

TEACHER  
RETIREMENT SYSTEM  
OF TEXAS

A COMPONENT UNIT OF  
THE STATE OF TEXAS  
FISCAL YEAR ENDED  
AUGUST 31, 2024



2024 ANNUAL COMPREHENSIVE  
**FINANCIAL REPORT**  
TRS by the NUMBERS





## 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

2024

Annual Comprehensive  
Financial Report

A Component Unit of  
the State of Texas

Fiscal year ended August 31, 2024

Prepared by the Financial Services  
division of the Teacher Retirement System  
of Texas with the collaborative efforts of  
the agency's team members.

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# INTRODUCTORY SECTION



TRs has more than

**TWO  
MILLION**

members



To watch this TRs member story, scan the QR code.



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



**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



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



**John R. Rutherford**  
Executive  
Finance and Energy Sectors  
Houston  
Direct appointment of the governor  
Term expires 2029



**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  
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Presented to

**Teacher Retirement System of Texas**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

August 31, 2023

*Christopher P. Morill*

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Administration  
2023***

Presented to

***Teacher Retirement System of Texas***

In recognition of meeting professional standards for  
plan 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, 2024**

Honorable Greg Abbott, Governor  
Honorable Glenn Hegar, Texas Comptroller  
Jerry McGinty, Legislative Budget Board  
Lisa R. 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, 2024, the System's 87<sup>th</sup> year of operation. During the past fiscal year, the System experienced growth as membership increased by 55,636 individuals, ending the year with 2,057,610 participants. The Pension Trust Fund experienced favorable market performance resulting in positive returns for the fund, ending the 2024 fiscal year with a net position of \$210.5 billion compared to \$187.2 billion at the close of the 2023 fiscal year. TRS investment earnings, combined with contribution increases and benefit changes approved by the 87<sup>th</sup> 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 34 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, 2024, the total portfolio delivered investment returns of 12.83 percent, which is 3.55 percent above the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$209.5 billion, or \$22.9 billion more than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 3.01 percent, which is 0.90 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2024, were 7.94 percent and 7.24 percent, respectively. Both rates surpassed 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 2024, TRS made pension benefit payments totaling \$15.1 billion to 508,701 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 paid beginning in January 2024.

## Actuarial Soundness of the Pension Trust Fund

As of August 31, 2024, the System had a funded ratio of 77.8 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$60.6 billion. The UAAL increased \$2.7 billion during the year largely due to larger than expected salary increases for active TRS members and continuing to recognize the deferred liabilities incurred in fiscal year 2022. 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.

Senate Bill 12 (86R) increased contribution rates for the State, employers, and members in a phased approach that concluded on September 1, 2024, the beginning of fiscal year 2025. As part of the stair-step approach, the State's base rate increased from 6.8% of payroll in fiscal year 2019 to 8.25% in fiscal year 2024. In addition, public education employer contributions increased from 1.5% of payroll in fiscal year 2019 to 2.00% in fiscal year 2025. Active member contributions increased from 7.70% of payroll in fiscal year 2019 to 8.25% of payroll in fiscal year 2024. These supplemental contributions equal approximately 1.24 percent of total payroll.

The contributions provided by the increased contribution rate pattern are sufficient to amortize the current UAAL of the System over a period of 28 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 established in 1985 for eligible retired public education employees and their eligible dependents. 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, 2024, TRS-Care had a Net Other Post-Employment Benefits Liability of \$30.4 billion. The program was 13.7 percent funded as of the end of fiscal year 2024. 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 2025.

As a result of legislative funding and plan design changes in 2017, together with TRS' diligent health plan management, recent federal changes to Medicare and other factors, the TRS-Care Medicare Advantage plan experienced savings. Since the savings occurred from the Medicare landscape, this provides TRS with a unique opportunity to lower premium costs for participants in the TRS-Care Medicare Advantage program while maintaining the long-term stability of the TRS-Care fund. Additionally, TRS is also offering a one-time Limited-Time Enrollment Opportunity that allows Medicare eligible retirees and their eligible dependents to take advantage of the lowered premiums and enroll in or rejoin the plan.

Optional dental and vision benefits for TRS retirees and their families are being added to TRS-Care beginning January 1, 2025. The 88th Texas Legislature passed Senate Bill 1854, which allows TRS to offer optional dental and vision care for TRS retirees. This includes their dependents, surviving spouses and surviving dependent children. These are optional plans with separate premiums, and TRS retirees can enroll in one or both plans, regardless of being enrolled in a TRS-Care health plan. MetLife will administer the TRS-Care Dental and Vision plans. The enrollment window started on October 1, 2024, and will last through December 7, 2024. TRS retirees will have an option to make enrollment changes each year during the annual enrollment period.

### Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2001, is a self-funded health benefits program that offers Primary, Primary+ and High Deductible plan options that provide major medical and pharmacy benefit coverage. 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.

Public education employers have flexibility when choosing their health care while also protecting the stability of TRS-ActiveCare. Employers that participate in TRS-ActiveCare can routinely evaluate their options and decide to remain in the program or leave. Employers must notify TRS of their intention to join or leave by annual deadlines. When employers join TRS-ActiveCare, they must remain in the program for five years. When they choose to leave TRS-ActiveCare, they cannot rejoin for five years.

### Agency Highlights

Benefit Enhancements – In September 2023, TRS issued over 285,000 one-time stipend payments. In January 2024, TRS administered the Cost-of-Living Adjustment (COLA) as authorized by the Texas Legislature and approved by Texas voters. The one-time stipend payment of \$2,400 was issued to 176,813 who were 70-74 on or before August 31, 2023, which equates to 62% of the stipend-eligible annuitants. A one-time stipend payment of \$7,500 was issued for 108,133 annuitants who were at least age 75 on or before August 31, 2023, which equates to 38% of the stipend-eligible annuitants. A 2%, 4%, or 6% COLA was applied to eligible annuitant's monthly annuity beginning in January 2024. The percentage was based on the retirement date of the annuitant. More than 144,000 annuitants received the 2% COLA, more than 186,000 received the 4%, and more than 68,000 received the 6%.

The El Paso Regional Office – The El Paso office continues to be popular with TRS members in that region. In fiscal year 2024, the office was visited by almost 6,000 members through in-person, telephone or video appointments, as well as walk-ins without a scheduled appointment. In addition to the member visits, the office answered 6,504 phone calls. The regional office in El Paso piloted an employer engagement plan to provide services to new employees of the public-school employers in the region. In January 2024, the office targeted some of the larger school districts in that area to attend new employee orientation events to get information to new TRS members sooner in their TRS journey, providing basic information about their pension plan to include available resources such as online access through MyTRS, the importance of naming a beneficiary, understanding their monthly contributions, and keeping their contact information up to date. TRS plans to extend this to more districts in the El Paso region and to begin planning for additional employer engagement regarding the Pension Plan to other employers throughout the State.

In FY 2025, TRS will be exploring options to determine the location and need for a second regional office, to meet our members where they live. Opening an additional office would continue to provide more opportunities for members who live more than four to five hours from the TRS headquarters in Austin to meet in-person with a TRS Benefit Counselor regarding plans for retirement.

Office of the 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 member's 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. In addition, the Ombuds regularly contributes content to TRS' newsletter for members and retirees.

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 September 1, 2023, and TRS-Care on January 1, 2024.

TRS-ActiveCare Legislative Investment Promotes Affordability – The Texas Legislature provided \$588.5 million to TRS-ActiveCare to help public education employees have more affordable health coverage. This amounts to an annual average savings of \$1,100 per employee over the 2024-2025 biennium. Even without this funding, TRS offers employers a competitively priced option compared to other health plans. Because of the value TRS-ActiveCare provides, more than 99 percent of participating school districts chose to remain in TRS-ActiveCare in 2024.

Implementing New Dental and Vision Benefits for Retirees and Lowering Premiums for TRS-Care Medicare Advantage – TRS worked diligently in fiscal year 2024 to implement enhancements to retiree health benefits. With the passage of Senate Bill 1854 (88R), TRS will provide dental and vision plans specifically designed for TRS retirees and their dependents effective January 1, 2025. After a competitive bidding process, MetLife was chosen to administer these comprehensive plans. In addition, a healthy, strong TRS-Care fund balance and recent federal changes to Medicare, along with TRS' diligent plan management and other factors, allowed TRS to lower premiums by about 45% for Medicare-eligible retirees effective January 1, 2025, while maintaining the long-term stability of the TRS-Care fund. TRS is offering a Limited-Time Enrollment Opportunity for Medicare-eligible retirees to rejoin the plan and benefit from lower premiums. As a result, retiree satisfaction with TRS health care services overall increased dramatically in 2024. More than three-fourths of retired members are "Very Satisfied" or "Satisfied" with TRS health care services (79%) compared to 53% combined satisfaction in 2023 (2024 TRS Member Satisfaction Survey).

Support Services and Administration – In 2023, TRS Support Services and Administration successfully implemented the Retirement Application and Death Claim Processing (RAP/DTH) system update 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 fiscal year 2024, Investment Management experienced remarkable return in excess of the benchmark return for the total Trust, excelled in investment performance relative to the Board-approved benchmark, and surpassed the fiscal year 2024 target for 20-year average return on investment performance. Additionally, during 2024, TRS reviewed and modified its Strategic Asset Allocation to enhance the probability of achieving the long-term investment return assumption, reduce risk and increase diversification.

TRS Compensation Plan – TRS manages a compensation plan tailored to meet the agency’s specific business needs and provide an efficient and flexible framework to effectively recruit and retain staff. TRS’ turnover rate consistently trends lower than the comparable state rate with TRS ending fiscal year 2024 with a 7.3% turnover rate. In addition to hiring regular positions, TRS also has a robust and successful intern program along with a three-year fellowship program for recent undergraduate and graduate school graduates to create talent pipelines.

New Headquarters – TRS completed the purchase of its Austin headquarters building for its new campus in the Mueller development in spring 2024. As final construction is completed, the agency plans to initiate the second and final moving phase from its current downtown headquarters during the first quarter of 2025. The two-building campus will house the entire Austin-based agency. The buildings are designed to serve TRS members for the next generation and is expected to be fully occupied by the end of 2025 with a new Member Experience Center.

### **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




**Caasi Lamb**  
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**  
Chief Government Affairs Officer



**Don Green**  
Chief Financial Officer



**Shunne Powell**  
Chief Organizational Excellence Officer



**Chris Cutler**  
Chief Information Officer



**Beth Hallmark**  
Chief Communications Officer

### **Executive Administrative Staff**

Brian K. Guthrie, *Executive Director*  
Caasi Lamb, *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, *Chief Communications Officer*  
Merita Zoga, *Chief Government Affairs Officer*  
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)  
Jefferies, L.L.C.  
New York, NY (Private Equity)  
KPMG, L.L.P.,  
Philadelphia, PA (Investment Advice)  
Jones Lang LaSalle Securities,  
Chicago, IL (Real Estate)  
PPCP, L.L.C.  
Los Angeles, CA (Real Assets)  
Valuation Research Corporation,  
New York, NY (Private Investment Valuation)

### **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  
Mary Ann Whiteker, Lufkin  
Tonya Davis, Round Rock  
Dr. Mary Widmier, Kingwood  
Dr. Sonya Haidusek-Niazy, Liberty  
Sherry Miller, Harker Heights  
Anita Kay Young, Mesquite

### **Health Care Consulting, Financial and Accounting Services**

F. Guerra DeBerry, L.L.C., San Antonio  
Gabriel, Roeder, Smith & Company, Dallas  
Ice Miller, L.L.P., Indianapolis, IN  
Milliman, Inc., Dallas  
Pharmaceutical Strategies Group, L.L.C., Dallas  
Segal Company, Atlanta, GA  
Sensis, Inc., Austin

### **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 121 through 126.*

**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 2024 are disclosed in the following table.

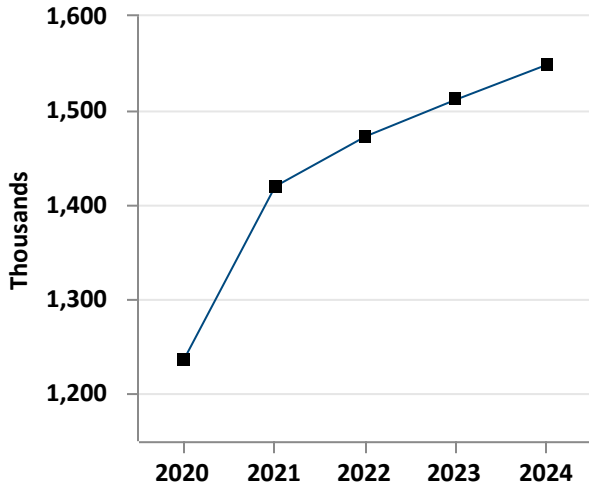
Number of Participating Employers	
Participating Employers	2024
Public Schools	1,020
Charter Schools	199
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	2
Other Entities	1
<b>Total Participating Employers</b>	<b>1,349</b>

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

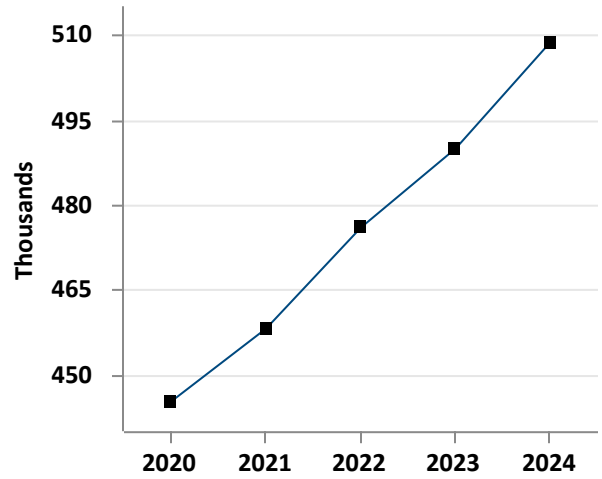
Membership Profile			
	As of August 31,		
	2024	2023	
<b>Active Membership</b>			
Average Annual Salary	\$ 59,210	\$	57,102
Average Age	44.7		44.7
Average Years of Service	10.2		10.3
<b>Annuitant and Beneficiary</b>			
Average Monthly Annuities			
Life Annuities	\$ 2,294	\$	2,199
Disability Annuities	\$ 1,345	\$	1,277
Annuities Certain	\$ 1,258	\$	1,209
Average Age of Current Retirees	72.7		72.6
Average Age at Retirement			
All Retirees	60.6		60.5
Current Year Retirees	62.7		63.0
Average Years of Service			
All Retirees	24.0		24.0
Current Year Retirees	22.6		22.1
Average Salary at Retirement			
All Retirees	\$ 50,049	\$	49,113
Current Year Retirees	\$ 60,389	\$	58,648
Ratio of Members to Retirees	3 to 1		3.1 to 1

Net Membership Changes		
Population Changes	As of August 31,	
	2024	2023
<b>Active Membership:</b>		
New Members	107,147	112,533
Members Withdrawing	(54,743)	(66,933)
Service Retirements	(25,820)	(22,430)
Disability Retirements	(798)	(626)
In-Service Deaths	(1,104)	(2,055)
Other Changes	12,174	18,609
<b>Net Increase</b>	<b>36,856</b>	<b>39,098</b>
<b>Retired Membership:</b>		
Retirements	26,618	23,056
Deaths After Retirement	(10,218)	(9,965)
Option Continuations	3,326	3,684
Other Changes	(946)	(2,806)
<b>Net Increase</b>	<b>18,780</b>	<b>13,969</b>

**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 1,240 participating employers during fiscal year 2024.

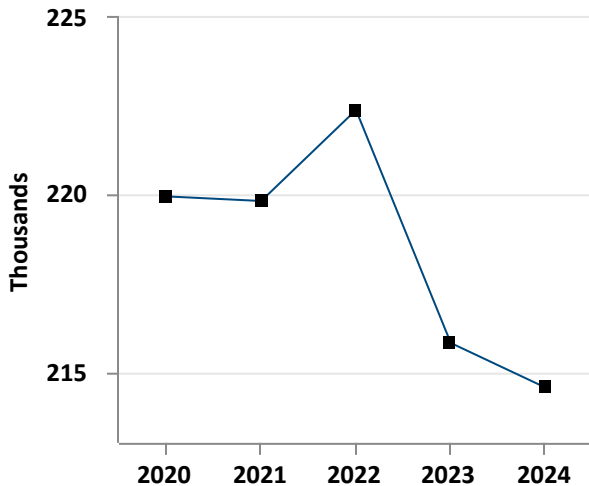
Membership Numbers by Category		
Member Categories	As of August 31,	
	2024	2023
Retirees	177,603	178,043
Surviving Spouses	5,832	5,813
Surviving Children	11	106
Dependent Spouses and Children	31,114	31,862
<b>Total Membership</b>	<b>214,560</b>	<b>215,824</b>

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

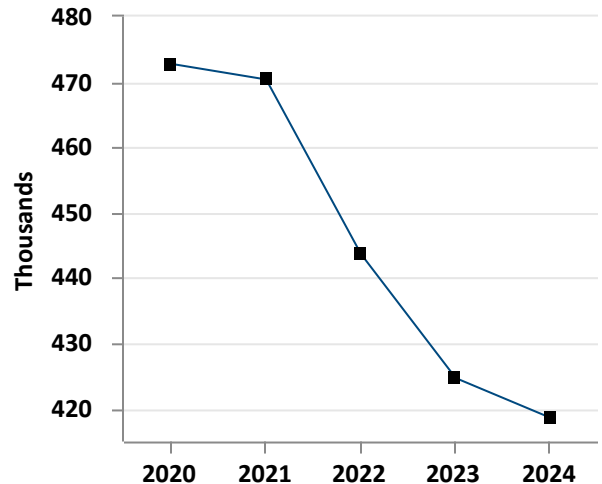
Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers, and other educational districts. There were 968 participating employers during fiscal year 2024.

Membership Numbers by Category		
Member Categories	As of August 31,	
	2024	2023
Employees	268,767	273,147
Dependents	149,855	151,549
<b>Total Membership</b>	<b>418,622</b>	<b>424,696</b>

**Membership by Year  
TRS-Care**



**Membership by Year  
TRS-ActiveCare**



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# FINANCIAL SECTION



TRS has paid more than

# \$15.1 BILLION

in annuity payments in FY2024



To watch this TRS member story, scan the QR code.





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

## Independent Auditor's Report

Teacher Retirement System of Texas Board of Trustees

Mr. Robert H. Walls, Jr., Chairman  
Ms. Nanette Sissney, Vice Chair  
Ms. Brittany Allred  
Mr. Michael Ball  
Mr. David Corpus  
Mr. John Elliott  
Mr. James Dick Nance  
Mr. John R. Rutherford  
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 of Texas (System), a component unit of the State of Texas, as of and for the year ended August 31, 2024, 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, 2024, 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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1501 N. Congress Avenue  
Austin, Texas 78701

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

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 Internet:  
[www.sao.texas.gov](http://www.sao.texas.gov)

SAO Report No. 25-307

***Emphasis of Matters***

*Teacher Retirement System Financial Statements*

As discussed in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the State of Texas as of August 31, 2024, 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 \$110.7 billion as of August 31, 2024, 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.
- 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 who 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 2023 financial statements, and we expressed unmodified opinions on the respective financial statements of the major enterprise fund and the aggregate remaining fund information, consisting of the fiduciary funds, in our report dated November 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, 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, 2024

## 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, 2024. 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 \$210.5 billion as of August 31, 2024, an increase of \$23.4 billion from fiscal year 2023.
- The net pension liability was \$61.1 billion, a \$7.6 billion decrease from the fiscal year 2023 liability of \$68.7 billion.
- Fiscal year 2024 investment income was \$23.8 billion, an increase of \$16.9 billion from fiscal year 2023.
- Pension Plan investments experienced a 12.83 percent annual rate of return for the year ended August 31, 2024, compared to a 3.85 percent annual rate of return for fiscal year 2023.
- The net position of TRS-Care was \$4.8 billion as of August 31, 2024, an increase of \$926.9 million from fiscal year 2023.
- TRS-Care's net Other Post-Employment Benefits (OPEB) liability was \$30.4 billion. The liability increased \$8.2 billion from fiscal year 2023 liability of \$22.1 billion.
- TRS-ActiveCare had a net position of \$688.5 million as of August 31, 2024, an increase of \$404.6 million from fiscal year 2023.

### 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, 2024 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, 2024, 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**

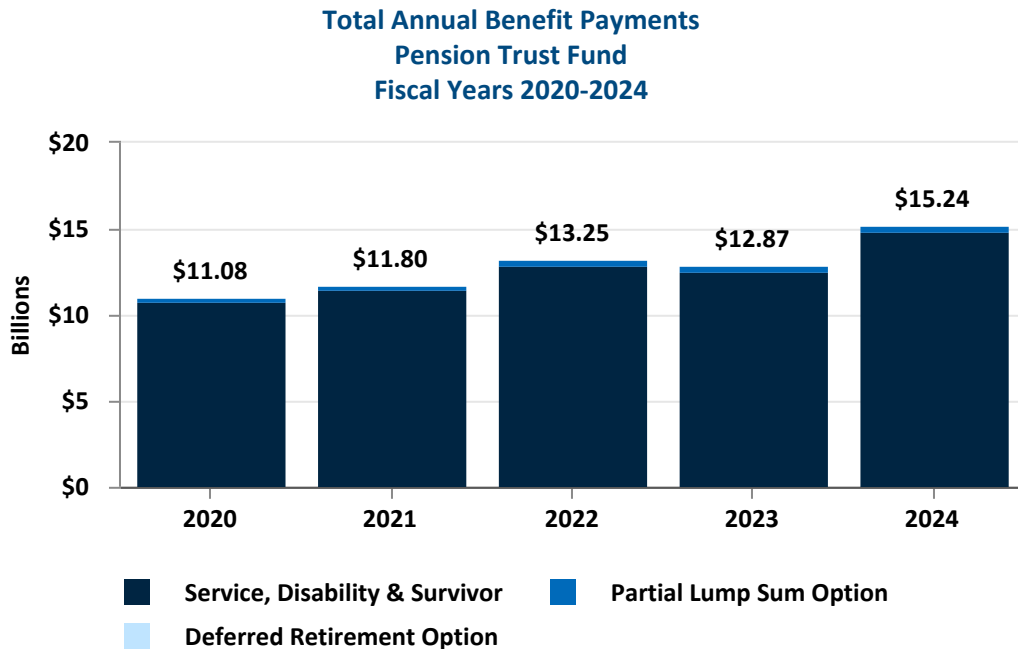
Other Supplementary Information includes administrative and investing activity expenses and payments for professional and consulting services.

**Growth of the System**

As of August 2024, the monthly annuity payroll increased to \$1,241.9 million, and TRS was paying benefits to 508,701 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 18,780 during fiscal year 2024.

Of the current TRS member accounts, 970,874 active contributing and deferred retirement option participants were employed during fiscal year 2024 and made contributions to the System. The remaining 578,035 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 36,856 during fiscal year 2024.



**Financial Analysis of TRS Funds**

**Pension Trust Fund**

Net position held in trust for benefits at August 31, 2024 was \$210.5 billion, an increase of \$23.4 billion from the \$187.2 billion at August 31, 2023.

Global financial markets and asset values continued to perform well in 2024, driven by lower inflation, robust corporate earnings, and an expectation of lower interest rates. The Standard and Poor's 500 (S&P 500) index recorded a significant gain of 27.14% for the one-year period ended August 31, 2024. This positive performance was underpinned by a combination of factors, including the resolution of supply chain disruptions, which helped to stabilize prices, and strong consumer demand, which bolstered corporate revenues. A notable contributor to the success of the S&P 500 index was the remarkable performance of technology growth trends in artificial intelligence, cloud computing, and cutting-edge hardware and software. These technology advancements drove approximately 50% of the S&P 500 index's overall performance so far in 2024. Despite some geographical uncertainties and fiscal policy adjustments, investor confidence remained high, reflecting a broadly optimistic outlook for the global economy. The Trust returned 12.83 percent for the fiscal year ended August 31, 2024. Fiscal year 2024 investment income was \$23.8 billion, an increase of \$16.9 billion over 2023.

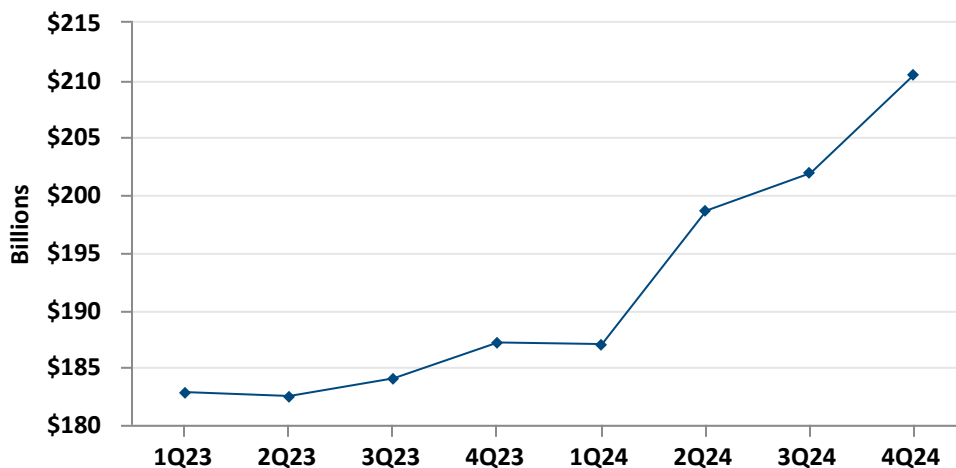
Total contributions and other additions increased \$5.9 billion, or 60.4 percent, during fiscal year 2024. The increase is due to TRS receiving \$5 billion in supplemental appropriations and normal payroll growth. Senate Bill 10 (SB 10) and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipend payments and \$3.355 billion for Cost of Living Adjustments (COLA).

Deductions from net position are primarily retirement pension payments. During fiscal year 2024, benefit payments totaled \$15.2 billion, an increase of \$2.4 billion. This increase was due to one-time payments being issued, COLA adjustments being made to eligible annuitants, and an increase in the number of retirees. For fiscal year 2024, refunds of contributions were \$744.5 million, an increase of \$36.7 million over fiscal year 2023, largely due to an increase in member withdrawals.

Administrative expenses, excluding investing activities expenses, on a cost per member basis were \$41.17 for fiscal year 2024 compared to \$42.55 in fiscal year 2023.

Investment cost per member was \$577.77 for fiscal year 2024 as compared to \$421.57 in fiscal year 2023. Investment expense in basis points of net position was 60.6 for fiscal year 2024 and was calculated using the average net asset value. Investment expense in basis points for fiscal year 2023 was 46.1. The increase in investment costs per member was mainly attributed to the increase in interest expenses on investments in reverse repurchase agreements.

