El Paso |
| Winters ISD | Calvin Nelms Charter Schools | Harmony Science Academy - Houston |
| Woden ISD | Carver Center | Harmony Science Academy - San Antonio |
| Wolfe City ISD | Cedars International Academy | Harmony Science Academy - Waco |
| Woodsboro ISD | Chaparral Star Academy | Henry Ford Academy Alameda School |
| Woodson ISD | Chapel Hill Academy | Heritage Academy |
| Woodville ISD | Cityscape Schools Inc | High Point Academy |
| Wortham ISD | Collegiate Edu-Nation | Houston Classical Charter School |
| Wylie ISD - Abilene | Compass Academy | Houston Gateway Charter School |
| Wylie ISD - Wylie | Compass Rose Education Inc | Houston Heights High School |
| Yantis ISD | Comquest Academy | Idea Public Schools |
| Yoakum ISD | Corpus Christi Montessori School | Inspire Academies |
| Yorktown ISD | Crosstimbers Academy | Inspired Vision Academy |
| Ysleta ISD | Cumberland Academy | International Leadership of Texas |
| Zapata County ISD | Democracy Prep Public Schools | Jean Massieu Academy |
| Zavalla ISD | Doral Academy of Texas | Jubilee Academies |
| Zephyr ISD | Dr M L Garza-Gonzalez Charter School | Katherine Anne Porter School |
| | Draw Academy | Ki Charter Academy |
| | Eagle Advantage School | Kipp Texas Public Schools |
| A Plus Academy | East Fort Worth Montessori School | La Academia De Estrellas |
| A Plus Unlimited Potential | East Texas Charter School | La Fe Preparatory School |
| A W Brown Fellowship Charter School | East Texas Advanced Academies | Leadership Academy Network |
| Academy of Accelerated Learning Inc | Education Center International Academy | Leadership Prep School |
| Academy of Dallas | El Paso Academy East | Legacy Preparatory |
| Academy of Visual and Performing Arts | El Paso Leadership Academy | Legacy School of Sport Sciences |
| Accelerated Intermediate Academy | Eleanor Kolitz Hebrew Language Academy | Legacy Traditional Schools - Texas |
| Alief Montessori School | Elementary School for Education Innovation | Life School |
| Ambassadors Preparatory Academy | Elevate Collegiate Charter School | Lighthouse Charter School |
| Amigos Por Vida-Friends For Life Charter School | Erath Excels Academy | Longview LEAP |
| Aristoi Classical Academy | Essence Preparatory Charter School | Lubbock Partnership Network |

List of Participating Employers

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

BENEFITS SECTION



Meaghan B.
TRS Health

Changes in State Law

A. Health Care Benefits

The 88th Regular Session of the Texas Legislature passed the following major bills that contained provisions relating to healthcare benefits.

New Health Care Benefit Mandates

Senate Bill 989

SB 989 requires certain health benefit plans to cover biomarker testing for the purpose of diagnosis, treatment, appropriate management, and ongoing monitoring of a patient's disease or condition. Biomarker testing coverage is required when the biomarker is evidence-based, scientifically valid, informs a patient's outcome and a provider's clinical decision, and predominantly addresses the acute issue for which the test is being ordered even when the test may give some information that cannot be immediately used in the formulation of a clinical decision.

Senate Bill 622

SB 622 requires certain health benefit plans that cover prescription drugs and use drug formularies to provide certain information upon request to the enrollee or their provider. The information includes the formulary itself, the drug being prescribed and any formulary alternative to such drug, the enrollee's eligibility, cost-sharing information that is accurate at the time and includes any variance based on the patient's preferred dispensing retail or mail-order pharmacy or prescribing provider, and applicable utilization management requirements. The health benefit plan may not deny or delay the response to requested information, restrict the provider from communicating the information to the enrollee, or interfere, prevent, or materially discourage access to the information.

Senate Bill 1040

SB 1040 prohibits health benefit plan issuers from covering human organ transplants or post-transplant care if the transplant operation is performed in China or another country known to have participated in forced organ harvesting, as designated by the Commissioner of State Health Services. SB 1040 also prohibits coverage when the human organ to be transplanted was procured by a sale or donation originating in China or another country known to have participated in forced organ harvesting.

