

April 2026

ACCOUNTABILITY

BUDGET Committee Meeting



**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES AND
BUDGET COMMITTEE
April 30, 2026 – 12:30 p.m.**

*All or part of the April 30, 2026, meeting of the TRS Budget Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **4655 Mueller Blvd, 2nd Floor, Boardroom.***

The open portions of the April 30, 2026, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

AGENDA

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the December 2025 Budget Committee – Chair.
3. Receive an update on FY26 & FY27 Budget and FY28 & FY29 Legislative Appropriations Request – Don Green.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or at upon any item before the Budget and Compensation Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

**Minutes of the Budget Committee
December 4, 2025**

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas met on December 4, 2025, in the boardroom on the Second Floor of TRS' offices located at 4655 Mueller Blvd, Austin, Texas 78723.

Committee members:

Mr. John Rutherford, Chair
Mr. Mike Ball
Mr. David Corpus
Ms. Laronda Graf
Mr. Robert H. Walls, Jr.

Other TRS Board Members Present:

Ms. Brittney Allred
Mr. John Elliott
Mr. Elvis Williams

Others present:

Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Don Green, TRS
Katherine Farrell, TRS
Cynthia Goodwin, TRS
Patricia Carrington, TRS
Simin Pang, TRS
Roberto Vasquez, TRS
Janie Duarte, TRS
Jessica Brown, TRS
Suzanne Dugan, Cohen Millstein

Budget Committee Chair, Mr. John Rutherford, called the meeting to order at 2:36 p.m.

1. Call roll of Committee members.

Ms. Katherine Farrell called the roll. A quorum was present.

**2. Consider the approval of the proposed minutes of the July 2025 committee meeting –
Chair John Rutherford.**

On a motion by Mr. Ball, seconded by Ms. Graf, the committee voted to approve the proposed minutes of the July 2025 Budget Committee meeting as presented.

3. Review the Annual Comprehensive Financial Report for fiscal year 2025 - Patricia Carrington, Cynthia Goodwin, Simin Pang, and Roberto Vasquez.

Ms. Cynthia Goodwin presented the 2025 Annual Comprehensive Financial Report (ACFR) and reported TRS received a clean audit opinion from the auditors.

Ms. Goodwin noted the ACFR theme for this year was “All in a Day’s Work.” She described the development timeline and cross-agency contributions to produce the report, and reported TRS received the Government Finance Officers Association Triple Crown Award again.

Ms. Goodwin reviewed pension trust fund highlights as of August 31, 2025, including net position of \$226.3 billion and annual pension benefit payments of \$14.4 billion. She noted revenue decreased in part due to the absence of the prior year’s \$5 billion supplemental appropriations for one-time supplements and the cost-of-living adjustment. She concluded by reviewing membership change, there has been a steady growth for the last five years, between 2 to 3 percent.

Ms. Patricia Carrington reviewed TRS-Care highlights presented in the ACFR, including ending net position of \$5.6 billion and health care claims of \$2.1 billion.

Ms. Carrington then reviewed TRS-ActiveCare highlights, including ending net position of \$818.8 million, with health care claims of \$2.6 Billion.

Ms. Simin Pang presented investment accounting highlights from the ACFR, including \$225 billion pension trust fund assets under management for fiscal year 2025 with a 7.5 percent return from the prior fiscal year.

Mr. Roberto Vasquez concluded by presenting additional investment performance highlights, including money-weighted rate of return and time-weighted rate of return. He noted the two rate of returns were nearly identical measuring liquidity management minimizing the impact of annuity payments on the investment performance.

4. Review fiscal year 2025 administrative operations budget year end - Don Green, Janie Duarte, and Jessica Brown.

Mr. Don Green provided opening remarks and recognized staff efforts related to the agency’s financial reporting and budget work, including the challenges associated when it is a legislative session year.

Ms. Jessica Brown presented the fiscal year 2025 Administrative Budget year-end review. She reported the fiscal year 2025 operating budget amount of \$382.2 million, with approximately 93 percent as fully expended or obligated resulting in a lapse of 7 percent, the lowest lapse in recent history.

Ms. Brown reviewed the percent of budget spent by category and described contributing factors, including payroll-related expenditures and vacancy rates, professional services spending and cost-saving efforts, and travel expenditures.