**Quarterly Net Position  
Pension Trust Fund  
Fiscal Years 2023-2024**



<b>Statement of Fiduciary Net Position</b>				
<b>Pension Trust Fund</b>				
As of August 31				
(Dollars in Thousands)				
	<b>2024</b>	<b>2023</b>	<b>Dollar Change</b>	<b>Percentage Change</b>
<b>Assets</b>				
Cash and Receivables	\$ 9,908,993	\$ 4,309,938	\$ 5,599,055	129.9 %
Investments	227,535,738	203,296,402	24,239,336	11.9
Invested Securities Lending Collateral	5,276,749	5,675,099	(398,350)	(7.0)
Prepaid Expenses and Deposits	410	345	65	18.8
Capital Assets	367,256	190,742	176,514	92.5
<b>Total Assets</b>	<b>\$ 243,089,146</b>	<b>\$ 213,472,526</b>	<b>\$ 29,616,620</b>	<b>13.9 %</b>
<b>Total Deferred Outflow of Resources</b>	<b>\$ 54,605</b>	<b>\$ 50,173</b>	<b>\$ 4,432</b>	<b>8.8 %</b>
<b>Liabilities</b>				
Benefits Payable	\$ 340,677	\$ 317,818	\$ 22,859	7.2 %
Net Other Post-Employment Benefits Liability	108,784	104,207	4,577	4.4
Investments Purchased Payable and Other Investment Liabilities	26,514,125	19,841,413	6,672,712	33.6
Collateral Obligations	5,348,701	5,786,409	(437,708)	(7.6)
Accounts Payable and Other	219,301	213,067	6,234	2.9
<b>Total Liabilities</b>	<b>\$ 32,531,588</b>	<b>\$ 26,262,914</b>	<b>\$ 6,268,674</b>	<b>23.9 %</b>
<b>Total Deferred Inflow of Resources</b>	<b>\$ 68,905</b>	<b>\$ 89,249</b>	<b>\$ (20,344)</b>	<b>(22.8)%</b>
<b>Total Net Position</b>	<b>\$ 210,543,258</b>	<b>\$ 187,170,536</b>	<b>\$ 23,372,722</b>	<b>12.5 %</b>

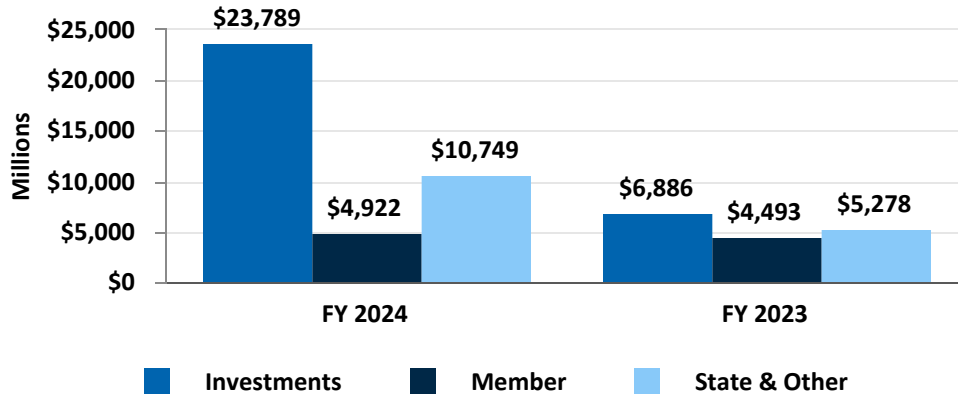
**Statement of Changes in Fiduciary Net Position****Pension Trust Fund**

For the Fiscal Years Ended August 31

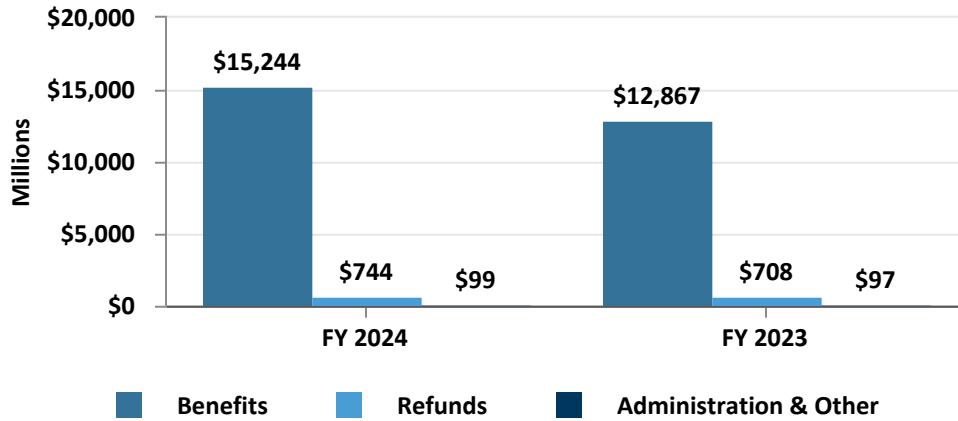
(Dollars in Thousands)

	2024	2023	Dollar Change	Percentage Change
<b>Additions</b>				
Member Contributions	\$ 4,921,798	\$ 4,492,518	\$ 429,280	9.6 %
Non-Employer Contributing Entity Contributions	2,483,581	2,279,409	204,172	9.0
Employer Contributions	3,151,326	2,859,870	291,456	10.2
Supplemental Funding - Appropriations	5,000,000		5,000,000	
Gain on Capital Assets	27,157	46,564	(19,407)	(41.7)
Other Revenue	86,839	91,927	(5,088)	(5.5)
Investment Income	23,789,442	6,885,963	16,903,479	245.5
<b>Total Additions</b>	<b>\$ 39,460,143</b>	<b>\$ 16,656,251</b>	<b>\$ 22,803,892</b>	<b>136.9 %</b>
<b>Deductions</b>				
Retirement Benefits and Other	\$ 15,244,135	\$ 12,866,847	\$ 2,377,288	18.5 %
Refunds of Contributions	744,484	707,817	36,667	5.2
Other Post-Employment Benefits Expense	14,084	12,242	1,842	15.0
Administrative Expenses	84,717	85,188	(471)	(0.6)
<b>Total Deductions</b>	<b>\$ 16,087,420</b>	<b>\$ 13,672,094</b>	<b>\$ 2,415,326</b>	<b>17.7 %</b>
<b>Change in Net Position</b>	<b>\$ 23,372,723</b>	<b>\$ 2,984,157</b>	<b>\$ 20,388,566</b>	<b>683.2 %</b>
<b>Total Net Position</b>	<b>\$ 210,543,258</b>	<b>\$ 187,170,536</b>	<b>\$ 23,372,722</b>	<b>12.5 %</b>

**Additions to Fiduciary Net Position  
Pension Trust Fund  
Fiscal Years 2023-2024**



**Deductions from Fiduciary Net Position  
Pension Trust Fund  
Fiscal Years 2023-2024**



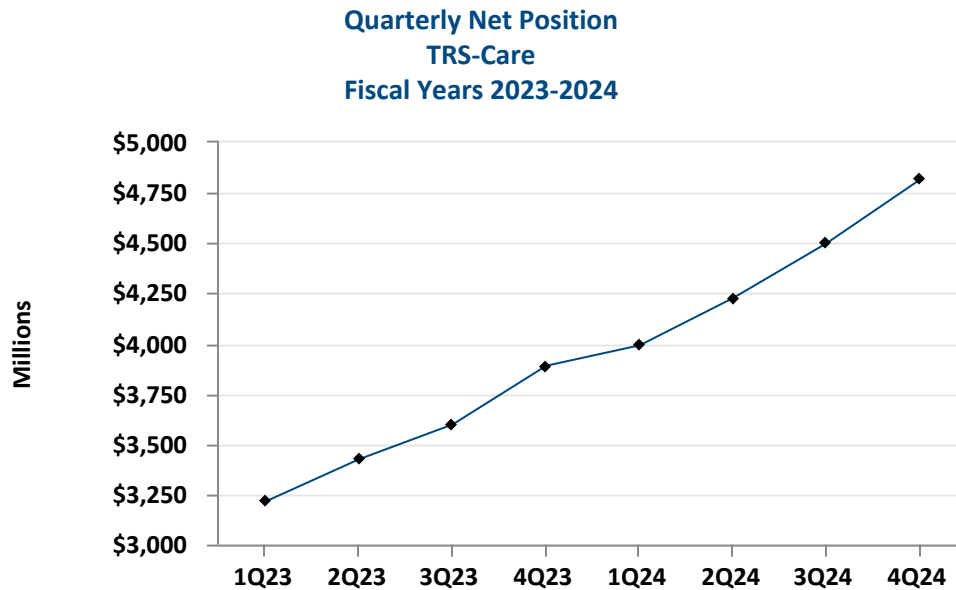
**TRS-Care**

The net position of TRS-Care at August 31, 2024 was \$4.8 billion, an increase of \$926.9 million from the \$3.9 billion at August 31, 2023.

Total contributions of \$1.2 billion increased \$53.7 million in 2024 due to an increase in the number of members. Rebates increased by \$67.3 million from fiscal year 2023 due to changes in subsidy programs and higher distribution of retail prescription brands. Federal revenue increased by \$33.8 million due to a change in the calculation for Medicaid and Medicare services. Investment income totaled \$202.2 million, which was an increase of \$72.1 million from fiscal year 2023. This increase was due to higher earnings on cash held in state treasury.

TRS-Care also received \$15.1 million in credits to cover health care claims.

Deductions from net position totaled \$1.4 billion during fiscal year 2024 which was an increase of \$25.3 million from fiscal year 2023. This is mainly due to an increase in prescription drug and health care related costs.



<b>Statement of Fiduciary Net Position</b>					
<b>TRS-Care</b>					
As of August 31					
(Dollars in Thousands)					
	2024	2023	Dollar Change	Percentage Change	
<b>Assets</b>					
Cash and Receivables	\$ 4,984,483	\$ 4,094,274	\$ 890,209	21.7 %	
Capital Assets	4,994	7,600	(2,606)	(34.3)	
<b>Total Assets</b>	<b>\$ 4,989,477</b>	<b>\$ 4,101,874</b>	<b>\$ 887,603</b>	<b>21.6 %</b>	
<b>Liabilities</b>					
Accounts Payables and Other	\$ 38,003	\$ 25,529	\$ 12,474	48.9 %	
Health Care Fees Payable	8,130	8,123	7	0.1	
Health Care Claims Payables	126,698	178,457	(51,759)	(29.0)	
<b>Total Liabilities</b>	<b>\$ 172,831</b>	<b>\$ 212,109</b>	<b>\$ (39,278)</b>	<b>(18.5)%</b>	
<b>Total Net Position</b>	<b>\$ 4,816,646</b>	<b>\$ 3,889,765</b>	<b>\$ 926,881</b>	<b>23.8 %</b>	

**Statement of Changes in Fiduciary Net Position**

**TRS-Care**

For the Fiscal Years Ended August 31

(Dollars in Thousands)

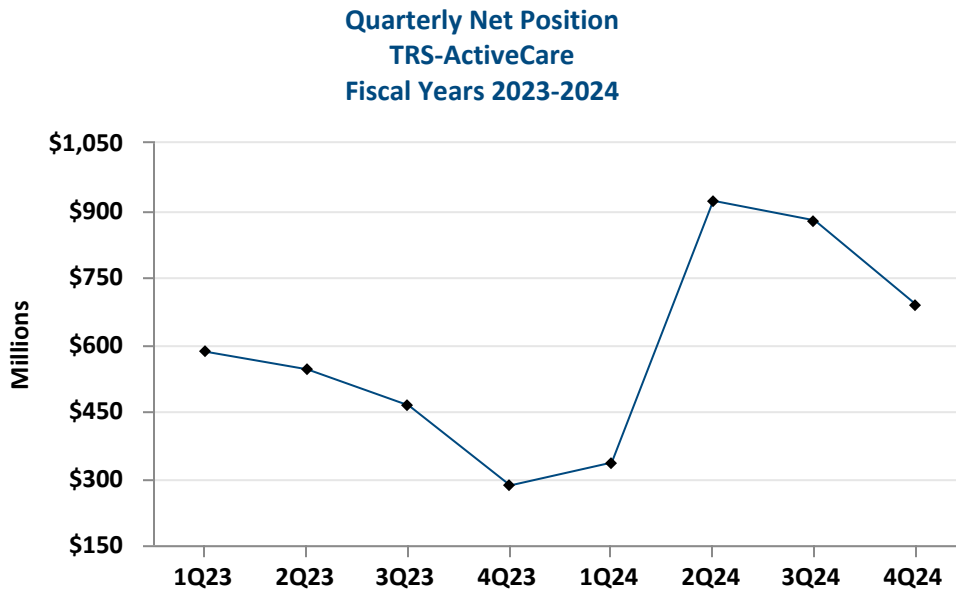
	2024	2023	Dollar Change	Percentage Change
<b>Additions</b>				
Member Contributions	\$ 290,205	\$ 277,468	\$ 12,737	4.6 %
Non-Employer Contributing Entity Contributions	505,173	474,357	30,816	6.5
Participating Employers Contributions	404,083	393,951	10,132	2.6
Rebates and Discount Income	645,294	578,020	67,274	11.6
Federal Revenue	221,928	188,173	33,755	17.9
Supplemental Funding - Appropriations		21,285	(21,285)	(100.0)
Other Revenue	15,133	40,306	(25,173)	(62.5)
Investment Income	202,197	130,070	72,127	55.5
<b>Total Additions</b>	<b>\$ 2,284,013</b>	<b>\$ 2,103,630</b>	<b>\$ 180,383</b>	<b>8.6 %</b>
<b>Deductions</b>				
Health Care Claims	\$ 1,898,950	\$ 1,781,336	\$ 117,614	6.6 %
Less: Health Care Premiums Paid by Retirees	(583,752)	(502,154)	(81,598)	16.2
Health Care Claims Processing	18,588	29,615	(11,027)	(37.2)
Insurance Premium Payments	5	5		
Health Care Fees	209	201	8	4.0
Administrative Expenses	23,132	22,799	333	1.5
<b>Total Deductions</b>	<b>\$ 1,357,132</b>	<b>\$ 1,331,802</b>	<b>\$ 25,330</b>	<b>1.9 %</b>
<b>Change in Net Position</b>	<b>\$ 926,881</b>	<b>\$ 771,828</b>	<b>\$ 155,053</b>	<b>20.1 %</b>
<b>Total Net Position</b>	<b>\$ 4,816,646</b>	<b>\$ 3,889,765</b>	<b>\$ 926,881</b>	<b>23.8 %</b>

**TRS-ActiveCare**

The net position was \$688.5 million at August 31, 2024, an increase of \$404.7 million from \$283.8 million the previous fiscal year.

Total revenue of \$2.8 billion increased \$747.0 million from \$2.1 billion in 2023. In 2024, TRS received a one-time appropriation payment of \$588.5 million to keep the average rate increase below 10%. Rebate and discount income increased by \$61 million due to a new rebate structure and premium income increased by \$76 million due to changes in enrollment and plan choices.

Total expenses of \$2.4 billion increased \$78.6 million in fiscal year 2024 as a result of higher claim costs due to inflation and prescription vendor changes.



**Statement of Net Position****TRS-ActiveCare**

As of August 31

(Dollars in Thousands)

	2024	2023	Dollar Change	Percentage Change
<b>Assets</b>				
Cash	\$ 832,714	\$ 474,317	\$ 358,397	75.6 %
Receivables	174,047	125,714	48,333	38.4
<b>Total Assets</b>	<b>\$ 1,006,761</b>	<b>\$ 600,031</b>	<b>\$ 406,730</b>	<b>67.8 %</b>
<b>Liabilities</b>				
Accounts Payable and Other	\$ 1,162	\$ 1,378	\$ (216)	(15.7)%
Premiums and Fees Payable	1,261	1,211	50	4.1
Health Care Claims Payable	315,861	313,323	2,538	0.8
<b>Total Liabilities</b>	<b>\$ 318,284</b>	<b>\$ 315,912</b>	<b>\$ 2,372</b>	<b>0.8 %</b>
<b>Total Deferred Inflow of Resources</b>	<b>\$ —</b>	<b>\$ 282</b>	<b>\$ (282)</b>	<b>(100.0)%</b>
<b>Total Net Position</b>	<b>\$ 688,477</b>	<b>\$ 283,837</b>	<b>\$ 404,640</b>	<b>142.6 %</b>

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

For the Fiscal Years Ended August 31

(Dollars in Thousands)

	2024	2023	Dollar Change	Percentage Change
<b>Revenues (Operating and Non-Operating)</b>				
Health Care Premiums	\$ 1,907,470	\$ 1,830,920	\$ 76,550	4.2 %
Rebate and Discount Income	289,318	227,884	61,434	27.0
Supplemental Funding - Appropriations	588,518		588,518	
Investment Income	48,201	27,740	20,461	73.8
<b>Total Revenue</b>	<b>\$ 2,833,507</b>	<b>\$ 2,086,544</b>	<b>\$ 746,963</b>	<b>35.8 %</b>
<b>Operating Expenses</b>				
Health Care Claims	\$ 2,276,218	\$ 2,192,775	\$ 83,443	3.8 %
Health Care Claims Processing	75,272	67,402	7,870	11.7
Health Care Fees	1,132	1,112	20	1.8
Premium Payments to HMOs	72,525	83,783	(11,258)	(13.4)
Administrative Expenses	3,720	5,175	(1,455)	(28.1)
<b>Total Expenses</b>	<b>\$ 2,428,867</b>	<b>\$ 2,350,247</b>	<b>\$ 78,620</b>	<b>3.3 %</b>
<b>Change in Net Position</b>	<b>\$ 404,640</b>	<b>\$ (263,703)</b>	<b>\$ 668,343</b>	<b>(253.4)%</b>
<b>Total Net Position</b>	<b>\$ 688,477</b>	<b>\$ 283,837</b>	<b>\$ 404,640</b>	<b>142.6 %</b>

**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, 2024 (With Comparative Data as of August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Assets</b>		
<b>Cash</b>		
Cash in State Treasury	\$ 523,981,316	\$ 4,467,596,634
Cash in Bank (Note 3B)	72,111,154	
Cash on Hand (Note 3B)	3,937,969	
<b>Total Cash</b>	<b>\$ 600,030,439</b>	<b>\$ 4,467,596,634</b>
<b>Receivables</b>		
Sale of Investments	\$ 8,078,239,641	\$
Interest and Dividends	463,421,335	18,796,400
Member and Retiree	869,597	
Service Credit Purchase	12,776,967	2,912
Due from Employers	617,780,131	46,249,236
Due from State's General Fund	127,523,053	61,964,612
Due from Employees Retirement System of Texas	2,877,708	
Other Receivables	5,474,058	389,873,018
<b>Total Receivables</b>	<b>\$ 9,308,962,490</b>	<b>\$ 516,886,178</b>
<b>Investments (Note 3)</b>		
Short-Term Investments	\$ 9,209,814,617	\$
Equity Investments	52,506,356,349	
Fixed Income Investments	32,697,849,428	
Alternative Investments	110,716,527,278	
Derivative Investments	378,807,647	
Pooled Investments	22,026,382,193	
<b>Total Investments</b>	<b>\$ 227,535,737,512</b>	<b>\$ —</b>
<b>Invested Securities Lending Collateral</b>	<b>\$ 5,276,749,145</b>	<b>\$ —</b>
<b>Prepaid Expenses and Deposits</b>	<b>\$ 409,816</b>	<b>\$ —</b>
<b>Capital Assets (Note 2)</b>		
Intangible Assets	\$ 65,910,412	\$ 13,028,366
Right to Use Assets	35,098,813	
Less Accumulated Amortization	(80,929,952)	(8,034,159)
Depreciable Assets	20,533,097	
Less Accumulated Depreciation	(17,762,580)	
Non-Depreciable Assets	344,406,464	
<b>Total Capital Assets</b>	<b>\$ 367,256,254</b>	<b>\$ 4,994,207</b>
<b>Total Assets</b>	<b>\$ 243,089,145,656</b>	<b>\$ 4,989,477,019</b>

(Continued)

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 4,991,577,950	\$ 4,050,041,485		\$ 9,431
72,111,154	89,799,630		
3,937,969	3,504,732		
<b>\$ 5,067,627,073</b>	<b>\$ 4,143,345,847</b>		<b>\$ 9,431</b>
\$ 8,078,239,641	\$ 2,836,619,259		
482,217,735	418,874,178		
869,597	2,367,570		
12,779,879	15,402,869		
664,029,367	591,098,842		
189,487,665	56,347,234		
2,877,708	2,729,453		
395,347,076	337,427,045		
<b>\$ 9,825,848,668</b>	<b>\$ 4,260,866,450</b>		<b>\$ —</b>
\$ 9,209,814,617	\$ 9,681,597,696		
52,506,356,349	45,778,659,456		
32,697,849,428	27,444,070,364		
110,716,527,278	103,361,824,061		
378,807,647	247,309,645		
22,026,382,193	16,782,940,493		
<b>\$ 227,535,737,512</b>	<b>\$ 203,296,401,715</b>		<b>\$ —</b>
<b>\$ 5,276,749,145</b>	<b>\$ 5,675,098,936</b>		<b>\$ —</b>
<b>\$ 409,816</b>	<b>\$ 344,488</b>		<b>\$ —</b>
\$ 78,938,778	\$ 78,938,778		
35,098,813	28,975,264		
(88,964,111)	(74,689,876)		
20,533,097	19,810,590		
(17,762,580)	(16,693,699)		
344,406,464	162,001,141		
<b>\$ 372,250,461</b>	<b>\$ 198,342,198</b>		<b>\$ —</b>
<b>\$ 248,078,622,675</b>	<b>\$ 217,574,399,634</b>		<b>\$ 9,431</b>

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

As of August 31, 2024 (With Comparative Data as of August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Deferred Outflow of Resources</b>		
Related to Participation in ERS' OPEB Plan (Note 10K)	\$ 54,604,892	\$ —
<b>Total Deferred Outflow of Resources</b>	<b>\$ 54,604,892</b>	<b>\$ —</b>
<b>Liabilities</b>		
Accounts Payable	\$ 84,194,794	\$ 3,902,049
Payroll Payable	13,963,424	1,430,072
Investment Fees Payable	16,698,434	
Benefits Payable	340,677,143	
Health Care Claims Payable		126,697,616
Fees Payable		8,129,888
Net Other Post-Employment Benefits Liability (Note 10F)	108,783,871	
Investment Purchased Payable	1,572,530,503	
Securities Sold Short	4,936,316,660	
Obligations Under Reverse Repurchase Agreements	20,005,277,339	
Collateral Obligations	5,348,701,331	
Due to State's General Fund	66,546,478	30,982,306
Due to Employees Retirement System of Texas	10,707,836	
Employee Compensable Absences Payable (Note 4)	19,215,525	1,688,777
Right to Use Obligations (Note 5)	7,867,054	
Other Liabilities	144,564	
Funds Held for Others	(37,573)	
<b>Total Liabilities</b>	<b>\$ 32,531,587,383</b>	<b>\$ 172,830,708</b>
<b>Deferred Inflow of Resources</b>		
Related to Participation in ERS' OPEB Plan (Note 10K)	\$ 36,852,044	\$ —
Gain on Sale - Red River (Note 5)	32,052,626	
<b>Total Deferred Inflow of Resources</b>	<b>\$ 68,904,670</b>	<b>\$ —</b>
<b>Net Position</b>		
Net Investment in Capital Assets	\$ 359,389,200	\$ 4,994,207
Restricted for Pensions	210,183,869,295	
Restricted for Other Post-Employment Benefits		4,458,252,104
Restricted for OPEB - 60 Day Contingency		353,400,000
<b>Net Position Restricted for Pensions and Other Post-Employment Benefits</b>	<b>\$ 210,543,258,495</b>	<b>\$ 4,816,646,311</b>

See accompanying Notes to the Financial Statements.

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 54,604,892	\$ 50,173,422	\$	\$
<b>\$ 54,604,892</b>	<b>\$ 50,173,422</b>		<b>—</b>
\$ 88,096,843	\$ 79,394,231	\$	\$
15,393,496	25,282,648		
16,698,434	33,567,038		
340,677,143	317,818,243		
126,697,616	178,457,357		
8,129,888	8,123,056		
108,783,871	104,206,608		
1,572,530,503	751,039,668		
4,936,316,660	2,614,427,700		
20,005,277,339	16,475,945,908		
5,348,701,331	5,786,408,584		
97,528,784	30,488,870		
10,707,836	41,109,093		
20,904,302	19,104,670		
7,867,054	9,560,241		
144,564	157,110		
(37,573)	(67,300)		9,431
<b>\$ 32,704,418,091</b>	<b>\$ 26,475,023,725</b>		<b>\$ 9,431</b>
\$ 36,852,044	\$ 34,218,126	\$	\$
32,052,626	55,030,444		
<b>\$ 68,904,670</b>	<b>\$ 89,248,570</b>		<b>—</b>
\$ 364,383,407	\$ 188,781,957	\$	\$
210,183,869,295	186,989,353,481		
4,458,252,104	3,546,165,323		
353,400,000	336,000,000		
<b>\$ 215,359,904,806</b>	<b>\$ 191,060,300,761</b>		

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

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Additions</b>		
<b>Contributions</b>		
Member (Notes 9, 11)	\$ 4,921,798,309	\$ 290,204,743
Non-Employer Contributing Entity - State (Notes 9, 11)	2,483,580,868	505,172,755
Employer (Notes 9, 11)		
Employer	2,113,219,285	334,851,497
State - Higher Education	313,657,649	
Employer - Paid at State Rate		52,913,289
Employer Surcharges (Notes 9, 11)		
Employment after Retirement - Employee Rate	28,966,289	
Employment after Retirement - Employer Rate	28,966,289	16,318,100
Public Education Employers	666,516,787	
Service Credit Purchase - Refundable	27,045,770	
Service Credit Purchase - Non-Refundable	20,987,761	
State Contributions for 415 Excess Benefit Arrangement	4,334,908	
Employees Retirement System of Texas		
Service Contributions	33,284,703	
415 Excess Benefit Arrangement	26,806	
<b>Total Contributions</b>	<b>\$ 10,642,385,424</b>	<b>\$ 1,199,460,384</b>
<b>Net Investment Income</b>		
Investment Income (Loss)	\$ 24,962,673,167	\$ 202,197,474
Less: Investing Activity Expenses (Schedule 1)	(1,188,815,570)	
<b>Total Investment Income (Loss)</b>	<b>\$ 23,773,857,597</b>	<b>\$ 202,197,474</b>
Securities Lending Income (Loss)	\$ 396,465,572	\$
Less: Securities Lending Expenses	(380,880,720)	
<b>Total Securities Income (Loss)</b>	<b>\$ 15,584,852</b>	<b>\$</b>
<b>Total Net Investment Income</b>	<b>\$ 23,789,442,449</b>	<b>\$ 202,197,474</b>
<b>Other Additions</b>		
Federal Revenue (Note 6)	\$	\$ 221,928,259
Rebate and Discount Income		645,294,092
Supplemental Funding - Appropriations	5,000,000,000	
Miscellaneous Revenue	1,158,272	15,132,300
Gain on Capital Assets	27,156,818	
Funds Received for Others		
<b>Total Other Additions</b>	<b>\$ 5,028,315,090</b>	<b>\$ 882,354,651</b>
<b>Total Additions</b>	<b>\$ 39,460,142,963</b>	<b>\$ 2,284,012,509</b>

(Continued)

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 5,212,003,052	\$ 4,769,986,561		
2,988,753,623	2,753,765,920		
2,448,070,782	2,254,859,893		
313,657,649	267,636,271		
52,913,289	59,248,095		
28,966,289	23,555,279		
45,284,389	38,103,623		
666,516,787	610,418,144		
27,045,770	28,578,706		
20,987,761	25,351,789		
4,334,908	4,703,369		
33,284,703	32,274,517		
26,806	46,533		
<b>\$ 11,841,845,808</b>	<b>\$ 10,868,528,700</b>		<b>—</b>
\$ 25,164,870,641	\$ 7,836,654,527		
(1,188,815,570)	(843,963,417)		
<b>\$ 23,976,055,071</b>	<b>\$ 6,992,691,110</b>		
\$ 396,465,572	\$ 324,996,043		
(380,880,720)	(301,655,066)		
<b>\$ 15,584,852</b>	<b>\$ 23,340,977</b>		
<b>\$ 23,991,639,923</b>	<b>\$ 7,016,032,087</b>		<b>—</b>
\$ 221,928,259	\$ 188,172,734		
645,294,092	578,020,367		
5,000,000,000	21,285,114		
16,290,572	41,278,091		
27,156,818	46,564,222		
			90,485
<b>\$ 5,910,669,741</b>	<b>\$ 875,320,528</b>		<b>90,485</b>
<b>\$ 41,744,155,472</b>	<b>\$ 18,759,881,315</b>		<b>90,485</b>

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

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
<b>Deductions</b>		
Benefits	\$ 15,114,584,479	\$
Refunds of Contributions - Active	734,052,938	
Refunds of Contributions - Death	10,430,901	
415 Excess Benefit Arrangement	4,170,171	
Benefits Paid to Employees Retirement System of Texas		
Service Contributions	125,188,573	
415 Excess Benefit Arrangement	191,542	
Other Post-Employment Benefits Expense (Note 10K)	14,084,381	
Health Care Claims		1,898,949,514
Less: Health Care Premiums Paid by Retirees (Note 1)		(583,752,411)
Health Care Claims Processing		18,588,327
Insurance Premium Payments		5,051
Affordable Care Act Fees		209,058
Funds Paid to Others		
Administrative Expenses, Excluding Investing Activity Expenses		
Salaries and Wages	49,526,875	11,482,468
Payroll Related Costs	2,039,478	1,609,154
Professional Fees and Services	3,688,324	2,510,535
Travel	296,092	85,518
Materials and Supplies	4,282,620	1,370,908
Communications and Utilities	1,241,199	97,112
Repairs and Maintenance	5,578,836	412,762
Rentals and Leases	2,817,151	192,135
Printing and Reproduction	17,206	(2,390)
Depreciation Expense	1,045,737	
Amortization Expense	8,822,472	2,605,673
Other Expenses	5,361,051	2,767,987
<b>Total Deductions</b>	<b>\$ 16,087,420,026</b>	<b>\$ 1,357,131,401</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>\$ 23,372,722,937</b>	<b>\$ 926,881,108</b>
Beginning Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 187,170,535,558	\$ 3,889,765,203
Prior Period Adjustments		
Beginning Net Position, as Restated	\$ 187,170,535,558	\$ 3,889,765,203
<b>Ending Net Position Restricted for Pensions and Other Post-Employment Benefits</b>	<b>\$ 210,543,258,495</b>	<b>\$ 4,816,646,311</b>

See accompanying Notes to the Financial Statements.