House Bill 109

HB 109 provides that a health benefit plan that provides coverage for hearing aids may not deny an enrollee's claim solely on the basis that the price of the hearing aid is more than the benefit available under the plan.

House Bill 755

HB 755 prohibits health benefit plan issuers that provide prescription drug benefits to require an enrollee to receive more than one prior authorization annually for a drug prescribed to treat an autoimmune disease, hemophilia, and Von Willebrand disease. This does not include opioids, benzodiazepines, barbiturates, carisoprodol, drugs that have a typical treatment period of less than 12 months, and drugs that have a boxed warning assigned by the FDA for use and must have specific provider assessment or are not approved for use by the FDA.

House Bill 916

HB 916 requires health benefit plans that provide benefits for prescription contraceptive drugs to provide up to a three-month supply the first time the enrollee obtains the contraceptive drug and up to a 12-month supply each subsequent time the enrollee obtains the same drug regardless of whether the enrollee was enrolled in the health benefit plan the first time the enrollee obtained the drug.

House Bill 999

HB 999 provides that a health benefit plan that covers prescription drugs or a pharmacy benefit manager (PBM) shall apply any third-party payment, financial assistance, discount, product voucher, or other reduction in out-of-pocket expenses made by or on behalf of an enrollee to the enrollee's deductible, co-payment, or cost-sharing responsibility, or out-of-pocket maximum applicable to health benefits under the enrollee's plan.

This reduction in out-of-pocket expenses would apply only to a prescription drug for which a generic equivalent does not exist or a generic equivalent does exist but the enrollee has obtained access to the prescription drug under the enrollee's health benefit plan using a prior authorization process, a step therapy protocol, or the health benefit plan issuer's exceptions and appeals process. The reduction would also apply when an interchangeable biological product does not exist or when an interchangeable biological product does exist but the enrollee has obtained access to the prescription drug under the enrollee's health benefit plan by using a prior authorization process, a step therapy protocol, or the health benefit plan issuer's exceptions and appeals process.

House Bill 1647

HB 1647 provides that when an enrollee has a chronic, complex, rare, or life-threatening medical condition, the health benefit plan cannot require that clinician-administered drugs be dispensed only by certain pharmacies or only pharmacies participating in the network. If a clinician-administered drug is otherwise covered, the health benefit plan may not limit or exclude coverage for clinician-administered drugs based on the enrollee's choice of pharmacy or because the drug was not dispensed by a pharmacy that participates in the network. The health benefit plan may not require a physician or health care provider participating in the health benefit plan issuer's network to bill for or be reimbursed for the delivery and administration of clinician-administered drugs under the pharmacy benefit instead of the medical benefit without informed written consent of the patient and a written attestation by the patient's physician or health care provider that a delay in the drug's administration will not place the patient in an increased health risk or require an enrollee to pay an additional fee, higher copay, higher coinsurance, second copay, second coinsurance, or any other price increase for clinician-administered drugs based on the enrollee's choice of pharmacy or because the drug was not dispensed by a pharmacy that participates in the network.

House Bill 4500

HB 4500 requires health benefit plan issuers to maintain and make available a secure system on the issuer's Internet website that would allow physicians and health care providers for a hospital or freestanding emergency medical care facility to determine at any time whether the patient is covered by the issuer's health benefit plan and the deductible, co-payment, or coinsurance for which the patient is responsible.

New Health Plan Administration Laws

Senate Bill 1051

SB 1051 requires health benefit plan issuers that include coordination of benefit provisions to use a uniform coordination of benefits questionnaire to be adopted by the Insurance Commissioner.

Senate Bill 2476

SB 2476 provides that effective on 1/1/2024, political subdivisions will be required to publish rates for emergency medical services (EMS) on the DOI's website. Failure to publish will mean that rates for EMS will default to the lesser of the provider's billed charge or 325% of the current Medicare rate. All rates for EMS must be adjusted annually by the lesser of the Medicare Inflation Index or 10%. SB 2476 also sets prompt payment requirements for EMS to 30 days from receipt of electronic claims and 45 days from receipt of non-electronic claims. SB 2476 prohibits EMS providers to balance bill patients over the established rates. Air ambulance services are excluded from SB 2476.