Ms. Brown provided FTE information discussed for fiscal year 2025, including quarter-to-quarter counts and the annual average. She also described how pension-funded FTEs are reported and tracked relative to the FTE cap and noted exempt categories as discussed.

She also discussed fiscal year 2026 positioning and referenced upcoming budget development and the legislative appropriations request for fiscal years 2028 and 2029.

Ms. Brown concluded by acknowledging staff contributions and thanking her team and agency partners.

With no further business before the Committee, the meeting adjourned at 2:53 p.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on April_____, 2026.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



Budget Committee

Presentation Date
4/30/2026

Presented By
Don Green



Agenda

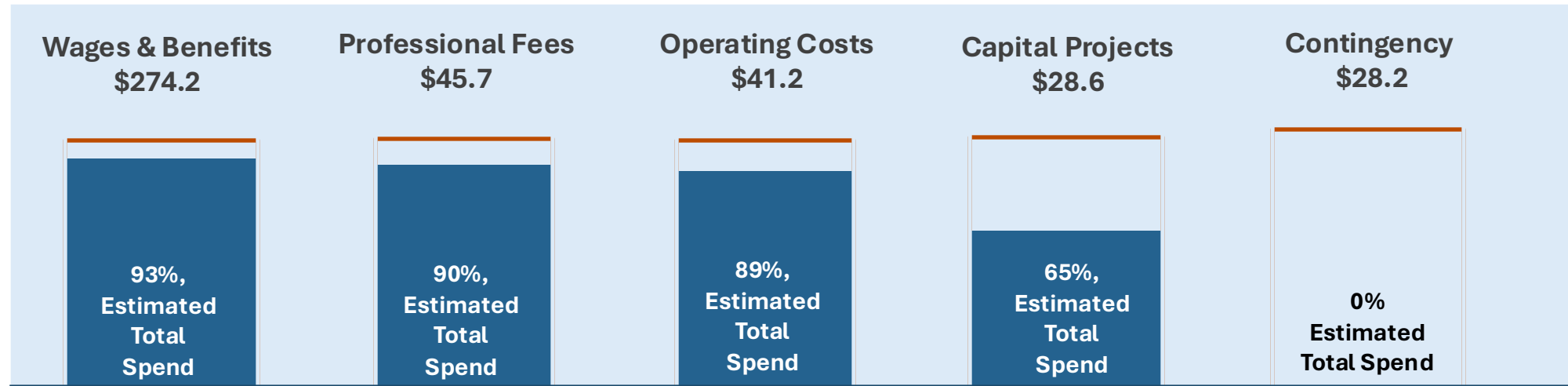
- FY26 Administrative Operating Budget Mid-year Review
- FY 2027 Administrative Operating Budget
- FY 2028 - 2029 Legislative Appropriations Request

FY 2026 Administrative Operating Budget Mid-Year Review

FY26 Administrative Operating Budget \$417,909,100

— Budget — % of Estimated Budget Total Spend

Amounts in millions



**Estimated lapse for FY26 includes \$38 million in capital and operating funds.
Lapsed capital authority is available to carry forward to FY27.**