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 15,114,584,479	\$ 12,740,413,069		
734,052,938	696,523,162		
10,430,901	11,293,669		
4,170,171	4,503,031		
125,188,573	121,685,000		
191,542	246,871		
14,084,381	12,241,646		
1,898,949,514	1,781,336,522		
(583,752,411)	(502,154,458)		
18,588,327	29,614,524		
5,051	5,051		
209,058	201,264		
			90,485
61,009,343	61,188,697		
3,648,632	4,256,605		
6,198,859	6,279,262		
381,610	322,820		
5,653,528	5,827,838		
1,338,311	764,972		
5,991,598	6,065,748		
3,009,286	2,217,143		
14,816	217,753		
1,045,737	1,128,943		
11,428,145	11,001,225		
8,129,038	8,716,248		
<b>\$ 17,444,551,427</b>	<b>\$ 15,003,896,605</b>		<b>90,485</b>
<b>\$ 24,299,604,045</b>	<b>\$ 3,755,984,710</b>		<b>—</b>
191,060,300,761	187,303,554,414		
	761,637		
\$ 191,060,300,761	\$ 187,304,316,051		
<b>\$ 215,359,904,806</b>	<b>\$ 191,060,300,761</b>		

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

As of August 31, 2024 (With Comparative Data as of August 31, 2023)

	Enterprise Funds-Major TRS-ActiveCare	
	2024	2023
<b>Assets</b>		
<b>Current Assets</b>		
<b>Cash</b>		
Cash In State Treasury	\$ 832,714,429	\$ 474,316,944
<b>Total Cash</b>	<b>\$ 832,714,429</b>	<b>\$ 474,316,944</b>
<b>Receivables</b>		
Interest	\$ 3,824,856	\$ 2,225,082
Health Care Premiums	92,133	
Rebate and Discount Income	170,129,104	123,489,390
<b>Total Receivables</b>	<b>\$ 174,046,093</b>	<b>\$ 125,714,472</b>
<b>Total Assets</b>	<b>\$ 1,006,760,522</b>	<b>\$ 600,031,416</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 619,064	\$ 683,441
Payroll Payable	227,809	431,558
Fees Payable	1,260,568	1,210,996
Health Care Claims Payable (Note 12)	315,861,067	313,322,761
Employee Compensable Absences Payable (Note 4)	189,280	160,195
<b>Total Current Liabilities</b>	<b>\$ 318,157,788</b>	<b>\$ 315,808,951</b>
<b>Non-Current Liabilities</b>		
Employee Compensable Absences Payable (Note 4)	\$ 125,925	\$ 103,672
<b>Total Non-Current Liabilities</b>	<b>\$ 125,925</b>	<b>\$ 103,672</b>
<b>Total Liabilities</b>	<b>\$ 318,283,713</b>	<b>\$ 315,912,623</b>
<b>Deferred Inflow of Resources</b>		
Deferred Revenue - School Districts	\$	\$ 281,828
<b>Total Deferred Inflow of Resources</b>	<b>\$ —</b>	<b>\$ 281,828</b>
<b>Net Position</b>		
Restricted for Health Care Programs	\$ 688,476,809	\$ 283,836,965
<b>Total Net Position</b>	<b>\$ 688,476,809</b>	<b>\$ 283,836,965</b>

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, 2024 (With Comparative Data for August 31, 2023)

	Enterprise Funds-Major TRS-ActiveCare	
	2024	2023
<b>Operating Revenues</b>		
Health Care Premiums	\$ 1,907,469,935	\$ 1,830,920,436
Rebate and Discount Income	289,318,116	227,883,761
<b>Total Operating Revenues</b>	<b>\$ 2,196,788,051</b>	<b>\$ 2,058,804,197</b>
<b>Operating Expenses</b>		
Health Care Claims (Note 12)	\$ 2,276,218,388	\$ 2,192,774,626
Health Care Claims Processing (Note 12)	75,272,131	67,402,400
Premium Payments to HMOs	72,524,931	83,782,801
Affordable Care Act Fees	1,131,855	1,112,036
Administrative Expenses		
Salaries and Wages	2,450,384	2,287,348
Payroll Related Costs	279,111	242,939
Professional Fees and Services	299,168	2,183,352
Travel	65,805	38,841
Materials and Supplies	43,877	32,680
Communications and Utilities	60,293	33,133
Repairs and Maintenance	92,762	131,766
Rentals and Leases	2,487	844
Printing and Reproduction	78	
Other Expenses	425,785	223,762
<b>Total Operating Expenses</b>	<b>\$ 2,428,867,055</b>	<b>\$ 2,350,246,528</b>
<b>Operating Income (Loss)</b>	<b>\$ (232,079,004)</b>	<b>\$ (291,442,331)</b>
<b>Non-Operating Revenues</b>		
Supplemental Funding - Appropriations	\$ 588,518,000	\$
Investment Income	48,200,848	27,739,321
<b>Total Non-Operating Revenues</b>	<b>\$ 636,718,848</b>	<b>\$ 27,739,321</b>
<b>Change in Net Position</b>	<b>\$ 404,639,844</b>	<b>\$ (263,703,010)</b>
<b>Beginning Net Position</b>	<b>\$ 283,836,965</b>	<b>\$ 547,539,975</b>
<b>Ending Net Position</b>	<b>\$ 688,476,809</b>	<b>\$ 283,836,965</b>

See accompanying Notes to the Financial Statements.

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

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Enterprise Funds-Major TRS-ActiveCare	
	2024	2023
<b>Cash Flows from Operating Activities</b>		
Receipts from Health Care Premiums	\$ 1,907,095,974	\$ 1,830,694,485
Receipts from Rebate and Discount Income	242,678,402	188,789,034
Payments for Administrative Expenses	(3,936,538)	(4,530,413)
Payments for Health Care Claims	(2,273,680,082)	(2,159,860,051)
Payments for Health Care Claims Processing	(75,272,131)	(67,402,400)
Payments for HMO Premiums	(72,524,931)	(83,782,801)
Payments for Affordable Care Act Fees	(1,082,283)	(1,025,540)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (276,721,589)</b>	<b>\$ (297,117,686)</b>
<b>Cash Flows from Non-Capital Financing Activities</b>		
Proceeds from Other Non-Operating Revenues	\$ 588,518,000	\$ —
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>\$ 588,518,000</b>	<b>\$ —</b>
<b>Cash Flows from Investing Activities</b>		
Interest Received	\$ 46,601,074	\$ 26,563,993
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>\$ 46,601,074</b>	<b>\$ 26,563,993</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 358,397,485</b>	<b>\$ (270,553,693)</b>
Beginning Cash and Cash Equivalents	\$ 474,316,944	\$ 744,870,637
<b>Ending Cash and Cash Equivalents</b>	<b>\$ 832,714,429</b>	<b>\$ 474,316,944</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
<b>Operating Income (Loss)</b>	<b>\$ (232,079,004)</b>	<b>\$ (291,442,331)</b>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>		
<b>Changes in Assets &amp; Liabilities</b>		
(Increase) Decrease in Health Care Premium Receivables	\$ (373,961)	\$ (225,951)
(Increase) Decrease in Rebate and Discount Income	(46,639,714)	(39,094,727)
Increase (Decrease) in Health Care Claims Payable	2,538,306	32,914,575
Increase (Decrease) in Affordable Care Act Fees Payable	49,572	86,496
Increase (Decrease) in Accounts Payable	(64,377)	394,497
Increase (Decrease) in Payroll Payable	(203,749)	222,720
Increase (Decrease) in Employee Compensable Absences Payable	51,338	27,035
<b>Total Adjustments</b>	<b>\$ (44,642,585)</b>	<b>\$ (5,675,355)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (276,721,589)</b>	<b>\$ (297,117,686)</b>

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 other post-employment benefits 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.

Child Support Employee Deductions, 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 (other post-employment 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 benefits 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 benefits 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 are derived from self-insurance premiums. Operating expenses include the costs of claims and related administrative expenses. Non-operating revenues and expenses are those items that do not meet any of the above definitions.

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 statement that relates to TRS.

*GASB Statement No. 100, Accounting Changes and Error Corrections*, issued June 2022 and first implemented this year. The objective of the Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. During fiscal year 2024, there were no error corrections or accounting changes to the financial statements.

## **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, 2023, 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 2024, contributions were made by the State of Texas to the System at the rate of 8.25 percent of the pensionable compensation paid to active members for each year.

Senate Bill 10 (SB 10) and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipend payments and \$3.355 billion for Cost of Living Adjustments (COLA). The stipend payment was issued and the COLA was implemented to eligible annuitants in fiscal year 2024.

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 2024. 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 annual appropriations from the State for administrative expenses.

During the 88th Regular Legislative Session, House Bill 1, General Appropriation Act, included a one-time appropriation payment in fiscal year 2024 of \$588.5 million to keep the average premium rate increase in TRS-ActiveCare below 10%.

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.
- Other Receivables represent amounts owed to TRS such as refunds, annuity repayments and health care premiums due from retirees.
- Rebate and Discount Income receivables represent earned rebates and discounts from the insurance program vendors.

### **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.

### **Prepaid Expenses and Deposits**

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.

### **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 Benefits (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 Benefits Liability represents TRS' share of the ERS plan Net OPEB Liability.
- Investment 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.
- Right to Use Obligations represent the present value of lease payments due for Right to Use assets.
- Other Liabilities represent taxes payable by the blended component unit, Teacher Retirement Investment Company of Texas, Ltd. (TRICOT). See Note 13.

#### **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.

- 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.
- Gain on Sale - Red River represents the deferred portion of the gain on the sale of the Red River headquarters to be amortized over the term of the sale-leaseback period. See Note 5.

#### **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.

<b>Table 2.1: Capitalization of Assets</b>		
<b>Asset Class</b>	<b>Capitalization Threshold</b>	<b>Depreciable Life</b>
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 (SBITA)	500,000	1-5 years

**Table 2.2: Capital Asset Activity**

Asset Class	Balance 9/1/2023	Adjustments	Reclasses & Completed CIP	Additions	Deletions	Balance 8/31/2024 (Exhibit I)
<b>Non-Depreciable Assets</b>						
Land and Land Improvements	\$ 7,324,691	\$	\$	\$ 5,508,985	\$	\$ 12,833,676
Construction in Progress	154,552,314			176,896,338		331,448,652
Artwork	124,136					124,136
<b>Total Non-Depreciable Assets</b>	<b>\$ 162,001,141</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 182,405,323</b>	<b>\$ —</b>	<b>\$ 344,406,464</b>
<b>Depreciable Assets</b>						
Buildings and Building Improvements	\$ 232,518	\$	\$	\$	\$	\$ 232,518
Furniture and Equipment	15,818,641			652,626		16,471,267
Vehicle, Boats, and Aircraft	47,113			69,881		116,994
Leasehold Improvements	3,712,318					3,712,318
<b>Total Capital Assets Depreciated</b>	<b>\$ 19,810,590</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 722,507</b>	<b>\$ —</b>	<b>\$ 20,533,097</b>
<b>Accumulated Depreciation</b>						
Buildings and Building Improvements	\$ (837)	\$	\$	\$ (10,040)	\$	\$ (10,877)
Furniture and Equipment	(13,353,478)			(1,027,380)		(14,380,858)
Vehicles, Boats, and Aircraft	(46,742)			(3,454)		(50,196)
Leasehold Improvements	(3,292,642)			(28,007)		(3,320,649)
<b>Total Accumulated Depreciation</b>	<b>\$ (16,693,699)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (1,068,881)</b>	<b>\$ —</b>	<b>\$ (17,762,580)</b>
<b>Total Net Depreciable Assets</b>	<b>\$ 3,116,891</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (346,374)</b>	<b>\$ —</b>	<b>\$ 2,770,517</b>
<b>Intangible Assets</b>						
Computer Software	\$ 78,938,778	\$	\$	\$	\$	\$ 78,938,778
<b>Accumulated Amortization</b>						
Computer Software	(62,055,789)			(4,854,111)		(66,909,900)
<b>Total Net Intangible Assets</b>	<b>\$ 16,882,989</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (4,854,111)</b>	<b>\$ —</b>	<b>\$ 12,028,878</b>
<b>Intangible RTU Assets</b>						
RTU Buildings and Building Improvements	\$ 13,326,549	\$	\$	\$ 4,178,999	\$	\$ 17,505,548
RTU Subscription-Based Information Technology Arrangements (SBITA)	15,648,715			5,121,609	(3,177,059)	17,593,265
<b>Total Intangible RTU Assets</b>	<b>\$ 28,975,264</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 9,300,608</b>	<b>\$ (3,177,059)</b>	<b>\$ 35,098,813</b>
<b>Accumulated Amortization</b>						
RTU Buildings and Building Improvements	\$ (5,796,676)	\$	\$	\$ (5,872,215)	\$	\$ (11,668,891)
RTU Subscription-Based Information Technology Arrangements (SBITA)	(6,837,411)			(6,724,968)	3,177,059	(10,385,320)
<b>Total Accumulated Amortization Intangible RTU Assets</b>	<b>\$ (12,634,087)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (12,597,183)</b>	<b>\$ 3,177,059</b>	<b>\$ (22,054,211)</b>
<b>Total Net RTU Assets</b>	<b>\$ 16,341,177</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ (3,296,575)</b>	<b>\$ —</b>	<b>\$ 13,044,602</b>
<b>Total Net Capital Assets</b>	<b>\$ 198,342,198</b>	<b>\$</b>	<b>\$</b>	<b>\$ 173,908,263</b>	<b>\$</b>	<b>\$ 372,250,461</b>

### **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 15, 2023, and there were no significant investment policy changes during the reporting period. For the fiscal year ended August 31, 2024, 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](http://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, 2024.

**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
<b>Global Equity</b>			
USA	18.0 %	4.4 %	1.0 %
Non-US Developed	13.0	4.2	0.8
Emerging Markets	9.0	5.2	0.7
Private Equity	14.0	6.7	1.2
<b>Stable Value</b>			
Government Bonds	16.0	1.9	0.4
Stable Value Hedge Funds	5.0	3.0	0.2
Absolute Return*	0.0	4.0	0.0
<b>Real Return</b>			
Real Estate	15.0	6.6	1.2
Energy, Natural Resources & Infrastructure	6.0	5.6	0.4
Commodities	0.0	2.5	0.0
<b>Risk Parity</b>	8.0	4.0	0.4
<b>Asset Allocation Leverage</b>			
Cash	2.0	1.0	0.0
Asset Allocation Leverage	(6.0)	1.3	(0.1)
Inflation Expectation			2.4
Volatility Drag****			(0.7)
<b>Expected Return</b>	<b>100.0 %</b>		<b>7.9 %</b>
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2024 policy model.			
***Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023)			
****The volatility drag results from the conversion between arithmetic and geometric mean returns.			

For the fiscal year ended August 31, 2024, the annual money-weighted rate of return on pension plan investments was 12.80 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

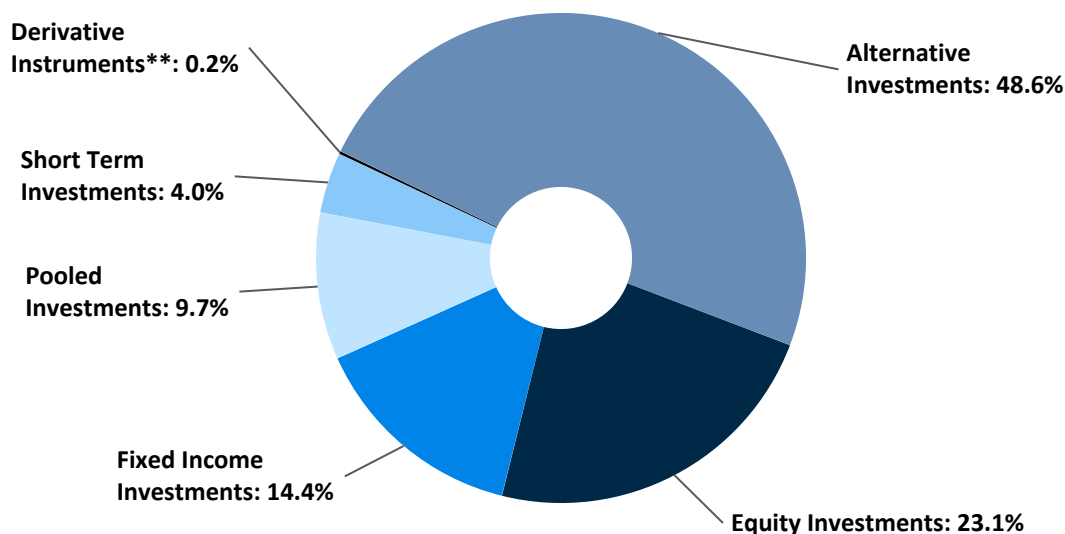
## B. Cash and Deposits

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, 2024, the total carrying amount of the System's bank accounts is \$72,111,154. The bank balance totaled \$72,136,844, and cash on hand totaled \$3,937,969.

## 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, 2024.

**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 has similar characteristics of a money market fund and governed by SEC Rule 2a-7. It 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 invested in STIF through the System's custodian bank is priced at NAVPS.

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, 2024 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, 2024. An unfunded capital commitment balance of \$15,776,349 has not yet been allocated to a specific Privately Held Equity Investment as of August 31, 2024.

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, 2024, these agreements totaled \$4,198,789,718.

As of August 31, 2024, 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)
<b>Short-Term Investments</b>				
Short-Term Foreign Currency Contracts	\$ 4,707	\$ 4,707	\$	\$
U.S. Treasury Bills	1,933,708,190	1,933,708,190		
<b>Total Short-Term Investments</b>	<b>\$ 1,933,712,897</b>	<b>\$ 1,933,712,897</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Equity Investments</b>				
Domestic Equity	\$ 19,771,108,139	\$ 19,770,805,123	\$	\$ 303,016
International Equity	32,735,248,210	32,654,214,745		81,033,465
<b>Total Equity Investments</b>	<b>\$ 52,506,356,349</b>	<b>\$ 52,425,019,868</b>	<b>\$ —</b>	<b>\$ 81,336,481</b>
<b>Fixed Income Investments</b>				
Domestic Corporate Bonds	\$ 813,734	\$	\$ 813,707	\$ 27
Sovereign Government Issue Bonds	1,460,683,775		1,460,683,775	
U.S. Treasury Bonds	28,586,664,463	28,586,664,463		
U.S. Treasury STRIPS	19,040,720		19,040,720	
U.S. TIPS	2,630,646,736		2,630,646,736	
<b>Total Fixed Income Investments</b>	<b>\$ 32,697,849,428</b>	<b>\$ 28,586,664,463</b>	<b>\$ 4,111,184,938</b>	<b>\$ 27</b>
<b>Alternative Investments</b>				
Privately Held Equity	\$ 1,259,287,949	\$	\$	\$ 1,259,287,949
<b>Total Alternative Investments</b>	<b>\$ 1,259,287,949</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,259,287,949</b>
<b>Derivative Instruments</b>				
Forwards	\$ (36,171,397)	\$	\$ (36,171,397)	\$
Futures	262,778,928	262,778,928		
Options	(5,726,089)		(5,726,089)	
Rights	518,561	518,556		5
Swaps	152,249,489		152,249,489	
Warrants	5,158,155	5,158,153		2
<b>Total Derivative Instruments</b>	<b>\$ 378,807,647</b>	<b>\$ 268,455,637</b>	<b>\$ 110,352,003</b>	<b>\$ 7</b>
<b>Other Fair Value Measurements</b>				
Invested Securities Lending Collateral*	\$ 5,273,148,347	\$	\$ 2,012,603,341	\$ 3,260,545,006
Securities Sold Short	(4,936,316,660)	(4,930,939,714)		(5,376,946)
<b>Total Other Fair Value Measurements</b>	<b>\$ 336,831,687</b>	<b>\$ (4,930,939,714)</b>	<b>\$ 2,012,603,341</b>	<b>\$ 3,255,168,060</b>
<b>Total</b>	<b>\$ 89,112,845,957</b>	<b>\$ 78,282,913,151</b>	<b>\$ 6,234,140,282</b>	<b>\$ 4,595,792,524</b>

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

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

<b>Investments</b>	<b>Net Asset Value Per Share (NAVPS)</b>		<b>Unfunded Capital Commitments</b>
<b>Short-Term Investments</b>			
Short-Term Investment Funds	\$	7,276,101,720	\$
<b>Total Short-Term Investments</b>	<b>\$</b>	<b>7,276,101,720</b>	<b>\$ —</b>
<b>Alternative Investments</b>			
Absolute Return	\$	6,896,860,773	\$ 3,839,613,296
Energy, Natural Resources, and Infrastructure		14,456,309,547	8,310,836,114
Hedge Funds		21,126,362,621	193,170,475
Private Equity		32,916,653,676	12,373,751,584
Real Estate		29,165,220,268	14,224,039,137
Risk Parity		4,895,832,444	
<b>Total Alternative Investments</b>	<b>\$</b>	<b>109,457,239,329</b>	<b>\$ 38,941,410,606</b>
<b>Pooled Investments</b>			
Commingled Domestic Equity	\$	8,061,168,159	\$ 34,796,357
Commingled Fixed Income		277,223,564	
Commingled International Equity		13,111,414,161	
Domestic Mutual Funds		576,576,309	
<b>Total Pooled Investments</b>	<b>\$</b>	<b>22,026,382,193</b>	<b>\$ 34,796,357</b>
<b>Other Fair Value Measurements</b>			
Invested Security Lending Collateral*	\$	3,600,798	\$
<b>Total Other Fair Value Measurements</b>	<b>\$</b>	<b>3,600,798</b>	<b>\$ —</b>
<b>Total</b>	<b>\$</b>	<b>138,763,324,040</b>	<b>\$ 38,976,206,963</b>

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

### 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. As of August 31, 2024 the redemption frequency, redemption notice period, redemption restrictions, such as lockups and gates, and an estimate of the eventual lapse of those lockups where applicable are reported in the following table.

<b>Table 3.C.3: Redemptions and Terms</b>					
<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>	<b>Redemption Restrictions</b>		<b>Redemption Lockup Lapse</b>
\$ 2,488,716,650	NA	NA	NA		NA
31,665,178	Daily	5 days	NA		NA
3,658,878,750	Monthly	10 to 30 Days	NA		NA
737,453,501	Quarterly	3 Months	Investor Level Gate 16.66%; Soft Lockup 0-12 Months		Lapsed
45,665,605	Quarterly	45 Days	NA		NA
726,497,170	Quarterly	60 Days	Investor Level Gate 12.5% & 25%		NA
372,291,305	Two Years	105 Days	NA		NA
<b>\$ 8,061,168,159</b>	<b>Total Commingled Domestic Equity</b>				
\$ 1,543,959,046	NA	NA	NA		NA
68,742,743	Daily	1 to 30 Days	NA		NA
1,685,833,723	Fortnightly	9 Days	Fund Level Gate 30%		NA
6,232,211,845	Monthly	6 to 30 Days	NA		NA
693,761,953	Monthly	20 Days	Soft Lockup 0-12 Months		Lapsed
125,054,509	Monthly	30 Days	Soft Lockup 0-24 Months		9/2/2025
365,049,580	Monthly	90 Days	Investor Level Gate 20%; Soft Lockup 0-36 Months		4/2/2026
513,351,675	Quarterly	60 Days	Investor Level Gate 25%		NA
1,135,862,050	Annually	90 Days	Hard Lockup 24 Months		Lapsed
747,587,037	Three Years	45 Days	Hard Lockup 36 Months		Lapsed
<b>\$ 13,111,414,161</b>	<b>Total Commingled International Equity</b>				

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

Fair Value	Redemption Frequency	Redemption Notice Period	Redemption Restrictions	Redemption Lockup Lapse
\$ 237,090,895	NA	NA	NA	NA
30,051,186	Daily	1 Day	NA	NA
769,915,319	Fortnightly	7 Days	NA	NA
2,922,441,366	Monthly	5 to 30 Days	NA	NA
466,327,573	Monthly	33 Days	Fund Level Gate 10%	NA
345,153,600	Monthly	90 Days	Investor Level Gate 25%	NA
131,696,119	Monthly	90 Days	Soft Lockup 0-12 Months	Lapsed
548,138,302	Monthly	65 to 90 Days	Hard Lockup 12 to 24 Months	Lapsed
266,208,613	Monthly	30 Days	Investor Level Gate 33.33%; Soft Lockup 0-12 Months	Lapsed
27,082,523	Monthly	60 Days	Investor Level Gate 25%; Hard Lockup 12 Months	Lapsed
1,793,544,873	Quarterly	45 Days to 180 Days	NA	NA
5,778,380,945	Quarterly	45 to 90 Days	Investor Level Gate 5% to 25%	NA
700,415,733	Quarterly	60 Days	Investor Level Gate 25%; Fund Level Gate 10%	NA
1,275,515,925	Quarterly	30 to 90 Days	Investor Level Gate 8.33% to 25%; Hard Lockup 0 to 24 Months	Lapsed
899,673,089	Quarterly	45 to 90 Days	Investor Level Gate 25%; Soft Lockup 0-24 Months	Lapsed
231,517,716	Quarterly	60 Days	Fund Level Gate 25%; Soft Lockup 12 Months	Lapsed
60,961,640	Quarterly	60 Days	Hard Lockup 36 Months	Lapsed
738,098,467	Quarterly	60 to 65 Days	Investor Level Gate 25%; Fund Level Gate 20% to 25%; Hard Lockup 12 Months	Lapsed
718,292,532	Quarterly	65 Days	Investor Level Gate 25%; Fund Level Gate 25%; Hard Lockup 12 Months	10/2/2025
31,247,685	Quarterly	90 Days	Investor Level Gate 25%; Hard Lockup 12 Months	4/1/2025
458,508,835	Semiannually	2 Months	NA	NA
546,058,417	Semiannually	60 Days	Investor Level Gate 12.5%; Fund Level Gate 10%	NA
698,321,839	Semiannually	90 Days	Investor Level Gate 16.67%; Hard Lockup 12 Months	Lapsed
627,289,675	Annually	90 Days	NA	NA
640,573,453	Annually/Illiquid	10 Months	Investor Level Gate 50%; Fund Level Gate 25%; Hard Lockup 12 Months	Lapsed
101,410,000	Annually	91 to 93 Days	Hard Lockup 1 Year	8/15/2025
80,241,054	Three Years	90 Days	Investor Level Gate 12.5%; Hard Lockup 36 Months	Lapsed
2,205,247	Illiquid	NA	Investor Level Gate 20%	NA
<b>\$ 21,126,362,621</b>	<b>Total Hedge Funds</b>			
\$ 277,223,564	NA	NA	NA	NA
<b>\$ 277,223,564</b>	<b>Total Commingled Fixed Income</b>			

## 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, 2024.

<b>Investment Type</b>	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>Greater than 10 Years</b>	<b>N/A</b>	<b>Total</b>
Absolute Return	\$ 1,630,941,310	\$ 3,135,992,430	\$ 1,245,276,611	\$ 694,060,945	\$ 190,589,477	\$ 6,896,860,773
Energy, Natural Resources, and Infrastructure	3,125,496,905	3,533,002,992	5,700,844,956	2,044,082,789	52,881,905	14,456,309,547
Hedge Funds			148,871,628		20,977,490,993	21,126,362,621
Private Equity	4,809,385,554	14,681,696,064	11,328,163,317	1,987,237,505	110,171,236	32,916,653,676
Privately Held Equity					1,259,287,949	1,259,287,949
Real Estate	4,217,765,695	8,988,150,464	6,992,765,744	8,967,155,219	(616,854)	29,165,220,268
Risk Parity					4,895,832,444	4,895,832,444
<b>Total</b>	<b>\$ 13,783,589,464</b>	<b>\$ 30,338,841,950</b>	<b>\$ 25,415,922,256</b>	<b>\$ 13,692,536,458</b>	<b>\$ 27,485,637,150</b>	<b>\$110,716,527,278</b>

## 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, 2024.

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 \$81,708,296, and as of August 31, 2024, the System has posted \$234,875,487 in collateral. At August 31, 2024, 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
<b>Forwards</b>			
FX Forwards	\$ (36,171,397)	\$ (38,635,794)	\$ 6,311,879,743
<b>Total Forwards</b>	<b>\$ (36,171,397)</b>	<b>\$ (38,635,794)</b>	
<b>Futures</b>			
Commodity Futures	\$ (46,009,498)	\$ 61,347,822	\$ 2,596,414,139
Fixed Income Futures	(8,503,873)	95,565,925	8,761,794,073
Foreign Currency Futures		(33,355)	
Index Futures	317,292,299	1,642,985,372	14,153,489,550
<b>Total Futures</b>	<b>\$ 262,778,928</b>	<b>\$ 1,799,865,764</b>	
<b>Options</b>			
Equity Options	\$ —	\$ 21,976,688	\$ —
Index Options	(5,726,089)	105,075,900	(19,308,706)
<b>Total Options</b>	<b>\$ (5,726,089)</b>	<b>\$ 127,052,588</b>	
<b>Rights</b>			
Rights	\$ 518,561	\$ 1,316,316	\$ 123,034
<b>Total Rights</b>	<b>\$ 518,561</b>	<b>\$ 1,316,316</b>	
<b>Swaps</b>			
Credit Default Swaps	\$ 28,643,708	\$ 24,430,559	\$ 699,797,740
Interest Rate Swaps		3,339,406	
Total Return Swaps	123,605,781	958,553,087	5,601,918,771
<b>Total Swaps</b>	<b>\$ 152,249,489</b>	<b>\$ 986,323,052</b>	
<b>Warrants</b>			
Warrants	\$ 5,158,155	\$ (1,307,922)	\$ 751,263
<b>Total Warrants</b>	<b>\$ 5,158,155</b>	<b>\$ (1,307,922)</b>	
<b>Total</b>	<b>\$ 378,807,647</b>	<b>\$ 2,874,614,004</b>	

## 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](http://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, 2024, 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 20.82 days, and the weighted average term of all securities on loan at 5 days.