House Bill 711

HB 711 prohibits a person who enters into a direct contract with a health care provider for the delivery of health care services to covered individuals to include the following clauses in the provider network contracts:

- An anti-steering clause that restricts the ability of a general contracting entity to encourage an enrollee to obtain a health care service from a competitor of the provider including offering incentives to encourage enrollees to use specific providers.
- An anti-tiering clause that restricts the ability of a general contracting entity to introduce or modify a tiered network plan or assign providers into tiers or requires a general contracting entity to place all members of a provider in the same tier of a tiered network plan.
- A gag clause that restricts the ability of a general contracting entity or provider to disclose price or quality information, including the allowed amount, negotiated rates or discounts, fees for services, or other claim-related financial obligations included in the contract, to a governmental entity as authorized by law or its contractors or agents, an enrollee, a treating provider of an enrollee, a plan sponsor, or potential eligible enrollees and plan sponsors.
- A gag clause that restricts the ability of a general contracting entity or provider to disclose out of pocket costs to an enrollee.
- A most favored nation clause that prohibits or grants an option to prohibit a provider from contracting with another general contracting entity to provide health care services at a lower rate or a general contracting entity from contracting with another provider to provide health care services at a higher rate.
- A most favored nation clause that requires or grants an option to require a provider to accept a lower rate for health care services if the provider agrees with another general contracting entity to accept a lower rate for the services or a general contracting entity to pay a higher rate for health care services if the entity agrees with another provider to pay a higher rate for the services.
- A most favored nation clause that requires or grants an option to require termination or renegotiation of an existing provider network contract if a provider agrees with another general contracting entity to accept a lower rate for providing health care services or a general contracting entity agrees with a provider to pay a higher rate for health care services, or requires a provider to disclose the provider's contractual reimbursement rates with other general contracting entities or a general contracting entity to disclose the general contracting entity's contractual reimbursement rates with other providers.

New Health Care Initiatives

House Bill 4990

HB 4990 creates the Texas Pharmaceutical Initiative, a public entity intended to provide cost-effective access to prescription drugs and other medical supplies for certain Texas state organizations, including public higher education systems, ERS, and TRS. The Initiative must submit a business plan no later than October 1, 2024, which will include establishing and contracting for statewide PBM services, distribution networks, a central service center, an associated network of satellite distribution facilities to distribute prescription drugs, and an advanced pharmaceutical preparation service.

TRS-Care (Senate Bill 1854)

SB 1854 adds a new Section 1575.1601 to require the TRS-Care program to establish an optional dental coverage plan and an optional vision coverage plan for retirees.

Gender Transition Care for Children (Senate Bill 14)

SB 14 prohibits physicians and health care providers from giving any type of gender transition services to minors (under 18 years old), including gender transition surgeries and hormone therapy intended to help them transition genders. Providers that violate this bill could risk losing their licenses to practice. There are very few exceptions to this prohibition, like treatments for weaning children off current hormone therapy that would violate the statute,

treatment for precocious puberty, or treatment of minors born with genetic disorders. It also prohibits that public money be directly or indirectly used, granted, paid, or distributed to any health care provider, medical school, hospital, physician, or any other entity, organization, or individual that provides or facilitates the provision of a procedure or treatment to a child that is prohibited by this law.

B. Pensions

The 88th Regular Session of the Texas Legislature passed the following major bills that contained provisions relating to pension benefits.

Constitutional Amendment Authorizing Cost-of-Living Adjustment (House Joint Resolution 2)

HJR 2 amends Article XVI, Texas Constitution and provides that the 88th Texas Legislature, Regular Session, can provide for a cost-of-living adjustment (COLA) for TRS annuitants and can appropriate money from the state's general revenue funds to be transferred to TRS to pay for the COLA. The proposed constitutional amendment in HJR 2 must be approved by voters during a statewide election to be held November 7, 2023. If HJR 2 is not approved by voters, the COLA in Senate Bill 10 described below will not go into effect.