\$379.2M, 90%
funded by the Pension Trust Fund

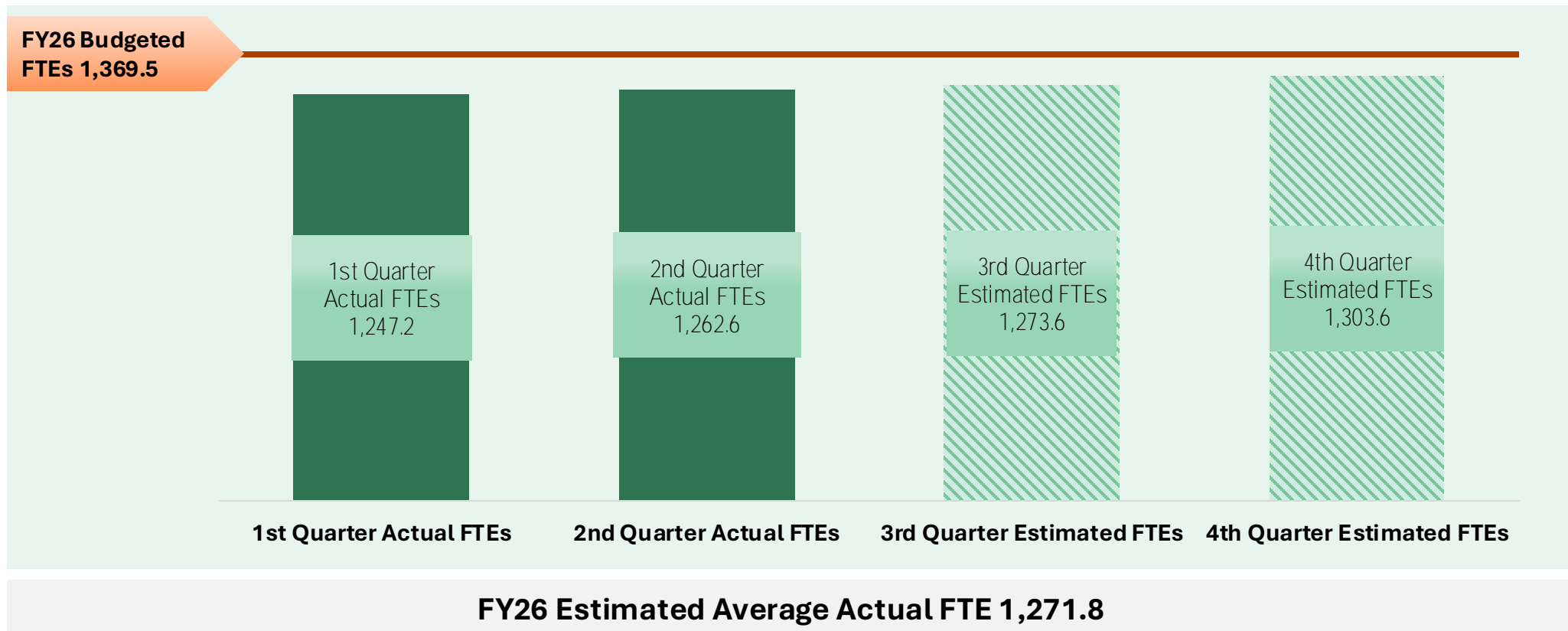
\$5.5M, 1%
funded by Commission Credits

\$33.2M, 9%
funded by Healthcare Funds

FY 2026 Administrative Operating Budget Mid-Year Review

Status of FY26 FTEs

■ FY26 Actual FTEs — Budgeted FTEs





Agenda

- FY26 Administrative Operating Budget Mid-year Review
- **FY 2027 Administrative Operating Budget**
- FY 2028 - 2029 Legislative Appropriations Request

FY27 Budget Development

- **FY27 Administrative Operations includes \$9M of additional appropriation authority funded by the Pension Trust Fund.**
- **Upcoming considerations:**
 - Adoption of the FY27 Administrative Operating Budget.
 - As authorized by Article IX in the General Appropriations Act, all agencies may exceed the FTE cap up to 50 FTEs. New positions will be managed within current authorized limitations.

| <i>(\$ in millions)</i> | FY26 Budget | FY27 Estimate |
|--|------------------------|--------------------------|
| Pension Trust Fund | | |
| Administrative Operations | \$240.16 | \$251.50 |
| Contingency - Administrative Operations | \$6.87 | \$ 5.00 |
| Capital Budget* | \$25.55 | \$29.20 |
| Contingency - Capital Budget* | \$19.03 | - |
| Rider 20 RGV Regional Office* | \$5.06 | \$1.12 |
| Performance Pay | \$40.13 | \$45.80 |
| Fringe Benefits | \$42.43 | \$42.40 |
| Commission Credits | \$5.51 | \$5.51 |
| Health Administrative Operations | \$31.98 | \$31.98 |
| Contingency - Health Administrative Operations | \$1.18 | \$3.00 |
| Grand Total | \$417.90 | \$414.08 |

**Includes authority to carry forward FY26 lapsed budget balances.*



Agenda

- FY26 Administrative Operating Budget Mid-year Review
- FY 2027 Administrative Operating Budget
- **FY 2028 - 2029 Legislative Appropriations Request**