As of August 31, 2024, the system reported Invested Securities Lending Collateral worth \$5,276,749,145. The system holds \$5,282,903,868 in cash collateral and \$711,204,423 in non-cash collateral. Securities on loan totaled \$7,625,327,729, which included \$1,800,362,844 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, 2024, \$71,069,441 and £42,834 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, 2024, 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, 2024.

<b>Investment Type</b>	<b>Securities on Loan Fair Value</b>		<b>Non-Cash Collateral Value</b>	
Domestic Equity	\$	259,114,336	\$	259,940,039
International Equity		444,464,574		451,264,384
<b>Total</b>	<b>\$</b>	<b>703,578,910</b>	<b>\$</b>	<b>711,204,423</b>

### 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, 2024 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.

<b>Rating</b>	<b>Fixed Income Investment Type</b>		
	<b>Domestic Corporate Bonds</b>	<b>Sovereign Government Issue Bonds</b>	<b>Total</b>
AAA/Aaa	\$	\$ 236,865,080	\$ 236,865,080
AA/Aa2		126,675,566	126,675,566
AA-/Aa3		716,256,398	716,256,398
BBB-/Baa3		162,352,723	162,352,723
NR	813,734	218,534,008	219,347,742
<b>Total</b>	<b>\$</b>	<b>813,734</b>	<b>\$ 1,460,683,775</b>
			<b>\$ 1,461,497,509</b>

### 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, 2024.

The aggregate fair value of Derivative Instruments in asset positions as of August 31, 2024, was \$227,182,262, 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 \$151,377,509 of collateral held and \$71,399,794 of

liabilities included in netting arrangements with those counterparties, resulting in a net exposure to credit risk of \$4,404,959.

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 \$65,797,463 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, 2024, 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
BNP Paribas SA	\$ 2,797,995	64 %	A+	A+	Aa3
State Street Bank and Trust Company	588,253	13	AA-	AA	Aa3
UBS AG	1,018,711	23	A+	A+	Aa2
<b>Total</b>	<b>\$ 4,404,959</b>	<b>100 %</b>			

**Reverse Repurchase Agreements**

TRS held \$20,005,277,339 in reverse repurchase agreements at August 31, 2024. 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, 2024 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
<b>Counterparty - Term Agreements</b>			
California Public Employees' Retirement System	\$ 102,662,260	\$ 100,515,207	\$ 2,147,053
Goldman Sachs & Co., LLC	1,698,599,475	1,681,981,174	16,618,301
JP Morgan Securities, LLC	4,178,567,137	4,156,839,924	21,727,213
Morgan Stanley	512,979,110	507,875,748	5,103,362
Nomura Securities International, Inc.	1,157,578,465	1,138,991,095	18,587,370
Canadian Imperial Bank of Commerce	768,427,480	760,530,230	7,897,250
RBC Dominion Securities, Inc.	1,502,702,403	1,501,865,757	836,646
Texas Treasury Safekeeping Trust Company	1,367,461,773	1,357,970,594	9,491,179
<b>Total Term Reverse Repurchase Agreements</b>	<b>\$ 11,288,978,103</b>	<b>\$ 11,206,569,729</b>	<b>\$ 82,408,374</b>
<b>Counterparty - Overnight Agreements</b>			
State Street Bank & Trust Company	\$ 404,876,698	\$ 400,318,127	\$ 4,558,571
JP Morgan Securities, LLC	393,904,018	388,000,358	5,903,660
Bank of New York Mellon	1,318,813,859	1,301,202,413	17,611,446
Invesco	1,540,563,553	1,487,069,161	53,494,392
<b>Total Overnight Reverse Repurchase Agreements</b>	<b>\$ 3,658,158,128</b>	<b>\$ 3,576,590,059</b>	<b>\$ 81,568,069</b>
<b>Total Reverse Repurchase Agreements*</b>	<b>\$ 14,947,136,231</b>	<b>\$ 14,783,159,788</b>	<b>\$ 163,976,443</b>

\*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 Morningstar 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, 2024, 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, 2024.

Domestic Corporate Bonds	\$	813,734	0.01
U.S. Treasury STRIPS		19,040,720	15.05
U.S. Treasury Bonds		28,586,664,463	15.00
Sovereign Government Issue Bonds		1,460,683,775	9.87
U.S. TIPS		2,630,646,736	6.89

### 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, 2024, 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	
<b>Total Return Swaps</b>				
Receive Variable 00-Month BBSW, Pay Equity	\$ (106,106)	\$	(106,106)	\$ (1,290,358)
Receive Variable 00-Month FEDL, Pay Equity	(82,775)	(82,775)		(5,992,869)
Receive Variable 12-Month FEDL, Pay Equity	(1,006,476)		(1,006,476)	(30,473,291)
Receive Variable 12-Month OBFR, Pay Equity	(56,541)	(48,437)	(8,104)	(5,344,863)
Receive Equity, Pay Variable 12-Month FEDL	2,918,811	2,797,910	120,901	222,257,353
Receive Equity, Pay Variable 12-Month SOFR	37,576,112	37,576,112		2,726,799,069
Receive Equity, Pay Variable 00-Month FEDL	504,781	287,917	216,864	15,516,193
Receive Variable 12-Month SOFR, Pay Equity	(41,142,182)	(41,142,182)		(1,924,406,430)
Receive Variable 00-month SOFR, Pay Equity	1,380,996	1,380,996		(58,000,000)
Receive Variable 00-month FEDL, Pay Equity	(531,529)	(196,201)	(335,328)	(58,664,509)
Receive Equity, Pay Variable 01-Month HIBOR	4,325,809	4,325,809		23,449,844
Receive Equity, Pay Variable 00-Month SOFR	6,961,480	6,961,480		83,291,150
Receive Variable 01-Month BBSW, Pay Equity	(4,328,851)	(4,328,851)		(29,276,907)
<b>Total</b>	<b>\$ 6,413,529</b>	<b>\$ 7,531,778</b>	<b>\$ (1,118,249)</b>	

### 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, 2024 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	\$ 56,957,793	\$	\$ 14,727,407	\$ 1,032,726,314	\$ 235,962,284	\$	\$ (7,755)	\$ 1,340,366,043
Brazil Real	23,648,708		(167,530)	497,761,968			46,793	521,289,939
Canada Dollar	(38,825,075)		6,813,526	1,762,976,977	77,630		369,140	1,731,412,198
Chile Peso	382,528		213,995	29,192,824			(344)	29,789,003
China Yuan Renminbi	(21,345,300)		9,955	163,888,619				142,553,274
China Yuan Renminbi Offshore	21,689,285		104,713					21,793,998
Colombia Peso	(15,402,169)		38,946	5,422,819				(9,940,404)
Czech Republic Koruna	102,780		(386,395)	12,231,917			(143)	11,948,159
Denmark Krone	10,417,653		(3,148)	585,741,316			(31,410)	596,124,411
Egypt Pound	(66,301)			6,614,735				6,548,434
Euro Member Countries	132,150,252	5,338,002,631	38,838,989	5,148,205,574	428,789,379	1,135,862,050	(225,679)	12,221,623,196
Hong Kong Dollar	11,124,916		5,312,053	1,186,511,718			1,432	1,202,950,119
Hungary Forint			(173,214)	20,792,088			(531)	20,618,343
India Rupee	12,206,772		(899)	2,730,063,650			(23,389)	2,742,246,134
Indonesia Rupiah	17,462,757		35,942	377,141,778			(5,589)	394,634,888
Israel Shekel	2,727,290		(147)	36,861,685			(155)	39,588,673
Japan Yen	95,418,428		802,089	4,005,898,311			(9,606)	4,102,109,222
Korea (South) Won	33,377,619		1,213,684	1,557,324,061				1,591,915,364
Kuwait Dinar				48,435,262			(906)	48,434,356
Malaysia Ringgit	3,956,421		(4,351)	151,306,214			15,777	155,274,061
Mexico Peso	384,170		130,523	289,118,196			(10,560)	289,622,329
New Zealand Dollar	(1,062,792)		(1,250,816)	9,922,692			(5,064)	7,604,020
Norway Krone	615,508		1,878,720	75,803,767			60,608	78,358,603
Philippines Peso	673,816		(389,251)	34,888,074			(1,878)	35,170,761
Poland Zloty	1,997,358		5,172	117,801,334			1,062	119,804,926
Qatar Riyal	28,851			83,273,317			(804)	83,301,364
Romania New Leu			(52,075)					(52,075)
Saudi Arabia Riyal	17,032,984		518,556	499,530,313			(58)	517,081,795
Singapore Dollar	13,210,343		404,916	221,100,306			491	234,716,056
South Africa Rand	(1,995,386)		1,376,263	413,093,660			(12,359)	412,462,178
Sweden Krona	2,119,869		6,956,135	325,455,176			(46,812)	334,484,368
Switzerland Franc	51,272,190		(3,022,930)	997,896,746			23,191	1,046,169,197
Taiwan New Dollar	7,564,729		(248,372)	2,220,024,367			3,391	2,227,344,115
Thailand Baht	5,082,189		22,269	192,749,192			(28,033)	197,825,617
Tunisia Dinar			5					5
Turkey Lira	14		271,457	51,573,970			128	51,845,569

<b>Currency by Country</b>	<b>Cash</b>	<b>Alternative Investments</b>	<b>Derivative Instruments*</b>	<b>Equity Investments*</b>	<b>Fixed Income Investments</b>	<b>Pooled Investments</b>	<b>Short-Term Investments</b>	<b>Total</b>
United Arab Emirates Dirham	589,199			129,119,199			(100)	129,708,298
United Kingdom Pound	3,999,171	946,384,850	(8,177,849)	2,755,186,422	795,932,112		(106,132)	4,493,218,574
Vietnamese Dong				2,699,313				2,699,313
<b>Total</b>	<b>\$447,496,570</b>	<b>\$ 6,284,387,481</b>	<b>\$ 65,798,338</b>	<b>\$27,778,333,874</b>	<b>\$ 1,460,761,405</b>	<b>\$1,135,862,050</b>	<b>\$ 4,706</b>	<b>\$ 37,172,644,424</b>

\*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 Benefits 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 office space in London, England 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 initial leaseback term was structured for two years with an additional one-year renewal option. Subsequently, an amended lease agreement extended the lease term through December 31, 2024, with five additional renewal option periods, the final option period ending on November 30, 2025.

The initial 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. Under the amended lease agreement, the System was not required to pay its proportionate share of taxes and landlord expenses for the fourth quarter of calendar year 2024.

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 amended 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 \$15,321,000.

Additionally, the sale transaction resulted in an adjusted gain of \$105,773,666, being systematically amortized over the amended term of the leaseback. As of August 31, 2024, a portion of the gain of \$27,156,818 was recognized as an inflow of resources and \$32,052,626 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 2028. 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 \$9,880,916 as expenses from these variable payments for the year ended August 31, 2024. 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, 2024 were as follows:

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		
2025	\$ 288,706	\$ 12,760	\$ 301,466	\$ 3,755,261	\$ 155,403		\$ 3,910,664
2026	291,900	9,566	301,466	1,317,767	173,359		1,491,126
2027	232,317	6,450	238,767	990,217	63,704		1,053,921
2028	190,011	3,971	193,982	608,400	21,100		629,500
2029	192,475	1,507	193,982				
2030							
<b>Total</b>	<b>\$ 1,195,409</b>	<b>\$ 34,254</b>	<b>\$ 1,229,663</b>	<b>\$ 6,671,645</b>	<b>\$ 413,566</b>		<b>\$ 7,085,211</b>

**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 \$221,928,259.

## **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, 2024, the maximum liability for pending retirement benefits payable is \$27.1 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. For the Performance Pay Plan year ending on September 30, 2024, the liability is estimated not to exceed \$54.5 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, 2023 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. There is no remaining liability for prior plan years due to the shift to a single payment as all remaining liabilities were paid in January. The liability for plan year ending on September 30, 2024, is estimated not to exceed \$550,000. 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 Board of Trustees 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. TRS-Care Standard includes medical and prescription drug benefits. 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 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature 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 \$353,400,000 as of August 31, 2024.

**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 2024, the number of participating employers are presented in the following table.

Participating Employers	Number
Public Schools*	1,019
Charter Schools	199
Regional Service Centers	20
Other Education Districts	2
<b>Total</b>	<b>1,240</b>

\*Excludes Windham School District which is not covered by TRS-Care.

TRS-Care plan membership as of August 31, 2023 is shown in the following table. Because the actuarial valuation was based on a roll-forward from that date (See Section F), the counts are as of that date.

Membership Type	Number
Active plan members	773,168
Inactive plan members currently receiving benefits	186,935
Inactive plan members entitled to but not yet receiving benefits	15,276
<b>Total</b>	<b>975,379</b>

The Average Expected Remaining Service Life (AERSL) of 9.4212 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 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

Contributor	Rate	Amount
Active Employee	0.65 %	\$ 290,204,743
Non-Employer Contributing Entity (State)	1.25	505,172,755
Participating Employers	0.75	334,851,497
Federal/Private Funding*	1.25	52,913,289
<b>Total</b>		<b>\$1,183,142,284</b>

\*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 2024 totaled \$16,318,100.

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, 2024 are disclosed in the following table.

<b>Components of Liability</b>	<b>Amount</b>
Total OPEB Liability	\$ 35,168,178,563
Less: Plan Fiduciary Net Position	(4,816,646,311)
<b>Net OPEB Liability</b>	<b>\$ 30,351,532,252</b>
<b>Net Position as a Percentage of Total OPEB Liability</b>	<b>13.70 %</b>

The Net OPEB Liability increased by \$8.21 billion, from \$22.1 billion as of August 31, 2023, to \$30.4 billion as of August 31, 2024. The increase was primarily due to lowering the Medicare retiree premiums effective January 1 2025, and declines in the discount rate.

## **F. Actuarial Methods and Assumptions**

### **Roll Forward**

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024.

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

### **Demographic Assumptions**

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 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 rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

**Table 9.F.1: Actuarial Methods and Assumptions**

Component	Result
Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
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 3.87 percent was used to measure the total OPEB liability. This was a decrease of 0.26 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 4.13 percent as of August 31, 2023, to 3.87 percent as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

**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 AA credit rating, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.87 percent, or one percentage point higher, 4.87 percent, than the AA credit 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 Bond Buyer's "20-Bond GO Index", as of August 31, 2024.

**Table 9.H.1: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption**

1% Decrease 2.87%	Current Single Discount Rate 3.87%	1% Increase 4.87%
\$ 36,059,038,653 \$	30,351,532,252 \$	25,739,781,222

**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
\$ 24,716,816,909 \$	30,351,532,252 \$	37,694,128,071

## **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, 2024, there are four programs offered by ERS. The table below represents contribution rates for the most prevalent program.

Type of Coverage	Employer Pays	Employee Pays
Employee Only	\$ 624.82	\$
Employee + Spouse	982.82	358.00
Employee + Children	864.52	239.70
Employee + Family	1,222.52	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 \$12,142,299.23.

**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.

**F. Net OPEB Liability**

At August 31, 2024, 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	\$ 108,783,871
State's proportionate share of the collective Net OPEB Liability associated with TRS	N/A*
<b>Total</b>	<b>\$ 108,783,871</b>

\*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, 2024 was 0.40716291 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, 2022 through August 31, 2023. There was an increase of 0.04135839 percent in TRS’ proportionate share from the prior year of 0.36580452 percent.

The Net OPEB Liability at August 31, 2024 was based on a measurement date of August 31, 2023, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of August 31, 2023.

**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.

<b>Table 10.G.1: Group Benefits Program Actuarial Methods and Assumptions</b>	
<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2023
Discount Rate	3.81%
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	<p><u>HealthSelect</u></p> <p>5.60% for FY2025, 5.30% for FY2026, 5.00% for FY2027, 4.75% for FY2028, 4.60% for FY2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2032 and later years</p> <p><u>HealthSelect Medicare Advantage</u></p> <p>16.40% for FY2025, 8.40% for FY2026, 5.00% for FY2027, 4.75% for FY2028, 4.60% for FY2029, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2032 and later years</p> <p><u>Pharmacy</u></p> <p>10.00% for FY2025 and FY2026, decreasing 100 basis points per year to 5.00% for FY2031 and 4.30% for FY2032 and later years</p>

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 3.81 percent. The change in the discount rate since the OPEB plan's prior fiscal year-end is an increase of 0.22 percent (from 3.59 percent to 3.81 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 3.81 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.

<b>Table 10.H.1: Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions</b>			
<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>	
\$ 93,569,249	\$ 108,783,871	\$ 128,106,518	

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

<b>Table 10.H.2: Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption</b>			
<b>1% Decrease</b>	<b>Current Single Discount Rate</b>	<b>1% Increase</b>	
<b>2.81%</b>	<b>3.81%</b>	<b>4.81%</b>	
\$ 126,228,053	\$ 108,783,871	\$ 94,753,067	

### I. Changes of Assumptions Since the Prior Measurement Date

#### Demographic Assumptions

Since the last valuation was prepared for this plan, 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 and the rate of future increases in the fee have been updated to reflect the most recent available information.

- The discount rate was changed from 3.59 percent to 3.81 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**

Since the last valuation was prepared for this plan, Texas Senate Bill 1055, which was signed by the Governor on May 10, 2023, added Stephen F. Austin State University into the University of Texas System. As a result, eligible employees of Stephen F. Austin State University ceased being members under this OPEB plan effective August 31, 2023. This change is reflected in the Total OPEB Liability as of August 31, 2023. In addition, this valuation reflects the minor benefit changes that became effective September 1, 2023, since these changes were announced to plan members in advance of August 31, 2023. These minor benefit changes, which are not expected to have a significant impact on plan costs for fiscal year 2024, are provided for in the fiscal year 2024 Assumed Per Capita Health Benefit Costs.

**K. OPEB Expense and Deferred Inflow and Outflow of Resources**

TRS recognized \$14,084,381 in OPEB expense during fiscal year 2024.

At August 31, 2024, TRS reported its proportionate share of the ERS collective deferred outflow and deferred inflow of resources related to OPEB from the sources listed in the following table.

Category	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$	\$ (2,877,392)
Changes of assumptions	3,628,911	(33,974,652)
Net difference between projected and actual earnings	8,789	
Changes in proportion and differences between employer's contributions and proportionate share of contributions	39,662,522	
Employer contributions subsequent to the measurement date	11,304,670	
<b>Total</b>	<b>\$ 54,604,892</b>	<b>\$ (36,852,044)</b>

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.

Fiscal Year Ended August 31,	OPEB Expense
2025	\$ 3,837,012
2026	1,662,760
2027	235,223
2028	(185,022)
2029	898,205
Thereafter	
<b>Total</b>	<b>\$ 6,448,178</b>

**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](http://www.ers.texas.gov), by writing to the Finance Division of the Employees Retirement System of Texas at 200 East 18<sup>th</sup> 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 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. In addition, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

#### **One-Time Stipends**

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- 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 age 70 to 74.

#### **Cost-of-Living Adjustment**

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

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

### **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 and universities, medical schools, and other entities, 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 2024 are disclosed in the following table.

<b>Employer Type</b>	<b>Number</b>
Public Schools	1,020
Charter Schools	199
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	2
Other Entities	1
<b>Total</b>	<b>1,349</b>

Plan membership as of August 31, 2023 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2023 (see Section F), the Plan membership counts are as of August 31, 2023.

<b>Pension Plan Member Type</b>	<b>Number</b>
Inactive plan members or beneficiaries currently receiving benefits	489,921
Inactive plan members entitled to but not yet receiving benefits	558,758
Active plan members	953,295
<b>Total</b>	<b>2,001,974</b>

The Average Expected Remaining Service Life (AERSL) of 5.6451 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 colleges, 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 2024.

Contributor	Contribution Rate	Amount
Member	8.25 %	\$4,921,798,309
Non-Employer Contributing Entity (State)	8.25	2,483,580,868
Employers	8.25	2,426,876,934
<b>Total</b>		<b>\$9,832,256,111</b>

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

- All public schools, charter schools and regional education service centers must contribute 1.9 percent of the member's salary beginning in fiscal year 2024, 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 2024 are shown below.

Surcharge	Rate	Amount
Public Education Employers	1.90 %	\$ 666,516,787
Employment after Retirement - Employer	8.25	28,966,289
Employment after Retirement - Employee	8.25	28,966,289
<b>Total</b>		<b>\$ 724,449,365</b>

The current and future contribution rates are shown below.

Fiscal Year	State	Public Education Employer	Active Employee
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, 2024 are disclosed below.

<b>Components of Liability</b>	<b>Amount</b>
Total Pension Liability	\$ 271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
<b>Net Pension Liability</b>	<b>\$ 61,084,175,799</b>
<b>Net Position as Percentage of Total Pension Liability</b>	<b>77.51 %</b>

## F. Actuarial Methods and Assumptions

### Roll Forward

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024.

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, 2024 are summarized in Note 3.

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

<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2023 rolled forward to August 31, 2024
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 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
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, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

**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 9.54 percent of payroll 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 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

### 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.

	<b>1% Decrease 6.00%</b>	<b>Current Single Discount Rate 7.00%</b>	<b>1% Increase 8.00%</b>
\$	97,566,906,778	\$ 61,084,175,799	\$ 30,855,639,673

### 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, 2024 was \$440,180 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. Liabilities include an amount for claims that have been incurred but not reported. Based on estimates performed by TRS' in-house actuary, liabilities are reevaluated periodically to consider current settlements, frequency of claims, past experience, and economic factors. Changes in the balances of the self-funded claims liabilities for the current fiscal year are presented in the following table.

	<b>August 31, 2024</b>		<b>August 31, 2023</b>	
<b>Beginning Balance</b>	\$	<b>313,322,761</b>	\$	<b>280,408,186</b>
Current-Year Claims and Changes in Estimates		2,354,028,825		2,293,091,601
Claims Payments		(2,351,490,519)		(2,260,177,026)
<b>Ending Balance</b>	\$	<b>315,861,067</b>	\$	<b>313,322,761</b>

There were no significant reductions in insurance coverage over the past fiscal year for the self-funded health plan. The balance of claims that have been incurred but not reported is \$ 228,888,002. Claim settlements did not exceed coverage in the past three fiscal years.

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
<b>Health</b>	TRS-ActiveCare	Yes	System
	Prescription Drug	Yes	System
	HMOs	No	Insurance Carrier
<b>Property and Casualty</b>	N/A	No	Insurance Carrier
<b>Unemployment</b>	N/A	Yes	Insurance Carrier
<b>Workers Compensation</b>	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, Senate Bill 1854 (SB 1854) was passed to allow TRS to offer optional dental and or vision care for TRS retirees and their dependents, surviving spouses and surviving dependent children. The dental and vision care are optional plans with separate premiums, and TRS retirees can enroll in one or both plans, regardless of being enrolled in a TRS-Care health plan. The enrollment window started on October 1, 2024 and will last through December 7, 2024 with benefits taking effect on January 1, 2025. TRS retirees will have an option to make enrollment changes each year during the annual enrollment period.