Supplemental Payment and Cost-of-Living Adjustment (Senate Bill 10)

SB 10 contains two benefit enhancement provisions for certain TRS annuitants.

The first benefit enhancement in SB 10 is a one-time stipend to be issued to eligible annuitants in September 2023. Under the terms of the bill, eligible annuitants will receive a one-time payment of \$7,500 if the annuitant is 75 years or older as of August 31, 2023. Eligible annuitants who are between the ages of 70-74 as of August 31, 2023 will receive a one-time payment of \$2,400. Annuitants who receive an annuity amount fixed by statute are not eligible for the one-time stipend.

The second benefit enhancement in SB 10 is a cost-of-living adjustment (COLA) that is contingent on the approval of HJR 2 by voters in November 2023. Should the constitutional amendment be approved by voters, the COLA will go into effect with the January 2024 annuity payment. Under the terms of the bill, eligible annuitants who retired on or before August 31, 2001, who are alternate payees under Section 804.005 who elected to receive benefits on or before August 31, 2001, or whose benefits are based on the death of a retiree or member who died on or before August 31, 2001 will receive a six percent COLA. Eligible annuitants who retired after August 31, 2001 but on or before August 31, 2013, who are alternate payees under Section 804.005 who elected to receive benefits after August 31, 2001 but on or before August 31, 2013, or whose benefits are based on the death of a retiree or member who died after August 31, 2001 but on or before August 31, 2013, will receive a four percent COLA. Eligible annuitants who retired after August 31, 2013 but on or before August 31, 2020, who are alternate payees under Section 804.005 who elected to receive benefits after August 31, 2013 but on or before August 31, 2020, or whose benefits are based on the death of a retiree or member who died after August 31, 2013 but on or before August 31, 2020, will receive a two percent COLA. The annuitant must be living on the effective date of the COLA to receive it. The COLA is not provided for annuitants receiving an annuity amount fixed by statute.

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 implementing the sixth phase of the Uncleared Margin Rules (UMR) for uncleared derivatives applicable to TRS's counterparty banks under International Swaps and Derivatives Association (ISDA) agreements. Specifically, the sixth phase of UMR addresses the implementation of Regulatory Initial Margin (Reg IM) which requires non-netted posting and segregation of initial margin per 80 Federal Register 74840 (November 30, 2015) and 81 Federal Register 636 (January 6, 2016). In cooperation with TRS's counterparties, TRS will amend its agreements to account for the new requirements and also put into place arrangements for third-party custody of Reg IM.

B. Health Care Benefits

Mental Health Parity and Addiction Equity Act (MHPAEA)

Through the Consolidated Appropriations Act of 2023, Congress amended Section 2722 of the Public Health Service Act (42 USC § 300gg-21) to eliminate the ability of nonfederal governmental plans to exclude themselves from the requirements of MHPAEA, starting on or after December 29, 2022. Although TRS maintained robust parity in benefits between its medical/surgical benefits and its mental health/substance use disorder benefits, TRS excluded itself from the provisions of MHPAEA. Because of this change, TRS will not be able to exclude itself anymore, which means that TRS now has to come into full compliance with MHPAEA and its most recent rules. The Departments of Labor, Health and Human Services, and Treasury proposed a new rule under this act on July 25, 2023, and issued a technical release seeking feedback on new data requirements related to provider networks. Once this comment period ends, the final rule is expected to become effective on January 1, 2025.

In general, MHPAEA requires health benefit plans that provide mental health and substance use disorder benefits to ensure that those benefits have certain levels of parity with its medical/surgical benefit counterparts. The parity measures must take into consideration financial requirements (such as deductibles and cost sharing), quantitative treatment limitations (such as day or visit limitations), and non-quantitative treatment limitations (NQTLs), such as prior authorizations, standards for provider admissions to participate in networks, and methodologies to determine provider reimbursement rates. To attain such parity and monitor its compliance with MHPAEA, health benefit plans are required to conduct their own comparative analyses which must be made available to the regulators upon request. The new rules will include very specific requirements for the content of comparative analyses, and the process for making such analyses available to the regulators and beneficiaries upon request. Also, eating disorders and autism spectrum disorders will be considered mental health conditions protected under the MHPAEA and health benefit plans will no longer be allowed to put them in the medical/surgical benefit category. Failure to produce sufficient comparative analyses can result in the regulators prohibiting the plan from imposing a restriction until the plan can demonstrate compliance or remedy the violation.