TRS LAR Components

Legislative Appropriations Request



Administrator's Statement



*State Match Contributions
(General Revenue)*



*Administrative Operations
(Pension Trust Fund)*



Rider Additions and/or Deletions



Performance Measure Changes



Exceptional Items Request



*Estimated Total of All Agency Funds Outside of the
GAA Bill Pattern (Health Funds)*



Appendix



FY26 Administrative Operating Budget Mid-year Review

FY 2026 Administrative Operating Budget Mid-Year Review

| Budget Category | Current Budget | Expended | Projected Spend | Estimated Lapse | Estimated % Lapsed |
|---------------------------|-----------------------|-----------------------|-----------------------|----------------------|--------------------|
| Pension Trust Fund | \$ 352,217,100 | \$ 167,755,805 | \$ 162,413,261 | \$ 22,048,034 | 6% |
| Wages & Benefits | 251,030,993 | 130,210,596 | 105,607,062 | 15,213,335 | 6% |
| Pro Fees | 48,475,807 | 15,296,802 | 30,928,288 | 2,250,717 | 5% |
| Support Costs | 10,935,800 | 2,314,774 | 7,353,148 | 1,267,878 | 12% |
| Travel | 2,449,800 | 805,029 | 952,042 | 692,729 | 28% |
| Operating | 38,524,700 | 19,128,604 | 16,772,721 | 2,623,375 | 7% |
| Capital | 800,000 | - | 800,000 | - | 0% |
| Commission Credits | \$ 5,510,000 | \$ 2,162,163 | \$ 2,100,000 | \$ 1,247,837 | 23% |
| Pro Fees | 5,500,000 | 2,153,083 | 2,100,000 | 1,246,917 | 23% |
| Operating | 10,000 | 9,080 | - | 920 | 9% |
| TRS-Care | \$ 26,044,400 | \$ 10,404,839 | \$ 13,618,705 | \$ 2,020,856 | 8% |
| Wages & Benefits | 20,350,900 | 8,431,833 | 10,337,955 | 1,581,112 | 8% |
| Pro Fees | 5,497,700 | 1,922,920 | 3,196,578 | 378,202 | 7% |
| Support Costs | 1,000 | - | 40 | 960 | 96% |
| Travel | 95,000 | 30,538 | 31,600 | 32,862 | 35% |
| Operating | 99,800 | 19,548 | 52,532 | 27,720 | 28% |
| TRS-ActiveCare | \$ 5,937,000 | \$ 1,905,800 | \$ 3,175,791 | \$ 855,409 | 14% |
| Wages & Benefits | 2,787,900 | 1,222,503 | 1,442,921 | 122,476 | 4% |
| Pro Fees | 3,070,600 | 660,229 | 1,710,734 | 699,637 | 23% |
| Support Costs | 1,000 | - | - | 1,000 | 100% |
| Travel | 50,000 | 9,178 | 12,000 | 28,822 | 58% |
| Operating | 27,500 | 13,890 | 10,136 | 3,474 | 13% |
| Grand Total | \$389,708,500 | \$182,228,607 | \$181,307,757 | \$26,172,136 | 7% |
| Contingency | \$ 28,200,600 | - | - | \$ 28,200,600 | 100% |

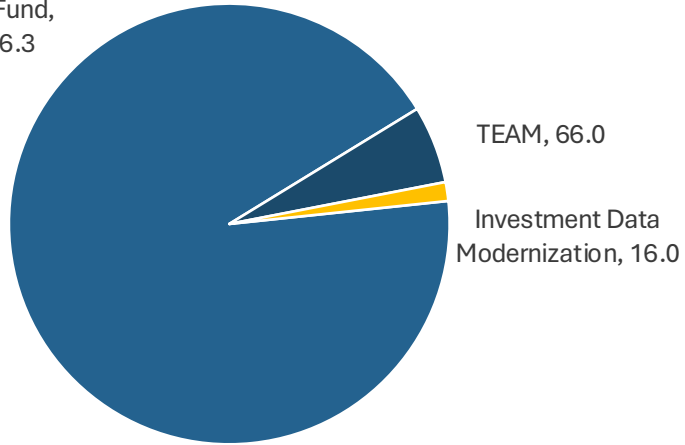
FY 2026 Administrative Operating Budget Mid-Year Review