## Required Supplementary Information

### Pension Trust Fund

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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)\*\*

	2024	2023	2022	2021
<b>Total Pension Liability</b>				
Service Cost	\$ 7,218,630	\$ 6,791,856	\$ 6,093,119	\$ 5,793,398
Interest on the Total Pension Liability	17,607,847	16,815,740	16,201,213	15,645,734
Benefit Changes	4,999,000			
Differences between Expected and Actual Experience	1,800,139	2,148,475	1,043,774	(1,004,527)
Changes of Actuarial Assumptions			6,651,511	
Benefit Payments	(15,114,584)	(12,740,413)	(13,130,574)	(11,686,211)
Refunds of Member Accounts	(744,484)	(707,817)	(579,462)	(449,136)
<b>Net Change in Total Pension Liability</b>	<b>\$ 15,766,548</b>	<b>\$ 12,307,841</b>	<b>\$ 16,279,582</b>	<b>\$ 8,299,259</b>
Beginning Total Pension Liability	\$ 255,860,887	\$ 243,553,045	\$ 227,273,464	\$ 218,974,205
<b>Ending Total Pension Liability (a)</b>	<b>\$ 271,627,434</b>	<b>\$ 255,860,887</b>	<b>\$ 243,553,045</b>	<b>\$ 227,273,464</b>
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	\$ 3,151,326	\$ 2,859,870	\$ 2,504,170	\$ 2,124,028
Member Contributions	4,921,798	4,492,518	4,213,622	3,839,244
Non-Employer Contributing Entity Contributions	2,483,581	2,279,409	2,153,483	2,140,553
Net Investment Income	23,789,442	6,885,963	(13,383,751)	40,512,139
Benefit Payments	(15,114,584)	(12,740,413)	(13,130,574)	(11,686,211)
Refunds of Member Accounts	(744,484)	(707,817)	(579,462)	(449,136)
Administrative Expenses	(84,717)	(85,188)	(62,053)	(71,360)
Other	4,970,360	576	663,179	(18,500)
<b>Net Change in Plan Fiduciary Net Position***</b>	<b>\$ 23,372,723</b>	<b>\$ 2,984,918</b>	<b>\$ (17,621,385)</b>	<b>\$ 36,390,757</b>
Beginning Plan Fiduciary Net Position	\$ 187,170,536	\$ 184,185,617	\$ 201,807,002	\$ 165,416,245
<b>Ending Plan Fiduciary Net Position (b)</b>	<b>\$ 210,543,258</b>	<b>\$ 187,170,536</b>	<b>\$ 184,185,617</b>	<b>\$ 201,807,002</b>
<b>Ending Net Pension Liability (a)-(b)</b>	<b>\$ 61,084,176</b>	<b>\$ 68,690,351</b>	<b>\$ 59,367,428</b>	<b>\$ 25,466,461</b>

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

\*\*RSI tables are presented in thousands and may not foot due to rounding and will not tie back to the financial statements since they are presented in whole dollars.

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

2020	2019	2018	2017	2016	2015
\$ 5,651,647	\$ 5,642,075	\$ 4,654,171	\$ 4,489,046	\$ 4,392,077	\$ 4,225,449
15,014,048	14,267,256	14,109,277	13,515,486	12,896,571	12,555,646
	588,828				
(259,157)	(982,694)		(969,831)	373,669	(1,588,619)
	(7,425,279)	22,106,679	700,880		(1,474,724)
(10,972,292)	(11,253,729)	(10,172,997)	(9,775,775)	(9,379,123)	(8,935,112)
(421,366)	(486,461)	(422,336)	(420,421)	(373,419)	(391,341)
<b>\$ 9,012,880</b>	<b>\$ 349,996</b>	<b>\$ 30,274,794</b>	<b>\$ 7,539,385</b>	<b>\$ 7,909,775</b>	<b>\$ 4,391,299</b>
\$ 209,961,325	\$ 209,611,329	\$ 179,336,535	\$ 171,797,150	\$ 163,887,375	\$ 159,496,076
<b>\$ 218,974,205</b>	<b>\$ 209,961,325</b>	<b>\$ 209,611,329</b>	<b>\$ 179,336,535</b>	<b>\$ 171,797,150</b>	<b>\$ 163,887,375</b>
\$ 2,016,482	\$ 1,761,822	\$ 1,671,257	\$ 1,588,309	\$ 1,483,390	\$ 1,377,973
3,736,877	3,482,870	3,360,773	3,242,556	2,943,669	2,576,024
2,107,999	1,737,852	1,715,785	1,697,963	1,675,631	1,591,483
11,068,917	7,669,029	11,242,814	17,079,807	9,193,281	(412,759)
(10,972,292)	(11,253,729)	(10,172,997)	(9,775,775)	(9,379,123)	(8,935,112)
(421,366)	(486,461)	(422,336)	(420,421)	(373,419)	(391,341)
(67,136)	(60,486)	(64,926)	(44,190)	(44,403)	(35,557)
(31,435)	558,400	(123,390)	(14,964)	(29,095)	(11,248)
<b>\$ 7,438,046</b>	<b>\$ 3,409,297</b>	<b>\$ 7,206,980</b>	<b>\$ 13,353,285</b>	<b>\$ 5,469,931</b>	<b>\$ (4,240,537)</b>
\$ 157,978,199	\$ 154,568,902	\$ 147,361,922	\$ 134,008,637	\$ 128,538,706	\$ 132,779,243
<b>\$ 165,416,245</b>	<b>\$ 157,978,199</b>	<b>\$ 154,568,902</b>	<b>\$ 147,361,922</b>	<b>\$ 134,008,637</b>	<b>\$ 128,538,706</b>
<b>\$ 53,557,960</b>	<b>\$ 51,983,126</b>	<b>\$ 55,042,427</b>	<b>\$ 31,974,613</b>	<b>\$ 37,788,513</b>	<b>\$ 35,348,669</b>

**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
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
2024	271,627,434,294	210,543,258,495	61,084,175,799	77.51	59,658,161,321	102.39

\*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
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
2024	5,607,867,164	5,634,907,167	(27,040,003)	59,658,161,321	9.45

\*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, 2023 (to determine contribution rate for fiscal year ending August 31, 2024)
Actuarial Cost Method	Individual Entry Age Normal actuarial cost method
Amortization Method	Level Percentage of Payroll, Floating
Remaining Amortization Period	29 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.  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, 2023 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

2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
12.8 %	3.8 %	(6.7)%	25.0 %	7.2 %	5.1 %	7.8 %	13.0 %	7.3 %	(0.3)%

**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
2024	108,783,871	0.40716291	111,849,135	97.26	0.63

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
2024	13,513,227	13,513,227		138,097,189	9.79

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)\*\*

	2024	2023	2022	2021
<b>Total OPEB Liability</b>				
Service Cost	\$ 1,097,420	\$ 1,167,928	\$ 2,329,444	\$ 2,123,507
Interest on the Total OPEB Liability	1,087,982	1,070,343	818,451	951,216
Changes of Benefit Terms				
Differences between Expected and Actual Experience	5,756,395	(2,155,815)	(4,519,113)	(4,029,450)
Changes of Actuarial Assumptions	1,665,088	(573,519)	(12,067,408)	2,553,299
Benefit Payments	(466,777)	(542,810)	(613,142)	(495,695)
<b>Net Change in Total OPEB Liability</b>	<b>\$ 9,140,108</b>	<b>\$ (1,033,872)</b>	<b>\$ (14,051,769)</b>	<b>\$ 1,102,877</b>
Beginning Total OPEB Liability	\$ 26,028,070	\$ 27,061,943	\$ 41,113,711	\$ 40,010,834
<b>Ending Total OPEB Liability (a)</b>	<b>\$ 35,168,179</b>	<b>\$ 26,028,070</b>	<b>\$ 27,061,943</b>	<b>\$ 41,113,711</b>
<b>Plan Fiduciary Net Position</b>				
Employer Contributions	\$ 404,083	\$ 393,951	\$ 370,736	\$ 334,028
Non-Employer Contributing Entity Contributions	505,173	495,642	534,341	452,858
Member Contributions	290,205	277,468	263,328	250,413
Net Investment Income	202,197	130,069	13,538	9,227
Benefit Payments***	(466,777)	(542,810)	(613,142)	(495,696)
Administrative Expense	(23,132)	(22,800)	(18,466)	(7,906)
Other	15,132	40,306	28,360	
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 926,881</b>	<b>\$ 771,828</b>	<b>\$ 578,695</b>	<b>\$ 542,924</b>
Beginning Plan Fiduciary Net Position	\$ 3,889,765	\$ 3,117,937	\$ 2,539,242	\$ 1,996,318
<b>Ending Plan Fiduciary Net Position (b)</b>	<b>\$ 4,816,646</b>	<b>\$ 3,889,765</b>	<b>\$ 3,117,937</b>	<b>\$ 2,539,242</b>
<b>Ending Net OPEB Liability (a)-(b)</b>	<b>\$ 30,351,532</b>	<b>\$ 22,138,305</b>	<b>\$ 23,944,005</b>	<b>\$ 38,574,469</b>

\*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.

\*\*RSI tables are presented in thousands and may not foot due to rounding and will not tie back to the financial statements since they are presented in whole dollars.

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

2020	2019	2018	2017
\$ 2,580,691	\$ 2,306,961	\$ 2,284,418	\$ 4,312,406
1,304,452	1,904,512	1,524,880	2,356,367
			(18,610,363)
(11,973,222)	(7,950,584)	2,979,259	(1,027,634)
64,950	2,133,219	936,862	(19,563,767)
(549,284)	(540,351)	(881,714)	(995,486)
<b>\$ (8,572,413)</b>	<b>\$ (2,146,243)</b>	<b>\$ 6,843,705</b>	<b>\$ (33,528,477)</b>
\$ 48,583,247	\$ 50,729,490	\$ 43,885,785	\$ 77,414,262
<b>\$ 40,010,834</b>	<b>\$ 48,583,247</b>	<b>\$ 50,729,490</b>	<b>\$ 43,885,785</b>
\$ 324,974	\$ 305,363	\$ 296,098	\$ 215,361
666,588	482,056	789,870	324,662
243,532	227,338	221,325	213,241
25,537	25,047	10,127	4,697
(549,284)	(540,351)	(881,714)	(995,486)
(7,069)	(6,006)	(6,672)	(4,954)
18		(29,995)	529
<b>\$ 704,296</b>	<b>\$ 493,447</b>	<b>\$ 399,039</b>	<b>\$ (241,950)</b>
\$ 1,292,022	\$ 798,575	\$ 399,536	\$ 641,486
<b>\$ 1,996,318</b>	<b>\$ 1,292,022</b>	<b>\$ 798,575</b>	<b>\$ 399,536</b>
<b>\$ 38,014,516</b>	<b>\$ 47,291,225</b>	<b>\$ 49,930,915</b>	<b>\$ 43,486,249</b>

**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.

2024: Changes of Assumptions: The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, the tables used to model the impact of aging on the underlying claims were revised.

**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
2024	35,168,178,563	4,816,646,311	30,351,532,252	13.70	44,646,883,538	67.98

\*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 ..... 104  
Schedule 2: Schedule of Professional and Consulting Services ..... 106

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

For the Fiscal Year Ended August 31, 2024

	Pension Trust Fund				
	Benefits	Investments	TRS-Care	TRS-ActiveCare	Total
<b>Administrative Expenses</b>					
<b>Personnel Services</b>					
Salaries and Wages	\$ 49,526,875	\$ 122,391,908	\$ 11,482,468	\$ 2,450,384	\$ 185,851,635
Payroll Related Costs	2,039,478	7,777,778	1,609,154	279,111	11,705,521
<b>Total Personnel Services</b>	<b>\$ 51,566,353</b>	<b>\$ 130,169,686</b>	<b>\$ 13,091,622</b>	<b>\$ 2,729,495</b>	<b>\$ 197,557,156</b>
<b>Total Professional Fees and Services</b>	<b>\$ 3,688,324</b>	<b>\$ 9,652,187</b>	<b>\$ 2,510,535</b>	<b>\$ 299,168</b>	<b>\$ 16,150,214</b>
<b>Other Operating Expenses</b>					
Travel	\$ 296,092	\$ 1,114,109	\$ 85,518	\$ 65,805	\$ 1,561,524
<b>Materials and Supplies</b>					
Consumable Supplies and Fuels	393,332	46,809	125,010	3,030	568,181
Subscriptions and Reference Information	999,605	1,153,130	128,292	29,233	2,310,260
Postage, Mailing and Delivery Services	2,066,313	9,168	1,072,176		3,147,657
Furniture and Equipment - Expensed	823,370	761,440	45,430	11,614	1,641,854
Communications and Utilities	1,241,199	13,790,908	97,112	60,293	15,189,512
<b>Repairs and Maintenance</b>					
Software Purchases and Maintenance	4,119,459	4,138,158	364,321	81,488	8,703,426
Computer Hardware Maintenance	387,701	20,125	2,455	540	410,821
Buildings and Equipment Maintenance	1,071,676	197,292	45,986	10,734	1,325,688
Rentals and Leases	2,817,151	47,991	192,135	2,487	3,059,764
Printing and Reproduction	17,206	146	(2,390)	78	15,040
Depreciation Expense	1,045,737	23,144			1,068,881
Amortization Expense	8,822,472	6,023,149	2,605,673		17,451,294
<b>Other Expenses</b>					
Dues, Fees and Staff Development	251,313	457,154	42,568	33,923	784,958
Insurance Premiums	498,680	450,428	54,583	12,017	1,015,708
Miscellaneous Expenses	4,611,058	5,937,503	2,670,836	379,845	13,599,242
<b>Total Other Operating Expenses</b>	<b>\$ 29,462,364</b>	<b>\$ 34,170,654</b>	<b>\$ 7,529,705</b>	<b>\$ 691,087</b>	<b>\$ 71,853,810</b>
<b>Total Administrative Expenses</b>	<b>\$ 84,717,041</b>	<b>\$ 173,992,527</b>	<b>\$ 23,131,862</b>	<b>\$ 3,719,750</b>	<b>\$ 285,561,180</b>

**Schedule 1**

**Schedule of Administrative and Investing Activity Expenses**

**All Funds**

For the Fiscal Year Ended August 31, 2024

	Pension Trust Fund				
	Benefits	Investments	TRS-Care	TRS-ActiveCare	Total
<b>Investment Fees</b>					
Prime Service Fees	\$	\$ 15,643,649	\$	\$	\$ 15,643,649
Investment Interest Expenses		885,821,742			885,821,742
Investment Tax Expenses		20,869,893			20,869,893
Research Fees*		(6,417,555)			(6,417,555)
External Manager Fees**		80,579,857			80,579,857
External Legal Fees		5,639,319			5,639,319
Custody Service Fees		11,703,233			11,703,233
Collateral Administrative Service Fees		621,600			621,600
Other Investment Fees		361,305			361,305
<b>Total Investment Fees</b>	<b>\$</b>	<b>— \$1,014,823,043</b>	<b>\$</b>	<b>— \$</b>	<b>— \$1,014,823,043</b>
<b>Total Administrative Expenses and Investment Fees***</b>	<b>\$</b>	<b>84,717,041</b>	<b>\$</b>	<b>3,719,750</b>	<b>\$1,300,384,223</b>

\*In fiscal year 2024, the System received refunds of research payment from previous fiscal year due to a Markets in Financial Instruments Directive ruling. The total refund amount is larger than the research payments for fiscal year 2024; the total amount of research fees is reported as negative.

\*\*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, 2024

	Amount		Amount
<b>Consulting Services</b>		Gartner Inc	547,842
Square One Consultants Inc	\$ 891,900	SAS Institute Inc	208,161
Mercer (US) Inc	336,740	International Business Machines Corporation	114,900
Glocap Search LLC	156,000	Quisitive LLC	81,758
Elite Research LLC	133,198	GTS Technology Solutions Inc	34,008
Focus Consulting Group Inc	130,717	Norex Inc	18,800
Coleman & Associates Consultants	99,121	Solid Border Inc	16,920
International Center for Management	88,700	<b>Total IT Consulting Services</b>	<b>\$ 5,675,321</b>
New Horizon Strategies LLC	84,200		
Crowe LLP	55,300	<b>Investment Research Fees</b>	
Flint Avenue LLC	27,546	JP Morgan	\$ 682,797
Stantec Consulting Services Inc	13,531	Wolfe Research LLC	660,000
<b>Total Consulting Services</b>	<b>\$ 2,016,953</b>	Morgan Stanley	637,979
		Green Street Advisors LLC	263,175
<b>Financial &amp; Accounting Services</b>		Alliance Bernstein LP	262,977
Segal Company (Southeast) Inc	\$ 1,251,898	UBS	235,567
Ernst & Young LLP	1,130,095	Gerson Lehrman Group Inc	208,308
Milliman Inc	712,621	HSBC Bank	204,433
Gabriel Roeder Smith & Company	531,668	Sanford C Bernstein & Co LLC	203,135
Texas State Auditor's Office	295,000	Jefferies & Company	197,332
Health Management System Inc	244,668	BofA Securities Inc	173,949
CEM Benchmarking Inc	170,000	Macquarie Group	138,111
Epic Holdings Inc	91,478	Enverus Inc	125,000
Pharmaceutical Strategies Group LLC	41,288	Kepler Cheuvreux	123,617
Kudelski Security Inc	23,261	Berenberg Capital Markets	121,888
<b>Total Financial &amp; Accounting Services</b>	<b>\$ 4,491,977</b>	BNP Paribas Securities	111,549
		Piper Sandler Companies	91,668
<b>Investment Consulting Services</b>		CLSA Limited	86,848
Albourne	\$ 2,547,988	Tegus Inc	76,385
Aon Investments USA Inc	975,000	Bloomberg	68,895
Keith C Brown	80,000	Santander Invest Securities Inc	64,014
<b>Total Investment Consulting Services</b>	<b>\$ 3,602,988</b>	Citigroup	52,763
		Empirical Research Partners LLC	50,000
<b>IT Consulting Services</b>		Zelman & Associates	50,000
Blue Hill Data Services	\$ 1,944,313	SMBC Nikko	37,835
Advanced Call Center Technologies LLC	1,662,946	Nomura Group	37,500
Accenture	1,045,673	Mizuho Research	30,007

	Amount
Stifel Nicolaus & Co	26,930
BCA Research	25,000
BMO Capital Markets	25,000
Keefe Bruyette & Woods	25,000
Redburn (Europe) Limited	25,000
RBC Capital Markets	13,275
BTG Pactual	12,500
Evercore ISI	12,500
Numis Securities Inc	12,500
Yardeni Research Inc	10,000
<b>Total Investment Research Fees</b>	<b>\$ 5,183,437</b>

**Legal Services**

Ropes & Gray LLP	\$ 1,364,753
Norton Rose Fulbright US LLP	1,212,827
Foster Garvey PC	1,095,891
Seyfarth Shaw LLP	644,594
DLA Piper LLP US	477,948
Jackson Walker LLP	355,880
BLA Schwartz PC	315,000
Katten Muchin Roseman LLP	224,913
Morgan Lewis & Bockius LLP	197,623
Purrington Moody Weil LLP	135,699
Cohen Milstein Sellers & Toll PLLC	112,706
Littler Mendelsen PC	79,329
Ice Miller LLP	76,062
Akin Gump Strauss Hauer & Feld LLP	73,106
Pillsbury Winthrop Shaw Pittman LLP	26,358
<b>Total Legal Services</b>	<b>\$ 6,392,689</b>

**Medical Services**

Alice D Cox MD	\$ 47,586
Dr Brian Buck	47,586
David E Rothschild MD	47,586
<b>Total Medical Services</b>	<b>\$ 142,758</b>

**Other Professional Services**

Novo Construction Inc	\$ 35,573,066
Rogers-O'Brien Construction	1,846,276
Aquila Commercial LLC	1,267,308
Texas Dept of Information Resources	1,100,900

	Amount
Shorenstein Realty Services LP	706,206
Jones Lang Lasalle Securities LLC	645,000
Valuation Research Corporation	240,000
Institutional Shareholder Services Inc	175,290
Leanne Lowish Consulting	153,500
Hatwell Group LLC	115,335
F Guerra Deberry LLC	97,915
Business Intelligence Advisors Inc	77,000
Korn Ferry (US)	76,700
K Fernandez & Associates	64,471
United Training Commercial LLC	45,260
University of Texas - Austin	44,500
Carahsoft Technology Corporation	43,443
Franklin Covey Client Sales Inc	41,679
Brightleaf Group Inc	36,149
Uptodate Inc	33,146
Aquila Management Services LLC	32,847
Mind Gym (USA) Inc	32,114
Institutional Limited Partners Association	27,791
Learnings & Entertainments LLC	27,000
Udemy Inc	25,272
Workers Assistance Program Inc	25,148
AVI-SPL LLC	18,860
SHI Government Solutions Inc	14,725
The Berwyn Group	13,760
Texas Comptroller of Public Accounts	12,585
Aggregate Payees less than \$10,000	219,393
<b>Total Other Professional Services</b>	<b>\$ 42,832,639</b>

**Research Services**

Info-Tech Research Group Inc	\$ 212,749
<b>Total Research Services</b>	<b>\$ 212,749</b>

**Architectural & Engineering Services**

Page Southerland Page Inc	\$ 388,221
<b>Total Architectural &amp; Engineering Services</b>	<b>\$ 388,221</b>

<b>Total Professional and Consulting Services</b>	<b>\$ 70,939,732</b>
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# INVESTMENT SECTION



About

**62%**

of all pension fund  
revenues comes  
from investments



To read more of the TRS  
story, scan the QR code.





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*Chief Investment Officer*

Overall, investment returns for the fiscal year ended August 31, 2024 were positive as the TRS Pension Trust Fund returned 12.83% for the one-year period and closed the year with a total of \$209.5 billion in assets under management, a \$22.9 billion increase over last year, net of benefit payments. The annualized rate of return for the five-year period ended August 31, 2024 was 7.94%, while the longer-term ten-year return was 7.24%, both in excess of the pension trust fund's long-term investment return assumption of 7.00%. TRS investments makes up over 62% of the pension trust fund revenue and pays for more than \$1 billion in monthly annuity payments.

TRS investment in global, public, and private stocks proved to be the greatest return factor. Global financial markets and asset values continued to perform well in 2024, driven by lower inflation, robust corporate earnings, and an expectation of lower interest rates. The S&P 500 index recorded a significant gain of 27.14% for the one-year period ended August 31, 2024. This positive performance was underpinned by a combination of factors, including the resolution of supply chain disruptions, which helped to stabilize prices, and strong consumer demand, which bolstered corporate revenues. A notable contributor to the success of the S&P 500 index was the remarkable performance of technology growth trends in artificial intelligence, cloud computing, and cutting-edge hardware and software. These technology advancements drove approximately 50% of the S&P 500 index's overall performance so far in 2024. Despite some geopolitical uncertainties and fiscal policy adjustments, investor confidence remained high, reflecting a broadly optimistic outlook for the global economy.

During 2024, TRS reviewed and modified its Strategic Asset Allocation (SAA) to enhance the probability of achieving the long-term investment return assumption of 7%, reduce risk and to increase diversification. The SAA plays a crucial role in determining returns with 60-80% of total returns attributed to the allocation decision. Changes to the SAA included increasing exposure to US equities, decreasing exposure to emerging markets, and modifying the fixed income allocation to include exposure to inflation-linked bonds.

TRS' public markets investment portfolios recorded strong absolute returns, with the pension trust fund's Public Equity investments returning 25.06% for the one-year period ended August 31, 2024 versus 12.29% a year ago. Within the portfolio, all regions produced double digit returns, with US Equities, the Non-US Developed, and Emerging Markets returning 29.60%, 22.66%, and 19.91%, respectively. The TRS asset allocation had 38.60% in Public Equity investments valued at \$80.9 billion as of August 31, 2024, including approximately \$37.4 billion in internally managed strategies. TRS' \$29.5 billion Government Bonds portfolio return was 1.69% for the fiscal year as restrictive monetary policy continued to negatively impact bond performance as higher interest rates drove down the prices of bonds. TRS views the bond portfolio as a defensive strategy that adds diversification benefits to the overall portfolio and provides a source of liquidity. Assets within the pension trust fund's other Stable Value allocations performed well, with \$9.9 billion in Stable Value Hedge Funds and \$7.3 billion in Absolute Return gaining 11.10% and 16.19% for the fiscal year ended August 31, 2024, respectively.

The pension trust fund's private markets portfolios returned 4.01% in total for the one-year period ended August 31, 2024 and comprised 37.04% of the asset allocation, or \$77.6 billion in assets. Private Markets has generated a strong five-year return of 9.95%. Underlying portfolio performance in Private Markets was mixed, with a 14.41% one-year return in Energy, Natural Resources, and Infrastructure, a 7.27% return in Private Equity, and a -3.90% return in Real Estate. Our Energy portfolio has been the best performing private portfolio with many of these investments in Texas. Private equity returns have rebounded from the negative levels experienced in 2022 but remain below long-term expectations due to a restricted exit environment. In Real Estate, unfavorable market conditions such as elevated interest rates and challenging lending environment negatively impacted property values and returns. TRS is better positioned in real estate than the overall market and continues to outperform indices.

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 \$15.1 billion to its members. The \$15.2 billion Risk Parity portfolio comprised 7.3% of investments as of August 31, 2024 and delivered 13.69% performance as the portfolio's heavily diversified strategies contributed to the overall Trust return.

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

Prepared by:  
TRS Investment Management Division Staff

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, 2024. A reconciliation to fair value is provided following Table 1.

**Table 1: Asset Allocation as of August 31, 2024**

Asset Class	Policy Range			Actual Value	
	Minimum Range %	Maximum Range %	Target %	Fair Value	% of Total Fund
<b>Global Equity</b>					
USA	13.00	23.00	18.00	\$ 36,295,147,823	17.32
Non-US Developed	8.00	18.00	13.00	26,285,871,941	12.54
Emerging Markets	4.00	14.00	9.00	18,312,083,991	8.74
Private Equity	9.00	19.00	14.00	33,538,828,207	16.01
<b>Total Global Equity</b>	<b>47.00</b>	<b>61.00</b>	<b>54.00</b>	<b>\$ 114,431,931,962</b>	<b>54.61</b>
<b>Stable Value</b>					
Government Bonds	0.00	21.00	16.00	\$ 29,504,084,271	14.08
Stable Value Hedge Funds	0.00	10.00	5.00	9,940,253,558	4.75
Absolute Return	0.00	20.00	0.00	7,341,875,405	3.50
<b>Total Stable Value</b>	<b>14.00</b>	<b>28.00</b>	<b>21.00</b>	<b>\$ 46,786,213,234</b>	<b>22.33</b>
<b>Real Return</b>					
Real Estate	10.00	20.00	15.00	\$ 29,601,642,713	14.13
Energy, Natural Resources & Infrastructure	1.00	11.00	6.00	14,480,640,020	6.91
Commodities	0.00	5.00	0.00	273,415,088	0.13
<b>Total Real Return</b>	<b>14.00</b>	<b>28.00</b>	<b>21.00</b>	<b>\$ 44,355,697,821</b>	<b>21.17</b>
<b>Risk Parity</b>	<b>0.00</b>	<b>13.00</b>	<b>8.00</b>	<b>\$ 15,247,515,381</b>	<b>7.28</b>
<b>Asset Allocation Leverage</b>					
Cash	0.00	7.00	2.00	\$ 2,224,897,272	1.06
Asset Allocation Leverage	N/A	N/A	(6.00)	(13,505,185,208)	(6.45)
<b>Net Asset Allocation Leverage</b>	<b>N/A</b>	<b>N/A</b>	<b>(4.00)</b>	<b>\$ (11,280,287,936)</b>	<b>(5.39)</b>
<b>Total Fund Fair Value</b>			<b>100.00</b>	<b>\$ 209,541,070,462</b>	<b>100.00</b>
<b>Reconciling Items</b>					
Investment Related Cash				\$ (64,863,032)	
Investment Related Receivables				(8,537,090,305)	
Investment Related Payables				1,589,228,925	
Securities Sold Short				4,936,316,660	
Obligations under Reverse Repurchase Agreements				20,005,277,339	
Collateral Obligations*				65,797,463	
<b>Total Reconciling Items</b>				<b>\$ 17,994,667,050</b>	
<b>Total Fund Fair Value (Exhibit 1)</b>				<b>\$ 227,535,737,512</b>	

\*Excludes Securities Lending Collateral Obligations.