TRS will be monitoring the discussion and the new compliance requirements.

C. Pension

Tax Laws, Regulations, and Guidance

The SECURE 2.0 Act of 2022 (SECURE 2.0) went into effect on December 29, 2022. The legislation seeks to expand on the reforms made in the Setting Every Community Up for Retirement Enhancement (SECURE 1.0), which went into effect on January 1, 2020. The most impactful change for TRS increases the age in which plan participants must begin payments from their retirement plan under the required minimum distribution rules. The legislation increases the age from 72 to age 73 in 2023, and age 75 in 2033.

Stemming from tax changes in the 2017 Tax Cuts and Jobs Act, the Internal Revenue Service revised the withholding tables and issued two new income tax withholding election forms during this fiscal year. The Form W-4P was redesigned to be used for withholding elections for periodic pension and annuity payments, and the Form W-4R is a new withholding form exclusively for withholding elections for nonperiodic payments and eligible rollover distributions. As a result, plan administrators are required to implement the revised withholding tables and withholding form changes by January 1, 2023.

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 working with local UK counsel to implement and apply the GDPR requirements as they apply to the operations of TRS’s 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 continue 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.

Texas Senate Bill 1893 became effective June 14, 2023. It requires state agencies to adopt a policy that prohibits use, and requires removal, of certain social media applications and services on state-owned or state-leased devices. The TRS Information Technology and Information Security divisions, with counsel from Legal and Compliance, developed the required prohibited technologies policy and lead the implementation efforts.

Texas House Bill 2060 became effective June 13, 2023. It creates an Artificial Intelligence Advisory Council to study, monitor, assess risks, and recommend administrative actions (e.g., policies and training) related to artificial intelligence use in state government. Beginning July 1, 2024, each state agency must report to the Texas Department of Information Resources, the advisory council, and applicable committees of the state legislature regarding the agency's use of automated decision systems that are being developed, employed, or procured by the agency. The TRS Information Technology and Information Security divisions lead the governance and compliance efforts related to use of artificial intelligence tools by TRS and its vendors.

Texas Senate Bill 768 will become effective September 1, 2023. It shortens the time to report a breach of system security to the Texas attorney general to "as soon as practicable and not later than the 30th day after the date on which the person determines that the breach occurred if the breach involves at least 250 residents of Texas." TRS Information Security will revise its incident reporting policies and procedures and TRS Procurement and Contracts will revise contract terms as applicable to reflect this change.

To date, eleven states have enacted comprehensive consumer privacy bills. California, Colorado, Connecticut, Virginia, Utah, Indiana, Iowa, Montana, Oregon, Tennessee, and Texas. Texas House Bill 4, the Texas Data Privacy and Security Act, will go into effect on July 1, 2024. 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 2023.

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.

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 TRS-ActiveCare for a five-year commitment. TRS still maintains the majority of public education employers.

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.

In 2022, TRS received \$435 million in federal funds to offset COVID-19 related health care expenses, which allowed TRS to avoid increasing premiums for the 2022-23 plan year. In 2023, the 88th Texas Legislature appropriated \$588.5 million to TRS to help mitigate the need for premium increases in TRS-ActiveCare during the upcoming 2024-2025 biennium. The TRS Board voted to approve new TRS-ActiveCare rates in May 2023, and TRS estimates the additional funding will reduce what employees would have paid toward premiums by an average of \$1,100 per employee annually over the next two plan years.

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.

The 88th Texas Legislature passed Senate Bill 1854 which allows TRS to offer dental and vision benefits to retirees who are eligible for TRS-Care. TRS will competitively procure contracts for these plans and anticipates offering coverage by Jan. 1, 2025. TRS will communicate details with retirees eligible for coverage in advance of the coverage start date. For information on TRS-Care eligibility, please refer to the TRS website.

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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.

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At Your Service

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



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