| | Current Budget | Expended/ Encumbered | Projected Spend | Estimated Lapse | Estimated % Lapsed |
|-------------------------------|----------------------|-------------------------|----------------------|---------------------|--------------------|
| Core Services | | | | | |
| Investment Management | 82,965,500 | 35,639,756 | 38,740,781 | 8,584,963 | 10% |
| Pension Services | 40,592,310 | 17,797,646 | 21,490,426 | 1,304,238 | 3% |
| Health | 31,284,890 | 12,310,639 | 16,794,496 | 2,179,755 | 7% |
| Shared Services | | | | | |
| Administrative Services | 26,479,700 | 10,283,213 | 14,710,614 | 1,485,873 | 6% |
| Contract Services | 3,859,100 | 1,631,601 | 2,082,227 | 145,272 | 4% |
| Executive | 6,075,925 | 2,738,817 | 2,877,098 | 460,010 | 8% |
| Financial Services | 9,335,845 | 3,804,760 | 4,992,691 | 538,394 | 6% |
| Information Security Office | 4,647,600 | 2,014,092 | 2,474,399 | 159,109 | 3% |
| Information Technology | 63,136,080 | 31,207,672 | 30,393,277 | 1,535,131 | 2% |
| Internal Audit | 4,820,080 | 1,958,030 | 2,645,496 | 216,554 | 4% |
| Legal & Compliance | 14,108,200 | 5,894,358 | 7,173,222 | 1,040,620 | 7% |
| Organizational Excellence | 12,632,500 | 4,667,588 | 6,310,125 | 1,654,787 | 13% |
| Agencywide | 10,373,250 | 1,779,192 | 3,034,554 | 5,559,504 | 10% |
| TEAM | 17,326,020 | 7,267,319 | 9,056,712 | 1,001,989 | 2% |
| Investment Data Modernization | 21,938,000 | 3,100,512 | 18,531,639 | 305,849 | 1% |
| Performance Pay Plan | 40,133,500 | 40,133,412 | - | 88 | 0% |
| Grand Total | \$389,708,500 | \$182,228,607 | \$181,307,757 | \$26,172,136 | 7% |
| Contingency | \$28,200,600 | - | - | \$28,200,600 | 100% |

FY 2026 Budgeted FTE Summary

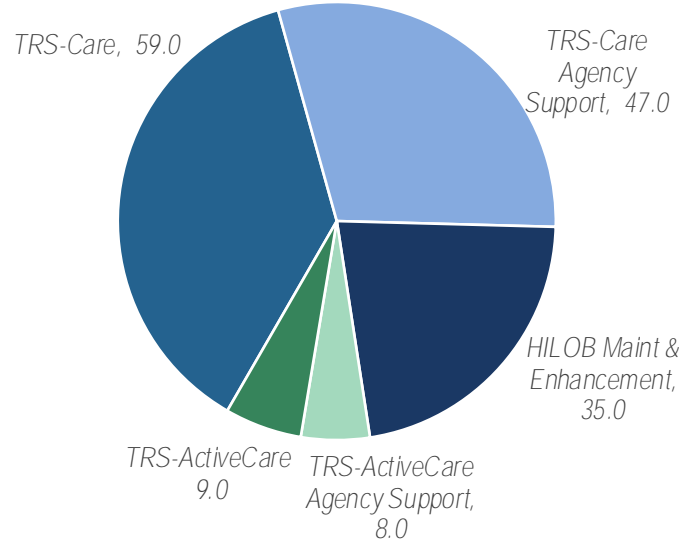
Pension Funded FTEs 1,158.3

Pension Trust Fund,
FTE cap, 1,076.3



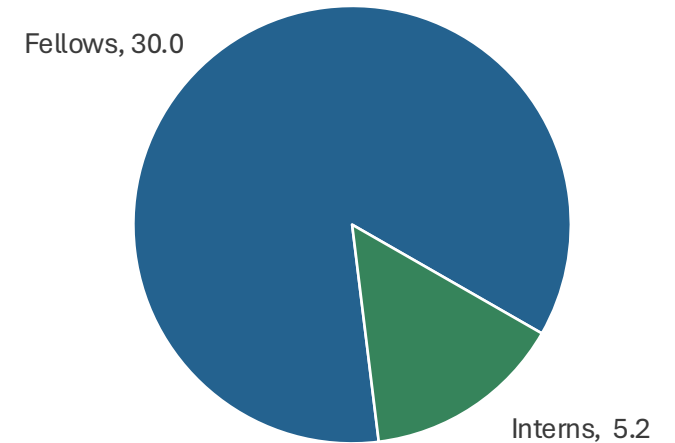
Includes an additional 19 FTEs pursuant to Rider 20 for the establishment of a second regional office in the Rio Grande Valley

Healthcare Funded FTEs 158



Health Funded FTEs are exempt from the FTE cap.