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

Asset Class	Fair Value				
	2014	2019	2021	2023	2024
<b>Global Equity</b>					
USA <sup>1</sup>	\$ 29.981	\$ 22.813	\$ 30.501	\$ 24.799	\$ 29.127
Non-US Developed <sup>1</sup>	19.718	19.825	24.769	20.511	24.292
Emerging Markets <sup>1</sup>	15.594	13.187	16.623	14.086	16.319
Directional Hedge Funds <sup>1,4</sup>	6.496	5.841	6.525	7.998	11.155
Private Equity	15.594	23.055	34.764	33.004	33.539
<b>Total Global Equity</b>	<b>\$ 87.383</b>	<b>\$ 84.721</b>	<b>\$ 113.182</b>	<b>\$ 100.398</b>	<b>\$ 114.432</b>
<b>Stable Value</b>					
Government Bonds <sup>2</sup>	\$ 17.968	\$ 21.363	\$ 28.501	\$ 24.922	\$ 29.504
Stable Value Hedge Funds <sup>4</sup>	5.055	6.588	9.363	9.629	9.940
Absolute Return <sup>4</sup>	2.068	5.756	5.514	5.847	7.342
<b>Total Stable Value</b>	<b>\$ 25.091</b>	<b>\$ 33.707</b>	<b>\$ 43.378</b>	<b>\$ 40.398</b>	<b>\$ 46.786</b>
<b>Real Return</b>					
Real Estate <sup>4</sup>	\$ 15.335	\$ 21.534	\$ 25.025	\$ 30.138	\$ 29.602
Energy, Natural Resources & Infrastructure <sup>4</sup>	2.540	8.933	9.841	12.773	14.481
Commodities	0.169	0.192	0.441	0.764	0.273
<b>Total Real Return</b>	<b>\$ 18.044</b>	<b>\$ 30.659</b>	<b>\$ 35.307</b>	<b>\$ 43.675</b>	<b>\$ 44.356</b>
<b>Total Risk Parity<sup>4</sup></b>	<b>N/A</b>	<b>\$ 8.459</b>	<b>\$ 15.933</b>	<b>\$ 12.805</b>	<b>\$ 15.247</b>
<b>Asset Allocation Leverage</b>					
Asset Allocation Leverage	N/A	\$ (2.835)	\$ (9.243)	\$ (14.164)	\$ (13.505)
Cash <sup>3</sup>	\$ 1.698	2.722	2.606	3.495	2.225
<b>Net Asset Allocation Leverage</b>	<b>N/A</b>	<b>\$ (0.113)</b>	<b>\$ (6.637)</b>	<b>\$ (10.669)</b>	<b>\$ (11.280)</b>
<b>Total Fund</b>	<b>\$ 132.216</b>	<b>\$ 157.433</b>	<b>\$ 201.163</b>	<b>\$ 186.607</b>	<b>\$ 209.541</b>

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

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

<sup>3</sup>Cash was included with the Stable Value Allocation through FY2018.

<sup>4</sup>Allocation includes Alternative Investments.

**Table 3: Investment Allocations as of August 31**

Asset Class	% of Total Fund				
	2014	2019	2021	2023	2024
<b>Global Equity</b>					
USA <sup>1</sup>	22.68 %	14.49 %	15.16 %	13.29 %	13.90 %
Non-US Developed <sup>1</sup>	14.91	12.59	12.31	10.99	11.59
Emerging Markets <sup>1</sup>	11.80	8.38	8.26	7.55	7.79
Directional Hedge Funds <sup>1, 4</sup>	4.91	3.71	3.25	4.28	5.32
Private Equity <sup>4</sup>	11.80	14.65	17.28	17.69	16.01
<b>Total Global Equity</b>	<b>66.10 %</b>	<b>53.82 %</b>	<b>56.26 %</b>	<b>53.80 %</b>	<b>54.61 %</b>
<b>Stable Value</b>					
Government Bonds <sup>2</sup>	13.59 %	13.57 %	14.17 %	13.36 %	14.08 %
Stable Value Hedge Funds <sup>4</sup>	3.82	4.18	4.65	5.16	4.75
Absolute Return <sup>4</sup>	1.56	3.66	2.74	3.14	3.50
<b>Total Stable Value</b>	<b>18.97 %</b>	<b>21.41 %</b>	<b>21.56 %</b>	<b>21.66 %</b>	<b>22.33 %</b>
<b>Real Return</b>					
Real Estate <sup>4</sup>	11.60 %	13.68 %	12.44 %	16.15 %	14.13 %
Energy, Natural Resources & Infrastructure <sup>4</sup>	1.92	5.67	4.89	6.84	6.91
Commodities	0.13	0.12	0.22	0.41	0.13
<b>Total Real Return</b>	<b>13.65 %</b>	<b>19.47 %</b>	<b>17.55 %</b>	<b>23.40 %</b>	<b>21.17 %</b>
<b>Total Risk Parity<sup>4</sup></b>	<b>N/A</b>	<b>5.37 %</b>	<b>7.92 %</b>	<b>6.86 %</b>	<b>7.28 %</b>
<b>Asset Allocation Leverage</b>					
Asset Allocation Leverage	N/A	(1.80)%	(4.59)%	(7.59)%	(6.45)%
Cash <sup>3</sup>	1.28 %	1.73	1.30	1.87	1.06
<b>Net Asset Allocation Leverage</b>	<b>1.28 %</b>	<b>(0.07)%</b>	<b>(3.29)%</b>	<b>(5.72)%</b>	<b>(5.39)%</b>
<b>Total Fund</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>	<b>100.00 %</b>

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

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

<sup>3</sup>Cash was included with the Stable Value Allocation through FY2018.

<sup>4</sup>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, 2024 reported at GAAP fair value which constitute 19.35 percent of all fixed income securities. A complete list of fixed income investments is available by contacting the TRS Communications Department.

Rank	Fixed Income Investments	Par Value	GAAP Fair Value	% of Total Fixed Income Investments
1	U.S. Treasury Bond 4.75% Due 11/15/2053	\$ 850,525,500	\$ 926,009,638	2.83 %
2	U.S. Treasury Bond 2.375% Due 05/15/2051	1,058,090,000	734,049,938	2.25
3	U.S. Treasury Bond 1.75% Due 08/15/2041	912,000,000	633,697,500	1.94
4	U.S. Treasury Bond 1.875% Due 02/15/2041	881,443,900	633,400,078	1.94
5	U.S. Treasury Bond 4% Due 11/15/2052	642,114,900	615,928,652	1.88
6	U.S. Treasury Bond 1.875% Due 02/15/2051	983,655,000	606,638,482	1.86
7	U.S. Treasury Bond 2% Due 08/15/2051	929,600,000	589,134,000	1.80
8	U.S. Treasury Bond 2% Due 11/15/2041	758,450,000	547,150,570	1.67
9	U.S. Treasury Bond 3% Due 02/15/2049	656,205,000	522,093,103	1.60
10	U.S. Treasury Bond 4.125% Due 08/15/2053	526,975,100	517,423,676	1.58
<b>Total Top Ten</b>		<b>\$ 8,199,059,400</b>	<b>\$ 6,325,525,637</b>	<b>19.35 %</b>
<b>Total Fixed Income Investments</b>				

#### Equity Investments

Table 5 discloses the Fund's ten largest equity investments as of August 31, 2024 reported at GAAP fair value which constitute 12.31 percent of the Fund's total equity exposure.

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

Rank	Equity Investments	Par Value	GAAP Fair Value	% of Total Equity Investments
1	Taiwan Semiconductor Manufacturing Company	42,313,691	\$ 1,248,644,086	2.38 %
2	Apple, Inc.	3,563,774	816,104,246	1.55
3	Microsoft Corporation	1,938,589	808,663,015	1.54
4	Nvidia Corp	6,403,280	764,359,534	1.45
5	Samsung Electronics Company Limited	9,852,757	548,010,514	1.04
6	Novo Nordisk	3,838,610	534,384,003	1.02
7	Alphabet, Inc.	3,244,198	530,037,069	1.01
8	Amazon, Inc.	2,494,777	445,317,695	0.85
9	ASML Holding N.V.	441,845	397,131,513	0.76
10	Tencent Holdings Ltd.	7,591,061	371,748,282	0.71
<b>Total Equity Investments</b>			<b>\$ 52,506,356,349</b>	

## 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".

<b>Table 6: Policy Benchmarks</b>	
<b>Asset Class</b>	<b>Benchmark Portfolio</b>
<b>Global Equity</b>	
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
<b>Stable Value</b>	
Government Bonds	Bloomberg Barclays Long Treasury Index
Absolute Return	SOFR plus 4%
Stable Value Hedge Funds	HFRI Fund of Funds Conservative
<b>Real Return</b>	
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
<b>Risk Parity</b>	
Risk Parity	HFR Risk Parity Vol 12 Institutional Index
<b>Asset Allocation Leverage</b>	
Cash	FTSE 3 Month Treasury Bill
Asset Allocation Leverage	SOFR plus 26.161 bp

### Performance Results

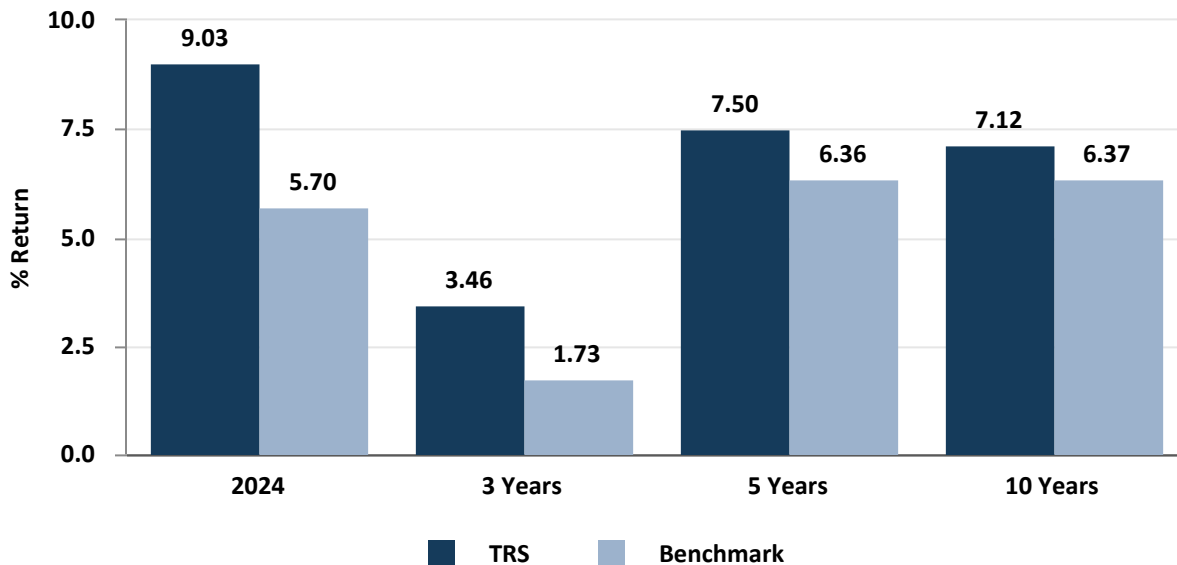
Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, TRS' custodian bank, independently and using industry best practices. The total time-weighted rates of return have been adjusted for cash flows and are calculated 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, 2024, the most complete performance and benchmark information by asset class is available as of June 30, 2024, presented in Table 7. For a complete list of benchmark composites, contact the TRS Communications Department.

<b>Table 7: Investment Performance: Time-Weighted Returns as of June 30, 2024</b>				
<b>Asset Class</b>	<b>2024</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>Global Equity</b>				
USA	25.70 %	9.38 %	13.90 %	11.17 %
USA Composite Benchmark	23.30	8.22	14.34	12.30
Non-US Developed	14.61	3.61	7.32	5.03
Non-US Developed Composite Benchmark	10.97	2.71	6.49	4.24
Emerging Markets	16.52	(2.86)	4.96	4.09
Emerging Markets Composite Benchmark	15.47	(4.38)	3.58	3.04
Private Equity	8.73	7.41	13.53	12.58
Private Equity Composite Benchmark	6.32	8.71	14.06	12.33
<b>Total Global Equity</b>	<b>16.14 %</b>	<b>5.45 %</b>	<b>10.78 %</b>	<b>8.60 %</b>
<b>Global Equity Composite Benchmark</b>	<b>13.98 %</b>	<b>5.23 %</b>	<b>10.82 %</b>	<b>8.73 %</b>
<b>Stable Value</b>				
Government Bonds	(8.48)%	(12.18)%	(5.30)%	0.34 %
Government Bonds Benchmark	(5.61)	(10.49)	(4.26)	0.60
Absolute Return	15.37	8.00	8.91	8.32
Absolute Return Composite Benchmark	9.91	7.29	5.51	4.37
Stable Value Hedge Funds	12.35	8.42	8.13	6.40
Stable Value Hedge Funds Composite Benchmark	6.68	3.45	4.85	3.47
<b>Total Stable Value</b>	<b>(0.66)%</b>	<b>(4.87)%</b>	<b>(0.26)%</b>	<b>2.95 %</b>
<b>Stable Value Composite Benchmark</b>	<b>(2.58)%</b>	<b>(7.16)%</b>	<b>(1.96)%</b>	<b>1.37 %</b>
<b>Real Return</b>				
Real Estate	(5.53)%	6.93 %	7.08 %	9.20 %
Real Estate Composite Benchmark	(12.00)	2.47	2.56	5.82
Energy, Natural Resources & Infrastructure	11.81	14.27	8.32	N/A
Energy, Natural Resources & Infrastructure Composite Benchmark	6.66	11.89	7.58	N/A
Commodities	1.10	1.75	12.34	(5.87)
Commodities Composite Benchmark	15.01	12.69	8.28	(3.12)
<b>Total Real Return</b>	<b>(0.47)%</b>	<b>9.00 %</b>	<b>7.48 %</b>	<b>7.84 %</b>
<b>Real Return Composite Benchmark</b>	<b>(6.56)%</b>	<b>5.27 %</b>	<b>4.10 %</b>	<b>5.35 %</b>
<b>Risk Parity</b>	<b>10.48 %</b>	<b>(2.18)%</b>	<b>1.87 %</b>	<b>3.49 %</b>
<b>Risk Parity Benchmark</b>	<b>8.40 %</b>	<b>(4.58)%</b>	<b>1.75 %</b>	<b>3.31 %</b>
<b>Investment Exposure</b>	<b>8.41 %</b>	<b>3.16 %</b>	<b>7.08 %</b>	<b>N/A</b>
<b>Investment Exposure Benchmark</b>	<b>5.09 %</b>	<b>1.71 %</b>	<b>6.21 %</b>	<b>N/A</b>
<b>Asset Allocation Leverage</b>				
Cash	6.63 %	4.10 %	2.77 %	2.60 %
Cash Composite Benchmark	5.64	3.17	2.22	1.54
<b>TRS</b>	<b>9.03 %</b>	<b>3.46 %</b>	<b>7.50 %</b>	<b>7.12 %</b>
<b>Custom Benchmark</b>	<b>5.70 %</b>	<b>1.73 %</b>	<b>6.36 %</b>	<b>6.37 %</b>

## Time-Weighted Returns as of June 30, 2024



## 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, 2024 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, 2024. The amount of fees paid from the Pension Trust Fund and booked as expenses for the fiscal year ended August 31, 2024, which appear in Exhibit II and Schedule 1 as External Manager Fees, amounted to \$80,579,857, which includes \$35,106,078 in management fees and \$45,473,779 in performance fees.

<b>Table 8: Investment Manager Fees</b>					
<b>For the Twelve Months Ended June 30, 2024</b>					
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
<b>Global Equity</b>					
USA	\$ 34,349,811,505	\$ 19,605,568	\$ 13,315,268	\$ 78,697,775	\$ 148,195,886
Non-US Developed	24,306,143,029	7,935,785	5,722,896	43,126,827	112,604,980
Emerging Markets*	17,893,788,483	(2,330,430)	14,602,600	29,461,360	93,997,141
Private Equity	33,676,106,203			236,821,025	275,880,060
<b>Total Global Equity</b>	<b>\$ 110,225,849,220</b>	<b>\$ 25,210,923</b>	<b>\$ 33,640,764</b>	<b>\$ 388,106,987</b>	<b>\$ 630,678,067</b>
<b>Stable Value</b>					
Government Bonds	\$ 27,643,372,496	\$ 1,388,602	\$ 3,860,174	\$	\$
Absolute Return	7,315,961,236	184,281	512,283	18,044,194	15,969,413
Stable Value Hedge Funds	10,016,885,284			146,506,414	114,550,722
<b>Total Stable Value</b>	<b>\$ 44,976,219,016</b>	<b>\$ 1,572,883</b>	<b>\$ 4,372,457</b>	<b>\$ 164,550,608</b>	<b>\$ 130,520,135</b>
<b>Real Return</b>					
Real Estate	\$ 29,347,490,906	\$ 1,360,900	\$ 7,460,557	\$ 225,768,316	\$ 79,392,726
Energy, Natural Resources & Infrastructure	13,836,256,213			99,626,142	58,647,147
Commodities	235,541,193				
<b>Total Real Return</b>	<b>\$ 43,419,288,312</b>	<b>\$ 1,360,900</b>	<b>\$ 7,460,557</b>	<b>\$ 325,394,458</b>	<b>\$ 138,039,873</b>
<b>Total Risk Parity</b>	<b>\$ 14,705,946,054</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 21,695,574</b>	<b>\$ —</b>
Asset Allocation Leverage	\$ (14,362,269,181)				
Cash	4,727,734,487				
<b>Total Asset Allocation Leverage</b>	<b>\$ (9,634,534,694)</b>				
<b>Total Fund</b>	<b>\$ 203,692,767,908</b>	<b>\$ 28,144,706</b>	<b>\$ 45,473,778</b>	<b>\$ 899,747,627</b>	<b>\$ 899,238,075</b>

\* The management fees paid from the Trust would have been \$8,698,086 without an adjustment.

### External Managers

TRS engages investment managers to administer and search for investment opportunities in the private markets. As of August 31, 2024, the names of these investment managers are listed in Table 9.

**Table 9: External Managers**

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

**Table 9: External Managers (Continued)**

Lion Capital	PDT Partners	Temerity Strategic Partners
Lionstone	Peak Rock Capital	The Davis Companies
Lone Star	Pennybacker Capital	Theleme Partners LLP
LuminArx	Permira	Thoma Bravo
Luxor Capital Group	Pershing Square Capital	TPG Capital
Mack Real Estate Group	PGIM Real Estate	Tricon Capital Group
Macquarie Asset Management	Pharo Management	Trinity Hunt Partners
Madison International Realty	Pickering Energy Partners	Trinsic Residential Group
Madrone Reinsurance Partners	Platinum Equity	Tristan Capital Partners
Magnetar	Polaris Venture Partners	Triton Capital Partners
Man Group	Pollen Street Capital	Two Sigma Investments
Marathon Asset Management	Principal Global Investors	Valeas Capital Partners
Marshall Wace	Providence Equity Partners	Vaughan Nelson
Mesarete Capital LLP	Providence Strategic Growth Capital Partners	Verition
Millennium Management	QEP Advisers LLC	Vista Equity Partners
Monashee Capital	Readystate Asset Management	Voss Capital
Morgan Creek Capital Partners	Related Fund Management	Walton Street Capital
Morgan Stanley	Reservoir Capital Group	Warburg Pincus
Nautic Partners	REVCAP Advisors	Wayzata Investment Partners
Neuberger Berman	Ridgewood Energy	Wellington
New Enterprise Associates	Riverbend Energy	Westbrook Partners
NGP Energy Capital Management	Riverstone Holdings	Wheelock Street Capital
Nordic Capital	Roark Capital Group	Whitebox Advisors
Normandy Real Estate Partners	Rock Creek Group	WindAcre
North Island Ventures	Senator Investment Group	Wolverine Asset Management
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	Stellex Capital Management	
Oxbow Capital Management	StepStone Group	
Pacific Coast Capital Partners	Stockbridge Capital Group	
Pacific Investment Management Company LLC	Stonepeak Partners	
PAG Investment Advisors	Stratford Company	
PAI Partners	Systematica Investment Management	
Paine Schwartz Partners	TA Associates	
Patria Inestimentos	Tallvine Partners	
Pavus Asset Management	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, 2024. Over 8.1 billion shares were traded by 138 brokers, and commissions paid amounted to \$38,933,980.

For the fiscal year ended August 31, 2024, a portion of the total commissions was paid through various Commission Sharing Arrangements (CSA) and Commission Recapture Arrangements (CRA). CSA proceeds generated \$3,572,526 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 \$5,950,810. CRA proceeds generated \$15,248 and were not used to acquire any services. Unspent CSA proceeds, totaling \$2,605,689, and unspent CRA proceeds, totaling \$20,699, 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. For fiscal year 2024, the Fund did not receive any benefit from this arrangement.

<b>Brokerage Firm</b>	<b>Shares Traded*</b>	<b>Commissions Paid**</b>
Goldman Sachs & Co., LLC	443,336,190	\$ 4,500,228
Citigroup Global Markets, Inc.	872,686,858	3,344,807
Morgan Stanley & Co., LLC	749,047,388	3,315,426
J.P. Morgan Securities, LLC	539,957,841	2,598,585
Jefferies, LLC	566,897,973	2,441,848
CLSA	514,865,515	1,888,039
BNY Mellon Capital Markets, LLC	478,838,870	1,722,432
Joh. Berenberg, Gossler & Co. KG	47,947,375	1,624,552
Goldman Sachs International	101,578,343	1,591,255
SMBC Nikko Capital Markets Limited	85,050,766	1,095,087
Summary of remaining 128 brokerage firms	3,715,229,510	14,811,721
<b>Total</b>	<b>8,115,436,629</b>	<b>\$ 38,933,980</b>

\* Shares traded exclude transactions with \$0 commissions paid.  
 \*\* Commissions paid per share is less than \$0.01.

<b>Table 11: Broker Commissions by Asset Class for the Fiscal Year Ended August 31, 2024</b>		
<b>Asset Class</b>	<b>Shares Traded*</b>	<b>Commissions Paid**</b>
<b>Global Equity</b>		
USA	615,390,389	\$ 5,825,667
Non-US Developed	2,660,803,300	18,042,407
Emerging Markets	4,720,688,589	12,424,404
Private Equity	14,890,025	142,451
<b>Total Global Equity</b>	<b>8,011,772,303</b>	<b>\$ 36,434,929</b>
<b>Stable Value</b>		
Government Bonds	228,348	\$ 339,659
Absolute Return	5,080,800	38,258
<b>Total Stable Value</b>	<b>5,309,148</b>	<b>\$ 377,917</b>
<b>Real Return</b>		
Real Estate	61,338,920	\$ 624,965
Energy, Natural Resources & Infrastructure	5,842,538	60,169
Commodities	29,744,549	350,708
<b>Total Real Return</b>	<b>96,926,007</b>	<b>\$ 1,035,842</b>
<b>Risk Parity</b>	<b>1,429,171</b>	<b>\$ 1,085,292</b>
<b>Total Risk Parity</b>	<b>1,429,171</b>	<b>\$ 1,085,292</b>
<b>Total</b>	<b>8,115,436,629</b>	<b>\$ 38,933,980</b>
* 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. The performance metrics is a combination of investment performance against established benchmarks and selected peer groups, as well as qualitative performance based on participants' job performance. The weights of these metrics vary by participants' investment title.

The Trust's investment performance returns are determined based on 33% of one-year and 67% of three-year returns. However, the weights are adjusted to prorate between the years that the returns are available if the return history is less than 3 years. The weight is 100% if only one year history is available.

The award payout schedule is one year. Potential awards 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.

Since the Trust did not have a positive return during the 2021-2022 Plan year, no payment was paid until Fiscal Year 2024 when the Trust had a positive return for the Plan Year 2022 – 2023. The payments made in Fiscal Year 2024 are summarized as follows:

<b>Table 12: Summary of Performance Pay Plan</b>				
<b>From Plan Years</b>		<b>Amount (US Dollar)</b>		<b>Amount (British Pound)</b>
2020-2021: Remaining 50%	\$	7,747,412		N/A
2021-2022: (100%)		16,574,348	£	71,344
2022-2023: (100%)		30,550,532		369,417
<b>Total</b>	<b>\$</b>	<b>54,872,292</b>	<b>£</b>	<b>440,761</b>

As of August 31, 2024, the contingent liability of potential PPP awards for Plan Year 2023 – 2024 is projected not to exceed \$54.5 million.

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# ACTUARIAL SECTION



TRS paid

**\$16**  
**MILLION**

per day in medical  
and pharmacy  
claims in 2024



*To read more of the TRS  
story, scan the QR code.*



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**Pension Trust Fund Actuarial Information**

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November 21, 2023

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, 2023**

We certify that the information included herein and contained in the 2023 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, 2023. This report was prepared at the request of the Board of Trustees (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 is an Enrolled Actuary, a member of the American Academy of Actuaries and is 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 State 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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Board of Trustees  
November 21, 2023  
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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 (UAAL) over a reasonable time.

The 2019 Legislature increased contribution rates for the State, employers, and the members in a phased-in schedule that will end in Fiscal Year 2025. The State's base rate of 8.00% in Fiscal Year 2023 will become 8.25% by Fiscal Year 2024. In addition, covered public education employers contributed 1.80% of salary (capped at the minimum salary schedule) in Fiscal Year 2023 and this will increase to 1.90% in Fiscal Year 2024 and 2.00% in Fiscal Year 2025. These employer contributions are assumed to be approximately 1.21% of total payroll at the end of the phase-in. Combined, these contributions are ultimately assumed to approximate 9.46% of total payroll. Over the same 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 0.08% of total payroll. As a result, for Fiscal Year 2025 and thereafter, the Fund is expected to receive a total contribution rate of 17.79% of pay. All funding calculations in this report assume the rate will remain at that level thereafter.

In 2019, the Board adopted a funding policy per Texas Government Code Sec. 802.2011. In it, the Board states that a *"declining UAAL 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 decreasing, how soon before it is expected to begin to do so.

**PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVE**

Based on this actuarial valuation as of August 31, 2023, the Fund's UAAL has increased to \$57.9 billion compared to \$51.7 billion as of August 31, 2022. The primary reason for the increase was continued recognition of the investment performance for Fiscal Year 2022 which produced a loss on the actuarial value of assets of \$3.7 billion. In addition, there was an approximate \$2 billion 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 and recent inflation.

The total contribution rate pattern discussed above is sufficient to pay this normal cost and amortize the current UAAL of the Fund 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).

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However, based on the contribution schedule established in 2019, the UAAL was anticipated to grow in nominal dollars through 2028 before beginning to decline annually after that. As of 2023, the UAAL is \$3.7 billion greater than originally projected in the 2019 Legislative impact statement for SB12 and is currently expected to peak in 2031. This difference is mainly due to the change in the assumed investment return in 2021, but also due to the cumulative impact of other adverse experience, notably salary increases being higher than expected. Thus, at this time the UAAL is not expected to begin to decrease in the next five years. Per the Board's policy, a contribution rate increase of 0.93% of payroll is necessary beginning in Fiscal Year 2025 for the UAAL to be expected to begin decreasing. Alternatively, a legacy payment structure, similar to the one passed in HB 600 in the 88<sup>th</sup> Legislative Session, would also be expected to move the UAAL towards full amortization, although it would take longer than five years before the UAAL would begin to decline.

The actuarial valuation report as of August 31, 2023 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 77.5%, decreasing from 79.0% 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.

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

#### **PLAN PROVISIONS**

The plan provisions used in the actuarial valuation are described in Appendix 1 of the valuation report. Except as noted below, there have been no changes to the ongoing benefit provisions of the Fund since the prior valuation.

The 88<sup>th</sup> Texas Legislature (2023) passed two benefit enhancements for retired public education employees. The first was a one-time stipend to be paid in the fall of 2023. The legislation also provided for a one-time contribution expected to equal to the total amount of the stipend. The second enhancement is an ad hoc COLA which would permanently increase the benefits of certain retirees. However, this benefit increase was contingent upon an amendment to the Texas Constitution. The election for this amendment took place in November of 2023. With the passage of the constitutional amendment, the COLA will now be paid to the retirees but an additional contribution equal to the present value of the COLA will be made from the State's general fund in Fiscal Year 2024. Since both benefit enhancements and the one-time contributions to pay for them will occur after the valuation date (and because the one-time contributions offset the additional

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November 21, 2023  
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liabilities of the benefit increases), they are not reflected in the valuation results and are not expected to impact future results.

#### **DISCLOSURE OF PENSION INFORMATION**

Beginning with Fiscal Year 2014, the Fund began reporting financial information in accordance with 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 based upon our analysis and recommendations. These assumptions and methods are detailed in Appendix 2 of this valuation report. 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 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 (ASOP) issued by the Actuarial Standards Board (ASB) 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, 2023 by the TRS staff. The staff also supplied asset information as of August 31, 2023. 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' 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 2023 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



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**Actuarial Disclosure**

The Actuarial Section is based on a valuation as of August 31, 2023.

**Table 1: Actuarial Present Value of Future Benefits**  
(With Comparative Data for August 31, 2022)

	2023	2022
<b>Present Value of Benefits Presently Being Paid</b>		
Service Retirement Benefits	\$ 121,228,651,468	\$ 116,831,601,519
Disability Retirement Benefits	1,253,162,105	1,268,694,353
Death Benefits	1,134,410,754	1,101,317,268
Present Survivor Benefits	372,296,035	359,855,389
<b>Total Present Value of Benefits Presently Being Paid</b>	<b>\$ 123,988,520,362</b>	<b>\$ 119,561,468,529</b>
<b>Present Value of Benefits Payable in the Future to Present Active Members</b>		
Service Retirement Benefits	\$ 153,452,492,658	\$ 145,250,741,563
Disability Retirement Benefits	5,411,262,155	4,844,260,984
Termination Benefits	18,201,090,371	16,859,685,949
Death and Survivor Benefits	2,634,107,756	2,492,915,908
<b>Total Active Member Liabilities</b>	<b>\$ 179,698,952,940</b>	<b>\$ 169,447,604,404</b>
<b>Present Value of Benefits Payable in the Future to Present Inactive Members</b>		
Inactive Vested Participants	\$ 7,103,073,295	\$ 6,446,570,982
Refunds of Contributions to Inactive Non-vested Members	1,138,614,072	1,070,097,132
Future Survivor Benefits Payable On Behalf of Present Annuitants	1,995,830,968	1,927,287,686
<b>Total Inactive Liabilities</b>	<b>\$ 10,237,518,335</b>	<b>\$ 9,443,955,800</b>
<b>Total Actuarial Present Value of Future Benefits</b>	<b>\$ 313,924,991,637</b>	<b>\$ 298,453,028,733</b>

**Table 2: Summary of Cost Items**  
(With Comparative Data for August 31, 2022)

	2023	2022
Present Value of Future Benefits	\$ 313,924,991,637	\$ 298,453,028,733
Present Value of Future Normal Costs	(56,381,732,199)	(52,892,062,383)
<b>Actuarial Accrued Liability</b>	<b>\$ 257,543,259,438</b>	<b>\$ 245,560,966,350</b>
Actuarial Value of Assets	\$ (199,663,655,982)	\$ (193,908,589,662)
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ 57,879,603,456</b>	<b>\$ 51,652,376,688</b>

### 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, 2024 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, 2023 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 2023 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.

<b>Table 3: Post Retirement Mortality Projections</b>			
<b>Age</b>	<b>Male Members</b>		<b>Female Members</b>
40	0.000595		0.000408
50	0.001734		0.001067
60	0.005887		0.004147
70	0.012897		0.008246
80	0.043322		0.029884
90	0.155022		0.114234
100	0.377793		0.315134
110	0.559043		0.507609
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.

<b>Table 4: Assumed Retirement Age</b>					
<b>Normal Retirement</b>			<b>Early Retirement</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
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.

<b>Table 5: Probability of Decrement Due to Disability</b>		
<b>Age</b>	<b>For Service &gt;= 10</b>	<b>For Service &lt; 10</b>
	<b>Male/Female</b>	<b>Male/Female</b>
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.

<b>Table 6: Probability of Decrement Due to Death *</b>		
<b>Age</b>	<b>Male Members</b>	<b>Female Members</b>
20	0.000243	0.000109
30	0.000285	0.000142
40	0.000561	0.000335
50	0.001508	0.000779
60	0.003629	0.001710
70	0.009714	0.005238
80	0.036378	0.020075
90	0.157653	0.095668

\*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 UMP 2021 to account for future mortality improvements.

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

<b>Table 7: Probability of Decrement Due to Termination</b>	
<b>Years of Service</b>	<b>Male/Female Members</b>
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.

<b>Table 8: Rates of Salary Increase Due to Merit and Promotion</b>			
<b>Years of Service</b>	<b>Merit, Promotion, Longevity</b>	<b>General</b>	<b>Total</b>
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.

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.

### **Independent Actuarial Review**

Texas Government Code 825.206 (f) requires TRS to audit its actuarial valuation (AV) at least every five years, or in conjunction with an actuarial experience study. On December 8, 2023, the Board of Trustees passed a resolution to select a firm through a competitive bid process to conduct the required actuarial valuation audit and selected Milliman, Inc., to audit the August 31, 2023, actuarial valuation performed by Gabriel, Roeder, Smith, and Company (GRS) for TRS.

Milliman's audit aimed to independently calculate the results of the August 31, 2023, actuarial valuation and assumptions used, providing an opinion on the reasonableness and accuracy of the actuarial assumptions, cost methods, valuation results, and contribution rates. Milliman's review concluded that the August 31, 2023, actuarial valuation of TRS was reasonable. The actuarial valuation report was based on reasonable assumptions and methods and complies with Actuarial Standards of Practice. Recommendations were made to enhance future actuarial valuation reports to improve overall communication and disclosure. The full audit report and the 2023 actuarial valuation are available on the TRS website.

### **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 12.10 percent of pay. This amount includes employee contributions and an adjustment to cover annual administrative expenses. It is estimated that administrative expense 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 2024, the total normal cost is 12.24 percent of pay and the net employer normal cost is 3.99 percent of pay based on the fiscal year 2024 member contribution rate of 8.25 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 29 years (assuming all actuarial assumptions are exactly 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
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
2023	953,293	54,434,937	57,102	2.6	1,350

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

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		
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
2023	28,283	773,088,024	14,314	285,168,950	489,921	12,349,109,350	25,206	4.1

The analysis of financial trends is shown in Table 11.

As of August 31	Investment Gains/ (Losses)	Contribution Experience	Assumption Changes	Liability Experience	Net Increase/ (Decrease)	Beginning UAAL	Ending UAAL
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
2023	(3.731)	0.805		(1.691)	6.228	51.652	57.880

\*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.

<b>Table 12: Solvency Test (Dollars in Millions)</b>								
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)	
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
2023	48,096	125,984	83,463	199,664	100	100		30.7

**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.

<b>Table 13: Schedule of Funding Progress (Dollars in Millions)</b>							
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]	
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	
2023	199,664	257,543	57,880	77.5	57,785	100.2	

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**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 2, 2023

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, 2023 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, 2022. Update procedures were used to roll forward the total OPEB liability to August 31, 2023. 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 Retirees and Beneficiaries Added and Removed from Rolls

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

Board of Trustees  
Teacher Retirement System of Texas  
November 2, 2023  
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 \$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 a favorable claims experience.

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, 2023.

**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*		
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
2023	12,104	100,377,443	14,305	49,149,837	219,572	816,330,849	1.2	3,718

\* 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



TRS is the  
**6<sup>th</sup>**  
largest public  
pension fund in the  
country.



*To watch this TRS member  
story, scan the QR code.*



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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:

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Revenues, Expenses, and Changes in Net Position - TRS-ActiveCare .....	158
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## 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:

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

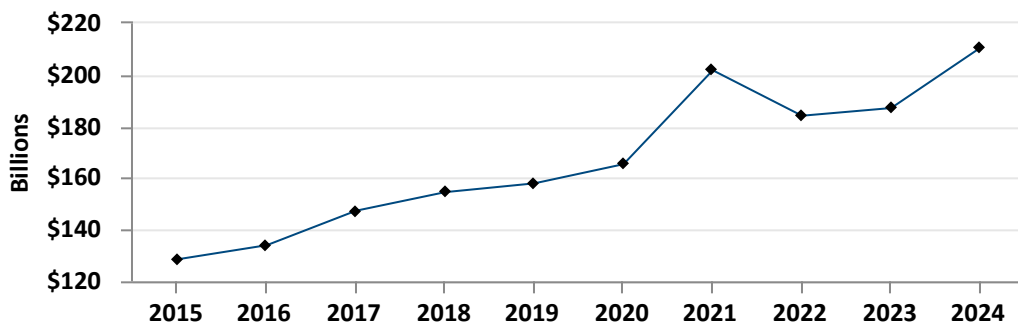
**Changes in Fiduciary Net Position**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

	2024	2023	2022	2021
<b>Additions</b>				
Member Contributions	\$ 4,921,798,309	\$ 4,492,518,277	\$ 4,213,621,873	\$ 3,839,243,646
Non-Employer Contributing Entity Contributions	2,487,915,776	2,284,112,296	2,158,359,554	1,883,257,341
Supplemental Appropriation - Non-Employer Contributing Entity				261,000,000
Employer Contributions	3,151,326,299	2,859,869,972	2,504,170,115	2,124,027,701
Purchase of Service Credit	48,033,531	53,930,495	51,266,001	70,618,789
Contributions from ERS	33,311,509	32,321,050	30,915,887	29,400,741
Net Investment Income	23,789,442,449	6,885,962,989	(13,383,750,566)	40,512,139,247
Supplemental Funding - Appropriations	5,000,000,000		701,100,535	
Gain on Capital Assets	27,156,818	46,564,222		
Miscellaneous Revenue	1,158,272	971,611	5,953,359	3,130,786
<b>Total Additions</b>	<b>\$ 39,460,142,963</b>	<b>\$ 16,656,250,912</b>	<b>\$ (3,718,363,242)</b>	<b>\$ 48,722,818,251</b>
<b>Deductions</b>				
Benefits	\$ 15,118,754,650	\$ 12,744,916,100	\$ 13,130,573,776	\$ 11,689,780,302
Refunds of Contributions	744,483,839	707,816,831	579,461,885	449,135,634
Service Contributions Transferred to ERS	125,380,115	121,931,871	117,818,933	112,530,025
Other Post-Employment Benefits Expense	14,084,381	12,241,646	12,595,488	9,255,187
Administrative Expenses, Excluding Investing Activity Expenses	84,717,041	85,187,739	62,052,780	71,359,850
<b>Total Deductions</b>	<b>\$ 16,087,420,026</b>	<b>\$ 13,672,094,187</b>	<b>\$ 13,902,502,862</b>	<b>\$ 12,332,060,998</b>
<b>Net Increase (Decrease)</b>	<b>\$ 23,372,722,937</b>	<b>\$ 2,984,156,725</b>	<b>\$ (17,620,866,104)</b>	<b>\$ 36,390,757,253</b>
Beginning Net Position	\$ 187,170,535,558	\$ 184,185,617,196	\$ 201,807,002,496	\$ 165,416,245,243
Prior Period Adjustments		761,637	(519,196)	
Beginning Net Position, as Restated	\$ 187,170,535,558	\$ 184,186,378,833	\$ 201,806,483,300	\$ 165,416,245,243
<b>Ending Net Position</b>	<b>\$ 210,543,258,495</b>	<b>\$ 187,170,535,558</b>	<b>\$ 184,185,617,196</b>	<b>\$ 201,807,002,496</b>

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



2020	2019	2018	2017	2016	2015
\$ 3,736,877,464	\$ 3,482,869,726	\$ 3,360,773,197	\$ 3,242,556,261	\$ 2,943,669,320	\$ 2,576,024,311
1,848,502,439	1,741,178,188	1,715,784,550	1,697,962,608	1,675,631,248	1,591,482,988
263,000,000					
2,016,481,636	1,761,821,902	1,671,257,303	1,588,309,345	1,483,389,348	1,377,972,653
46,272,689	42,205,185	41,538,371	55,092,741	37,389,534	50,089,106
27,607,824	26,464,135	27,670,302	24,974,328	23,950,878	21,205,594
11,068,916,613	7,669,028,874	11,242,813,657	17,079,807,347	9,193,280,560	(412,759,100)
	588,827,787				
10,266,475	3,844,018	8,108,248	1,299,284	1,993,029	3,733,133
<b>\$ 19,017,925,140</b>	<b>\$ 15,316,239,815</b>	<b>\$ 18,067,945,628</b>	<b>\$ 23,690,001,914</b>	<b>\$ 15,359,303,917</b>	<b>\$ 5,207,748,685</b>
\$ 10,975,638,999	\$ 11,256,781,486	\$ 10,176,447,093	\$ 9,778,497,039	\$ 9,382,696,876	\$ 8,937,328,045
421,366,179	486,460,902	422,335,740	420,421,056	373,418,687	391,341,181
108,003,549	103,044,924	97,333,401	93,609,174	88,854,383	84,059,353
7,734,365	4,438,264	4,380,304			
67,135,880	60,485,645	64,926,169	44,189,998	44,402,710	35,556,979
<b>\$ 11,579,878,972</b>	<b>\$ 11,911,211,221</b>	<b>\$ 10,765,422,707</b>	<b>\$ 10,336,717,267</b>	<b>\$ 9,889,372,656</b>	<b>\$ 9,448,285,558</b>
<b>\$ 7,438,046,168</b>	<b>\$ 3,405,028,594</b>	<b>\$ 7,302,522,921</b>	<b>\$ 13,353,284,647</b>	<b>\$ 5,469,931,261</b>	<b>\$ (4,240,536,873)</b>
\$ 157,978,199,075	\$ 154,568,901,833	\$ 147,361,922,120	\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085
	4,268,648	(95,543,208)			
\$ 157,978,199,075	\$ 154,573,170,481	\$ 147,266,378,912	\$ 134,008,637,473	\$ 128,538,706,212	\$ 132,779,243,085
<b>\$ 165,416,245,243</b>	<b>\$ 157,978,199,075</b>	<b>\$ 154,568,901,833</b>	<b>\$ 147,361,922,120</b>	<b>\$ 134,008,637,473</b>	<b>\$ 128,538,706,212</b>

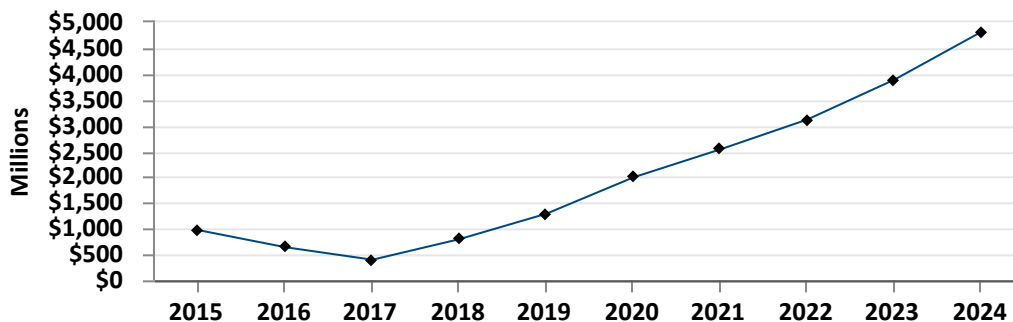
**Changes in Fiduciary Net Position**

**TRS-Care**

For Fiscal Years Ended August 31

	2024	2023	2022	2021
<b>Additions</b>				
Member Contributions	\$ 290,204,743	\$ 277,468,284	\$ 263,328,449	\$ 250,413,572
Non-Employer Contributing Entity - State Contributions	505,172,755	474,356,993	451,341,296	447,337,574
Employer Contributions	404,082,886	393,951,333	370,735,616	334,027,999
Supplemental Appropriation - Non-Employer Contributing Entity				
Federal Revenue	221,928,259	188,172,734	141,003,332	173,912,657
Rebate and Discount Income	645,294,092	578,020,367	508,931,631	416,754,264
Supplemental Funding - Appropriations		21,285,114	83,000,000	5,520,343
Investment Income	202,197,474	130,069,098	13,537,557	9,226,940
Miscellaneous Revenue	15,132,300	40,306,480	28,359,830	
<b>Total Additions</b>	<b>\$ 2,284,012,509</b>	<b>\$ 2,103,630,403</b>	<b>\$ 1,860,237,711</b>	<b>\$ 1,637,193,349</b>
<b>Deductions</b>				
Health Care Claims	\$ 1,898,949,514	\$ 1,781,336,522	\$ 1,635,849,839	\$ 1,553,439,820
Less: Health Care Premiums Paid by Retirees	(583,752,411)	(502,154,458)	(399,788,260)	(533,595,349)
Health Care Claims Processing and Other	18,797,385	29,815,788	27,009,784	51,028,376
Insurance Premium Payments	5,051	5,051	5,998	15,489,580
Administrative Expenses	23,131,862	22,799,515	18,465,602	7,906,384
<b>Total Deductions</b>	<b>\$ 1,357,131,401</b>	<b>\$ 1,331,802,418</b>	<b>\$ 1,281,542,963</b>	<b>\$ 1,094,268,811</b>
<b>Net Increase (Decrease)</b>	<b>\$ 926,881,108</b>	<b>\$ 771,827,985</b>	<b>\$ 578,694,748</b>	<b>\$ 542,924,538</b>
Beginning Net Position	\$ 3,889,765,203	\$ 3,117,937,218	\$ 2,539,242,470	\$ 1,996,317,932
Prior Period Adjustments				
Beginning Net Position, as Restated	\$ 3,889,765,203	\$ 3,117,937,218	\$ 2,539,242,470	\$ 1,996,317,932
<b>Ending Net Position</b>	<b>\$ 4,816,646,311</b>	<b>\$ 3,889,765,203</b>	<b>\$ 3,117,937,218</b>	<b>\$ 2,539,242,470</b>

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



	2020	2019	2018	2017	2016	2015
\$	243,532,120	\$ 227,338,454	\$ 221,325,377	\$ 213,241,179	\$ 208,581,990	\$ 198,196,273
	435,768,774	404,936,501	395,588,628	303,760,632	297,070,920	281,098,358
	324,973,591	305,363,084	296,098,420	215,360,520	212,936,351	202,976,470
		73,641,562		15,559,552		768,100,754
	186,169,146	220,783,898	103,402,579	101,718,551	124,739,649	126,806,652
	423,426,202	356,439,596	284,291,173	291,725,635	218,995,436	231,569,472
	230,756,971		394,600,000			
	25,536,560	25,046,771	10,127,259	4,696,973	5,421,446	1,495,680
	17,879		803,022	529,020	89,388	
<b>\$</b>	<b>1,870,181,243</b>	<b>\$ 1,613,549,866</b>	<b>\$ 1,706,236,458</b>	<b>\$ 1,146,592,062</b>	<b>\$ 1,067,835,180</b>	<b>\$ 1,810,243,659</b>
\$	1,538,211,599	\$ 1,515,397,609	\$ 1,593,381,709	\$ 1,678,892,217	\$ 1,651,712,836	\$ 1,554,181,197
	(499,057,861)	(517,965,033)	(488,069,004)	(404,027,710)	(374,736,269)	(369,066,459)
	68,252,843	44,868,838	80,585,608	46,931,559	48,361,151	47,380,407
	51,410,469	71,794,507	83,828,910	61,792,671	69,228,872	59,000,081
	7,068,610	6,006,229	6,672,488	4,953,492	4,701,677	3,769,680
<b>\$</b>	<b>1,165,885,660</b>	<b>\$ 1,120,102,150</b>	<b>\$ 1,276,399,711</b>	<b>\$ 1,388,542,229</b>	<b>\$ 1,399,268,267</b>	<b>\$ 1,295,264,906</b>
<b>\$</b>	<b>704,295,583</b>	<b>\$ 493,447,716</b>	<b>\$ 429,836,747</b>	<b>\$ (241,950,167)</b>	<b>\$ (331,433,087)</b>	<b>\$ 514,978,753</b>
\$	1,292,022,349	\$ 798,574,633	\$ 399,535,986	\$ 641,486,153	\$ 972,919,240	\$ 457,940,487
			(30,798,100)			
\$	1,292,022,349	\$ 798,574,633	\$ 368,737,886	\$ 641,486,153	\$ 972,919,240	\$ 457,940,487
<b>\$</b>	<b>1,996,317,932</b>	<b>\$ 1,292,022,349</b>	<b>\$ 798,574,633</b>	<b>\$ 399,535,986</b>	<b>\$ 641,486,153</b>	<b>\$ 972,919,240</b>

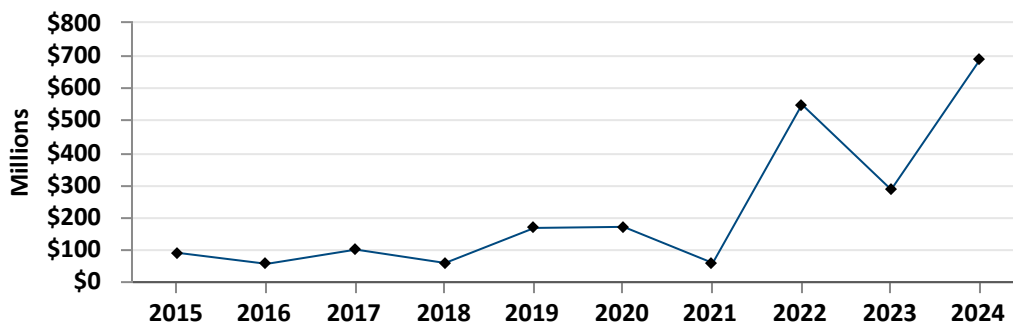
**Revenues, Expenses, and Changes in Net Position**

**TRS-ActiveCare**

For the Fiscal Years Ended August 31

	2024	2023	2022	2021
<b>Revenues</b>				
Health Care Premiums	\$ 1,907,469,935	\$ 1,830,920,436	\$ 2,044,855,892	\$ 2,031,686,347
Rebate and Discount Income	289,318,116	227,883,761	174,729,133	147,047,176
Administrative Fees and Non-Operating Revenue				142,718
Investment Income	48,200,848	27,739,321	1,656,096	2,121,724
Supplemental Funding - Appropriations	588,518,000		638,337,761	
<b>Total Revenues</b>	<b>\$ 2,833,506,899</b>	<b>\$ 2,086,543,518</b>	<b>\$ 2,859,578,882</b>	<b>\$ 2,180,997,965</b>
<b>Expenses</b>				
Health Care Claims	\$ 2,276,218,388	\$ 2,192,774,626	\$ 2,151,584,283	\$ 2,041,118,606
Health Care Claims Processing and Other	76,403,986	68,514,436	65,957,031	74,546,983
Premium Payments to HMOs	72,524,931	83,782,801	146,752,232	173,297,782
Administrative Expenses	3,719,750	5,174,665	3,988,314	4,090,985
<b>Total Expenses</b>	<b>\$ 2,428,867,055</b>	<b>\$ 2,350,246,528</b>	<b>\$ 2,368,281,860</b>	<b>\$ 2,293,054,356</b>
<b>Change in Net Position</b>	<b>\$ 404,639,844</b>	<b>\$ (263,703,010)</b>	<b>\$ 491,297,022</b>	<b>\$ (112,056,391)</b>
Beginning Net Position	\$ 283,836,965	\$ 547,539,975	\$ 56,242,953	\$ 168,299,344
<b>Ending Net Position</b>	<b>\$ 688,476,809</b>	<b>\$ 283,836,965</b>	<b>\$ 547,539,975</b>	<b>\$ 56,242,953</b>

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



2020	2019	2018	2017	2016	2015
\$ 2,158,997,317	\$ 2,170,132,057	\$ 2,171,125,097	\$ 2,119,959,039	\$ 2,055,658,822	\$ 1,938,621,262
145,208,054	157,307,700	144,543,929	120,049,492	17,904,885	5,328,003
413,313	685,623	259,417	321,030	356,054	236,749
7,853,806	10,623,456	6,883,872	4,668,888	3,079,039	1,537,408
<b>\$ 2,312,472,490</b>	<b>\$ 2,338,748,836</b>	<b>\$ 2,322,812,315</b>	<b>\$ 2,244,998,449</b>	<b>\$ 2,076,998,800</b>	<b>\$ 1,945,723,422</b>
\$ 1,932,461,054	\$ 1,863,374,439	\$ 2,002,142,744	\$ 1,846,526,430	\$ 1,768,287,120	\$ 1,565,255,957
116,068,297	119,811,563	121,483,408	123,783,747	125,802,110	135,073,416
256,850,839	243,198,667	237,386,929	227,088,895	214,529,160	178,192,468
3,746,187	3,703,320	3,311,679	3,345,442	2,644,792	2,225,417
<b>\$ 2,309,126,377</b>	<b>\$ 2,230,087,989</b>	<b>\$ 2,364,324,760</b>	<b>\$ 2,200,744,514</b>	<b>\$ 2,111,263,182</b>	<b>\$ 1,880,747,258</b>
<b>\$ 3,346,113</b>	<b>\$ 108,660,847</b>	<b>\$ (41,512,445)</b>	<b>\$ 44,253,935</b>	<b>\$ (34,264,382)</b>	<b>\$ 64,976,164</b>
\$ 164,953,231	\$ 56,292,384	\$ 97,804,829	\$ 53,550,894	\$ 87,815,276	\$ 22,839,112
<b>\$ 168,299,344</b>	<b>\$ 164,953,231</b>	<b>\$ 56,292,384</b>	<b>\$ 97,804,829</b>	<b>\$ 53,550,894</b>	<b>\$ 87,815,276</b>

**Benefit and Refund Deductions from Net Position by Type**

**Pension Trust Fund**

For the Fiscal Years Ended August 31

	2024	2023	2022	2021
<b>Benefits</b>				
Service Retirements	\$ 14,178,741,202	\$ 11,898,734,057	\$ 12,015,079,659	\$ 10,881,357,829
Deferred Retirement Option	259,054	1,003,473	1,279,319	1,778,707
Partial Lump Sum Option	341,660,695	276,821,363	285,250,124	312,957,038
Disability Retirements	237,122,390	201,842,583	211,456,609	191,856,226
<b>Death and Survivor Benefits</b>				
Annual Salary	49,846,394	76,474,258	289,644,144	45,040,179
Survivor Annuities	145,091,256	144,888,040	167,196,397	127,921,344
Life Annuities	128,690,006	108,994,190	121,098,941	99,935,054
60 Monthly Payments	24,213,566	22,231,013	23,231,822	18,063,389
Remainder of Contributions	8,959,916	9,424,092	11,656,703	7,301,288
<b>Total Benefits</b>	<b>\$ 15,114,584,479</b>	<b>\$ 12,740,413,069</b>	<b>\$ 13,125,893,718</b>	<b>\$ 11,686,211,054</b>
<b>Refunds</b>				
Death	\$ 10,430,901	\$ 11,293,669	\$ 14,993,742	\$ 8,444,658
Separation	734,052,938	696,523,162	564,468,143	440,690,976
<b>Total Refunds</b>	<b>\$ 744,483,839</b>	<b>\$ 707,816,831</b>	<b>\$ 579,461,885</b>	<b>\$ 449,135,634</b>

**Benefit Deductions from Net Position by Type**

**TRS-Care**

For the Fiscal Years Ended August 31

	2024	2023	2022	2021
<b>Claims</b>				
Medical Claims and Insurance Premiums	\$ 607,421,361	\$ 590,230,636	\$ 551,757,337	\$ 605,096,859
Prescription Drugs	804,882,404	739,387,636	694,534,458	705,239,917
<b>Total Claims</b>	<b>\$ 1,412,303,765</b>	<b>\$ 1,329,618,272</b>	<b>\$ 1,246,291,795</b>	<b>\$ 1,310,336,776</b>

**Benefit Deductions from Net Position by Type**

**TRS-ActiveCare**

For Fiscal Years Ended August 31

	2024	2023	2022	2021
<b>Claims</b>				
Medical Claims and Insurance Premiums	\$ 1,815,187,212	\$ 1,768,883,147	\$ 1,838,495,829	\$ 1,790,208,094
Prescription Drugs	251,690,274	288,020,255	293,845,034	285,092,898
<b>Total Claims</b>	<b>\$ 2,066,877,486</b>	<b>\$ 2,056,903,402</b>	<b>\$ 2,132,340,863</b>	<b>\$ 2,075,300,992</b>

2020	2019	2018	2017	2016	2015
\$ 10,272,047,096	\$ 10,503,570,237	\$ 9,495,487,665	\$ 9,059,855,790	\$ 8,633,505,859	\$ 8,215,765,876
2,488,283	2,871,239	3,407,936	5,231,060	5,166,851	9,643,121
237,796,738	258,417,662	234,071,031	263,705,342	300,420,702	288,923,266
189,250,368	199,708,594	181,817,426	177,627,306	173,464,936	169,318,064
38,560,083	45,133,662	35,735,208	44,398,830	44,952,730	39,574,595
116,051,294	116,094,299	106,201,977	109,519,771	108,509,074	100,150,048
93,091,163	102,595,155	94,809,551	93,714,871	92,087,967	90,563,081
15,786,007	17,326,148	16,184,228	15,518,472	15,523,059	14,443,193
7,221,136	8,011,977	5,281,986	6,204,030	5,491,553	6,730,215
<b>\$ 10,972,292,168</b>	<b>\$ 11,253,728,973</b>	<b>\$ 10,172,997,008</b>	<b>\$ 9,775,775,472</b>	<b>\$ 9,379,122,731</b>	<b>\$ 8,935,111,459</b>
\$ 5,536,660	\$ 6,060,703	\$ 5,574,637	\$ 6,371,748	\$ 7,379,576	\$ 5,474,475
415,829,519	480,400,199	416,761,103	414,049,308	366,039,111	385,866,706
<b>\$ 421,366,179</b>	<b>\$ 486,460,902</b>	<b>\$ 422,335,740</b>	<b>\$ 420,421,056</b>	<b>\$ 373,418,687</b>	<b>\$ 391,341,181</b>

2020	2019	2018	2017	2016	2015
\$ 659,834,968	\$ 688,148,610	\$ 840,420,584	\$ 807,831,048	\$ 858,985,138	\$ 805,668,819
668,307,637	648,749,351	669,082,905	734,805,874	716,536,786	649,457,501
<b>\$ 1,328,142,605</b>	<b>\$ 1,336,897,961</b>	<b>\$ 1,509,503,489</b>	<b>\$ 1,542,636,922</b>	<b>\$ 1,575,521,924</b>	<b>\$ 1,455,126,320</b>

2020	2019	2018	2017	2016	2015
\$ 1,780,181,703	\$ 1,702,719,298	\$ 1,826,632,040	\$ 1,653,483,496	\$ 1,644,795,868	\$ 1,479,302,696
271,480,530	254,168,852	275,730,514	306,703,364	325,475,512	264,145,729
<b>\$ 2,051,662,233</b>	<b>\$ 1,956,888,150</b>	<b>\$ 2,102,362,554</b>	<b>\$ 1,960,186,860</b>	<b>\$ 1,970,271,380</b>	<b>\$ 1,743,448,425</b>

<b>Average Benefit Payments</b>							
<b>Pension Trust Fund</b>							
<b>Last Ten Fiscal Years</b>							
<b>Retirements Effective</b>	<b>Years of Credited Service</b>						
	<b>5-10</b>	<b>11-15</b>	<b>16-20</b>	<b>21-25</b>	<b>26-30</b>	<b>30+</b>	
<b>2024</b>							
Average Monthly Benefit*	\$ 536	\$ 1,046	\$ 1,782	\$ 2,474	\$ 3,512	\$ 4,530	
Average Final Average Salary	\$ 40,783	\$ 47,048	\$ 54,506	\$ 58,984	\$ 69,275	\$ 76,364	
Number of Retirees	2,521	2,182	3,230	3,873	4,663	3,787	
<b>2023</b>							
Average Monthly Benefit*	\$ 544	\$ 1,035	\$ 1,706	\$ 2,385	\$ 3,410	\$ 4,470	
Average Final Average Salary	\$ 40,993	\$ 46,125	\$ 52,757	\$ 57,010	\$ 67,079	\$ 74,777	
Number of Retirees	2,783	2,508	3,590	4,792	5,216	4,349	
<b>2022</b>							
Average Monthly Benefit*	\$ 513	\$ 1,037	\$ 1,664	\$ 2,305	\$ 3,272	\$ 4,342	
Average Final Average Salary	\$ 39,050	\$ 46,026	\$ 51,210	\$ 55,159	\$ 64,573	\$ 72,390	
Number of Retirees	2,736	2,542	3,863	5,355	5,874	5,016	
<b>2021</b>							
Average Monthly Benefit*	\$ 516	\$ 997	\$ 1,621	\$ 2,249	\$ 3,150	\$ 4,259	
Average Final Average Salary	\$ 39,374	\$ 44,323	\$ 50,428	\$ 53,696	\$ 61,963	\$ 70,815	
Number of Retirees	2,393	2,760	3,821	5,205	5,494	5,207	
<b>2020</b>							
Average Monthly Benefit*	\$ 522	\$ 997	\$ 1,619	\$ 2,272	\$ 3,155	\$ 4,317	
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	
<b>2019</b>							
Average Monthly Benefit*	\$ 491	\$ 966	\$ 1,544	\$ 2,161	\$ 3,142	\$ 4,229	
Average Final Average Salary	\$ 37,290	\$ 43,719	\$ 48,187	\$ 51,412	\$ 61,096	\$ 69,230	
Number of Retirees	2,159	2,613	3,318	4,358	4,542	4,068	
<b>2018</b>							
Average Monthly Benefit*	\$ 489	\$ 925	\$ 1,461	\$ 2,171	\$ 3,066	\$ 4,233	
Average Final Average Salary	\$ 36,802	\$ 42,880	\$ 46,298	\$ 51,604	\$ 59,756	\$ 69,066	
Number of Retirees	2,069	2,476	3,402	4,244	4,321	4,191	
<b>2017</b>							
Average Monthly Benefit*	\$ 455	\$ 885	\$ 1,438	\$ 2,121	\$ 3,023	\$ 4,139	
Average Final Average Salary	\$ 34,635	\$ 41,496	\$ 45,946	\$ 50,618	\$ 58,755	\$ 67,598	
Number of Retirees	2,211	2,451	3,522	4,331	4,568	4,632	
<b>2016</b>							
Average Monthly Benefit*	\$ 453	\$ 855	\$ 1,377	\$ 2,094	\$ 2,955	\$ 4,143	
Average Final Average Salary	\$ 33,904	\$ 40,401	\$ 44,703	\$ 50,295	\$ 57,750	\$ 67,429	
Number of Retirees	2,182	2,277	3,195	4,299	4,290	4,668	
<b>2015</b>							
Average Monthly Benefit*	\$ 433	\$ 841	\$ 1,374	\$ 2,051	\$ 2,910	\$ 4,080	
Average Final Average Salary	\$ 33,580	\$ 40,064	\$ 44,613	\$ 49,606	\$ 56,891	\$ 66,601	
Number of Retirees	2,274	2,234	3,101	4,131	4,391	4,412	

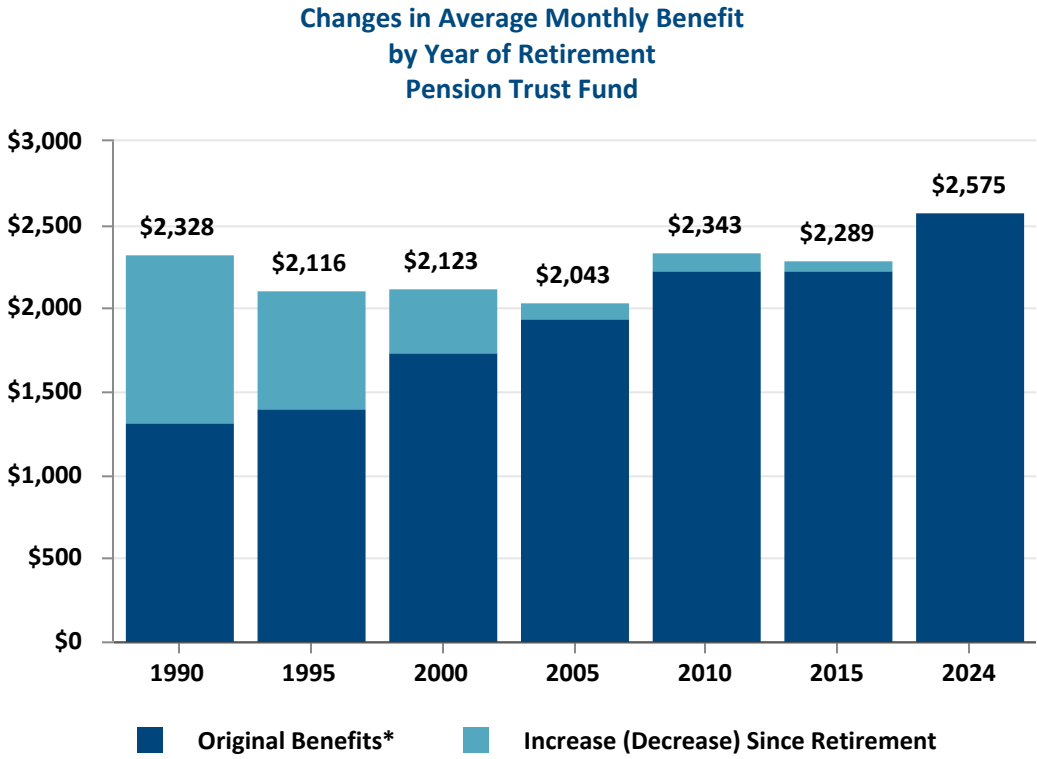
\*Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$288.9, \$300.4, \$263.7, \$234.1, \$258.4, \$237.8, \$313.0, \$285.3, \$276.8 and \$285.7 million in fiscal years 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024, respectively.

<b>Average Monthly Benefits Pension Trust Fund For Fiscal Years Ended August 31</b>							
	1990	1995	2000	2005	2010	2015	2024
<b>Benefits</b>							
Original Benefits*	\$ 1,315	\$ 1,405	\$ 1,736	\$ 1,949	\$ 2,238	\$ 2,236	\$ 2,577
Increase (Decrease) Since Retirement	1,013	711	387	94	105	53	(2)
<b>Current Benefits</b>	<b>\$ 2,328</b>	<b>\$ 2,116</b>	<b>\$ 2,123</b>	<b>\$ 2,043</b>	<b>\$ 2,343</b>	<b>\$ 2,289</b>	<b>\$ 2,575</b>
<b>Number of Retirees**</b>	<b>1,232</b>	<b>2,811</b>	<b>7,331</b>	<b>8,314</b>	<b>14,060</b>	<b>18,845</b>	<b>20,246</b>

\*Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,879, \$2,129, \$2,421, \$2,345, and \$2,666 for fiscal years 2000, 2005, 2010, 2015, and 2024, 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, 2024 reflects benefit increases and decreases since retirement.



<b>Average Benefit Payments</b>				
<b>TRS-Care</b>				
Last Ten Fiscal Years				
<b>Fiscal Year</b>	<b>Average Benefit Per Participant</b>	<b>Benefit Payments</b>	<b>Average Participants</b>	
2024	\$ 6,582	\$ 1,412,303,765	214,560	
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	

<b>Average Benefit Payments</b>				
<b>TRS-ActiveCare</b>				
Last Ten Fiscal Years				
<b>Fiscal Year</b>	<b>Average Benefit Per Participant</b>	<b>Benefit Payments</b>	<b>Average Participants</b>	
2024	\$ 4,937	\$ 2,066,877,486	418,622	
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	

<b>Health Benefits by Plan</b>			
<b>TRS-Care</b>			
<b>As of August 31, 2024</b>			
<b>TRS-Care Plans</b>	<b>TRS-Care Under-65 Retirees</b>	<b>TRS-Care Medicare Advantage</b>	<b>TRS-Care Alternative</b>
<b>Count of Retirees</b>	43,166	131,227	3,210
<b>Count of Members</b>	57,085	153,995	3,480
<b>Medical</b>			<b>Plan Description</b>
Individual/Family Deductible	\$1,600/\$3,200	\$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	\$3,500 / 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	
<b>Pharmacy</b>			
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	

<b>Health Benefits by Plan</b>							
<b>TRS-ActiveCare</b>							
<b>As of August 31, 2024</b>							
<b>TRS-ActiveCare Plans</b>	<b>TRS-ActiveCare Primary</b>	<b>TRS-ActiveCare Primary+</b>	<b>TRS-ActiveCare HD*</b>	<b>TRS-ActiveCare 2*</b>	<b>Central and North Texas Baylor Scott &amp; White HMO</b>	<b>South Texas Blue Essentials HMO</b>	<b>West Texas Blue Essentials HMO</b>
<b>Count of Employees</b>	114,628	58,750	84,714	3,273	6,596	459	347
<b>Count of Members</b>	175,909	96,929	127,568	5,301	11,628	660	627
<b>Medical</b>							
Individual/Family Deductible	\$2,500/\$5,000	\$1,200/\$2,400	\$3,000/\$6,000	\$1,000/\$3,000	\$2,400/\$4,800	\$500/\$1,000	\$950/\$2,850
Individual/Family Out-of-Pocket Maximum	\$7,500/\$15,000	\$6,900/\$13,800	\$7,500/\$15,000	\$7,900/\$15,800	\$8,150/\$16,300	\$4,500/\$9,000	\$7,450/\$14,900
Coinsurance	30% after deductible	20% after deductible	30% after deductible	20% after deductible	25% after deductible	20% after deductible	25% after deductible
Primary Care Physician	\$30 copay	\$15 copay	30% after deductible	\$30 copay	\$20 copay	\$25 copay	\$20 copay
Specialist Care Visit	\$70 copay	\$70 copay	30% after deductible	\$70 copay	\$70 copay	\$60 copay	\$70 copay
Urgent Care Visit	\$50 copay	\$50 copay	30% after deductible	\$50 copay	\$45 copay	\$75 copay	\$50 copay
<b>Pharmacy</b>							
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	\$14/\$35 copay	\$10/\$30 copay	\$5/\$12.50 Day copay
Preferred Brand	30% after deductible	25% after deductible	25% after deductible	25% after deductible	35% 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	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, 2024**

Amounts of Monthly Benefits	Number of Retired Members	Type of Retirement*						
		1	2	3	4	5	6	7
\$ 1-200	14,027	5,618	5,982	123	2,229	42	17	16
201-400	46,400	12,739	11,246	486	3,498	826	1,250	16,355
401-600	28,671	15,151	8,637	1,039	3,203	470	171	
601-800	27,137	17,017	5,753	1,098	2,610	489	170	
801-1,000	26,744	18,663	3,978	1,042	2,418	505	138	
1,001-1,200	25,555	18,943	2,894	914	2,265	427	112	
1,201-1,400	22,193	17,005	1,892	747	2,146	337	66	
1,401-1,600	21,097	16,235	1,769	695	2,034	315	49	
1,601-1,800	20,806	16,405	1,717	593	1,771	263	57	
1,801-2,000	21,254	17,372	1,455	520	1,593	278	36	
2,001-3,000	111,736	98,610	4,057	1,472	6,430	1,113	54	
3,001-4,000	82,273	77,086	894	293	3,405	586	9	
4,001-5,000	36,300	34,620	180	43	1,221	234	2	
Over 5,000	24,508	23,495	77	8	771	156	1	
<b>Totals</b>	<b>508,701</b>	<b>388,959</b>	<b>50,531</b>	<b>9,073</b>	<b>35,594</b>	<b>6,041</b>	<b>2,132</b>	<b>16,371</b>

**\*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, 2024**

Amounts of Monthly Benefits	Number of Retired Members	Option Selected*					
		1	2	3	4	5	6
\$ 1-200	14,027	6,045	4,749	1,720	465	1,008	40
201-400	46,400	12,494	9,121	3,484	1,169	2,017	18,115
401-600	28,671	12,650	8,831	3,962	1,317	1,911	
601-800	27,137	11,915	8,229	4,172	1,206	1,615	
801-1,000	26,744	11,805	7,915	4,406	1,213	1,405	
1,001-1,200	25,555	10,767	7,878	4,421	1,094	1,395	
1,201-1,400	22,193	9,016	7,194	4,037	911	1,035	
1,401-1,600	21,097	8,380	6,884	4,001	858	974	
1,601-1,800	20,806	8,237	6,876	3,897	801	995	
1,801-2,000	21,254	8,296	7,230	4,004	723	1,001	
2,001-3,000	111,736	41,845	40,314	20,829	3,577	5,171	
3,001-4,000	82,273	31,245	28,755	16,180	2,399	3,694	
4,001-5,000	36,300	14,476	11,773	7,701	978	1,372	
Over 5,000	24,508	9,369	8,313	5,568	507	751	
<b>Totals</b>	<b>508,701</b>	<b>196,540</b>	<b>164,062</b>	<b>88,382</b>	<b>17,218</b>	<b>24,344</b>	<b>18,155</b>

**\*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

<b>Principal Participating Employers Pension Trust Fund</b>						
For the Fiscal Years Ended August 31						
Participating Reporting Entity	2024			2015		
	Covered Employees	Rank	Percentage of Total Covered Employment	Covered Employees	Rank	Percentage of Total Covered Employment
Houston ISD	29,836	1	2.61 %	23,811	1	2.81 %
UT MD Anderson Cancer Center	26,355	2	2.31	18,347	3	2.16
Dallas ISD	23,705	3	2.07	19,856	2	2.34
UT SW Medical Center	23,373	4	2.04	10,496	8	1.24
Cypress Fairbanks ISD	18,946	5	1.66	14,272	4	1.68
Northside ISD - San Antonio	16,422	6	1.44	13,594	5	1.60
UT at Austin	16,136	7	1.41	9,946	9	1.17
Katy ISD	15,619	8	1.37			
UT Med Branch at Galveston	14,900	9	1.30			
Austin ISD	12,366	10	1.08	12,270	6	1.45
Fort Worth ISD				11,354	7	1.34
El Paso ISD				9,689	10	1.14
All Others	945,661		82.71	704,450		83.07
<b>Total</b>	<b>1,143,319</b>		<b>100.00 %</b>	<b>848,085</b>		<b>100.00 %</b>

Source: Information submitted to TRS by participating employers

<b>Principal Participating Employers TRS-Care</b>						
For the Fiscal Years Ended August 31						
Participating Reporting Entity	2024			2015		
	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment
Houston ISD	29,836	1	3.29 %	23,811	1	3.41 %
Dallas ISD	23,705	2	2.61	19,856	2	2.84
Cypress Fairbanks ISD	18,946	3	2.09	14,272	3	2.04
Northside ISD - San Antonio	16,422	4	1.81	13,594	4	1.95
Katy ISD	15,619	5	1.72	9,166	9	1.31
Austin ISD	12,366	6	1.36	12,270	5	1.76
Fort Bend ISD	11,848	8	1.31	8,589	10	1.23
IDEA Public Schools	11,832	7	1.30			
Fort Worth ISD	10,881	9	1.20	11,354	6	1.62
Conroe ISD	10,238	10	1.13			
Aldine ISD				9,264	7	1.33
North East ISD				9,248	8	1.32
All Others	745,810		82.18	567,323		81.19
<b>Total</b>	<b>907,503</b>		<b>100.00 %</b>	<b>698,747</b>		<b>100.00 %</b>

Source: Information submitted to TRS by participating employers

## List of Participating Employers

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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

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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

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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

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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

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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

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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

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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

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

## List of Participating Employers

Lubbock Partnership Network	Ser-Ninos Charter School	Westlake Academy
Manara Academy	Si Se Puede Schools	Winfree Academy Charter Schools
Meadowland Charter District	South Texas Educational Tech	Yellowstone College Preparatory
Meridian World School LLC	Southwest High School	YES Prep Public Schools
Meyerpark Elementary Charter	Southwest Preparatory School	
Midland Academy Charter School	St Anthony School	<b>Community and Junior Colleges</b>
Montessori For All	St Marys Charter School	Alamo Community College District
Moody Early Childhood Center	Stepping Stones Charter Elementary	Alvin Community College
New Frontiers Public Schools	Tekoa Academy	Amarillo College
Newman International Academy	Texans Can Academies	Angelina College
North Texas Elementary School of Arts	Texas A&M - San Antonio Institute for School & Community Partnership	Austin Community College
Nova Charter School	Texas College Preparatory Academies	Blinn College
Nova Charter Southeast	Texas Council for International Studies	Brazosport College
NYOS Charter School	Texas Education Center	Central Texas College
Odyssey Academy	Texas Empowerment Academy	Cisco Junior College
Orenda Charter School	Texas Preparatory School	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
Permian Basin Innovation Zone	The Gathering Place	Collin County Community College
Phalen Leadership Academy	The Lawson Academy	Dallas County Community College District
Pineywoods Academy	The Pro-Vision Academy	Del Mar College
Pioneer Technology & Arts Academy	The Rhodes School	El Paso Community College
Por Vida Academy	Third Future Schools - Texas	Frank Phillips College
Prelude Prep Public School	Thrive Center for Success	Galveston College
Premier High Schools	TLC Academy	Grayson County College
Priority Charter Schools	Transformation Waco	Hill College
Promesa Academy Charter School	Treetops International	Houston Community College System
Promesa Public Schools	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
Richard Milburn - Killeen	Two Dimensions Prep Academy	Navarro College
Ridgeline Education Corporation	Ume Preparatory Academy	North Central Texas College
Rise Academy	Universal Academy	Northeast Texas Community College
Rocketship Public Schools	Up Excellence Academy	Odessa College
Royal Public Schools	Uplift Education	Panola College
Rural Schools Innovation Zone	Valor Public Schools	Paris Junior College
San Antonio Preparatory Charter School	Vanguard Academy	Ranger Junior College
School Innovation Collaborative	Varnett Charter School	San Jacinto College District
School of Science & Tech-Discovery	Village Tech Schools	South Plains College
School of Science & Technology	Vista Del Futuro Charter School	South Texas College
Seashore Charter Schools	Wayside Schools	Southwest Texas Junior College



# BENEFITS SECTION



One in

**46**

Texans was enrolled  
in a TRS health plan  
in 2023



To read more of the TRS  
story, scan the QR code.



## **Changes in State Law**

### **A. Health Care Benefits**

The 88th Regular Session of the Texas Legislature passed the following major bills applicable to TRS-Care and TRS-ActiveCare 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 which require specific provider assessment for its use or that prohibits use in a manner not approved 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. The health benefit plan may not 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 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**

### **Supplemental Payment and Cost-of-Living Adjustment (Senate Bill 10 and Constitutional Amendment Authorized by House Joint Resolution 2)**

In 2023, the 88th Regular Session of the Texas Legislature passed two major bills that contained provision relating to pension benefits. HJR 2 amended Article XVI, Texas Constitution and provides that the 88th Texas Legislature, Regular Session, can provide 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 was approved by voters during a statewide election held on November 7, 2023. As a result, the COLA provision contained in Senate Bill 10 (SB 10) went into effect.

SB 10 contained two benefit enhancement provisions for certain TRS annuitant - a one-time stipend and a COLA. The one-time stipend was not contingent on HJR 2 being approved by voters in November 2023. The COLA was contingent on voter approval of HJR 2. Because HJR 2 was approved by voters, TRS has implemented both benefit enhancements.

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

Following the approval of HJR 2 by voters in November 2023, the COLA went into effect with the January 2024 annuity payment. Under the terms of SB 10, 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 received 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, received 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, received a two percent COLA. The annuitant had to be living on the effective date of the COLA to receive it. The COLA was 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. The rule's comment period ended on October 17, 2023, but the final rule has not been published yet. Once finalized, the new rule is scheduled 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.

Among other things, 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. On July 19, 2024, the Internal Revenue Service (IRS) and the Department of Treasury released final regulations providing guidance to plans regarding the changes to the required minimum distribution rules.

## **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 worked with local UK counsel to implement and apply the GDPR requirements as they apply to the operations of TRICOT, TRS's subsidiary in the UK.

The European Union Artificial Intelligence Act (EU AI Act) was entered into force on August 1, 2024. TRS will monitor how the EU AI Act may apply to TRS, TRICOT, and their vendors as its provisions are implemented and it is entered into application on August 2, 2026.

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. On July 1, 2024, TRS reported 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 became 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 30<sup>th</sup> 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 revised its incident reporting policies and procedures and TRS Procurement and Contracts will revise contract terms as applicable to reflect this change.

To date, nineteen states have enacted comprehensive consumer privacy bills. Texas House Bill 4, the Texas Data Privacy and Security Act, went 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](http://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 2024.

#### 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 two members who participated and have not yet retired, and TRS is currently paying seven retirees from their DROP accounts monthly either for a 60-month duration or for a duration of 120 months. The elections for the DROP payouts are selected at the time of retirement.

### **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 August 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. Participating districts were not allowed to leave the health plan. This changed in plan year 2022-23, and they can now opt to leave TRS-ActiveCare, but must remain out for at least five plan years to promote stability. Similarly, non-participating employers can also choose to opt into TRS-ActiveCare for a five-year commitment. Today, 79% of Texas public school districts participate in TRS-ActiveCare.

Employees can choose from at least three plan options: one high-deductible plan and two primary care provider-driven Plans. In certain geographic areas, employees may enroll in a health maintenance organization (HMO). Beginning with the 2022-23 plan year, TRS-ActiveCare rates are 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 2024-2025 biennium. This additional funding from the legislature allowed TRS to keep rate increases for the 2023-24 and 2024-25 plan years at less than 10% on average. In the 2023-24 plan year, the total cost of coverage for TRS-ActiveCare's most popular plan was 14% lower than comparable plans at districts outside TRS-ActiveCare before supplemental funding.

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 established in 1985. TRS-Care covers a substantial portion of retired public education employees. Details of TRS-Care plans are in Note 9.

Certain retirees who left the plan had a one-time re-enrollment opportunity for TRS-Care Medicare Advantage. Those who voluntarily disenrolled from TRS-Care between January 1, 2017 and December 31, 2019 could re-enroll on or before December 31, 2023. TRS identified more than 33,000 TRS members eligible for this one-time reenrollment opportunity. Throughout FY 2023, TRS mailed multiple notices to these members and hosted a "Returning to TRS-Care" online event to encourage eligible former participants to reenroll. In FY 2023, eligible retirees requested 910 unique reenrollment applications and 491 successfully reenrolled in TRS-Care Medicare Advantage.

A healthy, strong TRS-Care fund balance and recent federal changes to Medicare, along with TRS' careful plan management and other factors, will allow the agency to maintain the long-term stability of the TRS-Care fund while making positive changes to TRS-Care Medicare Advantage:

One of the changes is **TRS will lower TRS-Care Medicare Advantage premiums for the 2025 plan year**. In future years, TRS will need to determine limited increases based on market trends and rising health care costs.

In addition, TRS will offer a **Limited-Time Enrollment Opportunity** to allow Medicare-eligible TRS retirees and their eligible dependents to enroll in or rejoin TRS-Care Medicare Advantage. This enrollment opportunity will be from October 1, 2024 to March 31, 2026.

The 88th Texas Legislature passed Senate Bill 1854 which allows TRS to offer dental and vision benefits to retirees eligible for TRS-Care. This includes their dependents, surviving spouses and surviving dependent children. TRS procured competitive contracts for these plans and will offer coverage starting January 1, 2025, with the first enrollment period from October 1 through December 7, 2024. TRS members do not need to be enrolled in TRS-Care medical and pharmacy coverage to enroll in the TRS-Care dental and TRS-Care vision plans.

For information on TRS-Care eligibility, please refer to the TRS website.



## It All Adds Up

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



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