Interns and Fellows 35.2



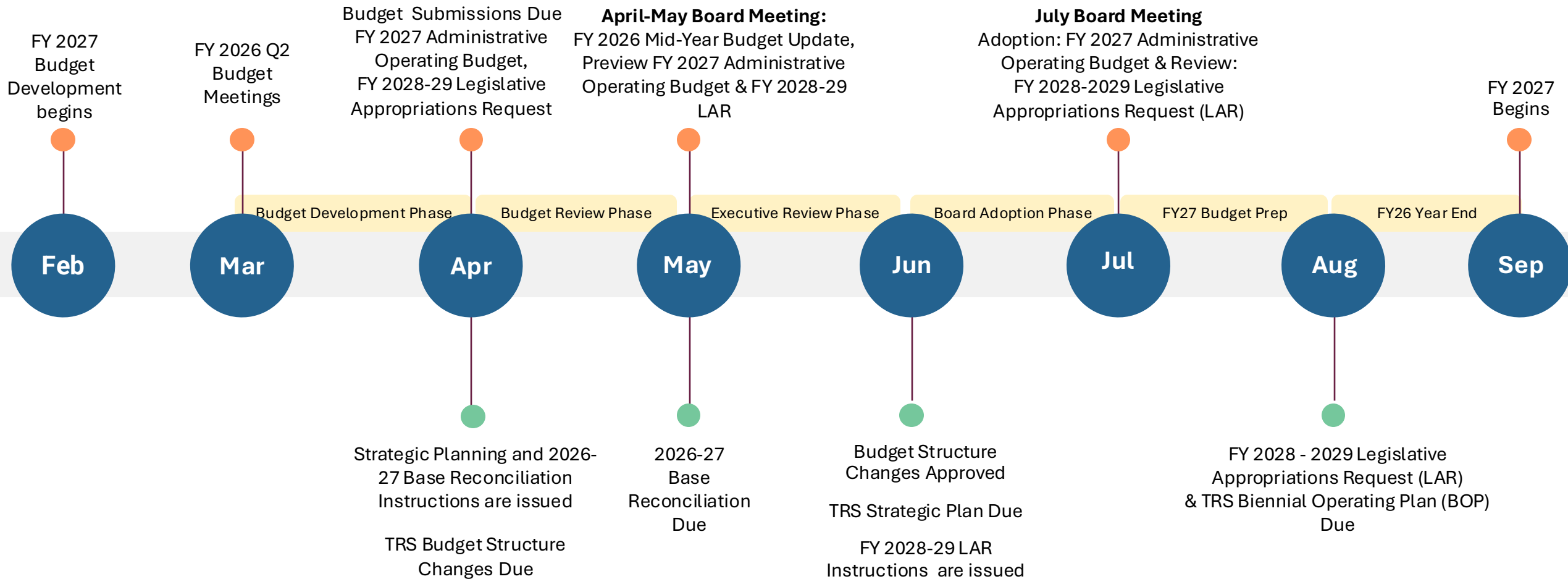
Interns and Fellows are exempt from the FTE cap under Rider 19 of the GAA.



FY28 – 29 Legislative Appropriations Request

Budget Development Timeline

TRS Budget Development Process



Key Budget Players

Legislative Budget Board (LBB)

- Adopts a constitutional spending limit
- Prepares a general appropriations bill
- Prepares agency performance reports
- Prepares, fiscal notes identifying the probable costs of proposed legislation and impact statements

Comptroller of Public Accounts (CPA)

- Submits the Biennial Revenue Estimate (BRE)
- Certifies the appropriations bill by determining whether appropriations are within available revenue
- Collects state taxes, tracks revenue and spending funds

Office of the Governor

- Involved in the budget process beginning with strategic planning and ending with budget execution
- Provides overall vision, mission, and philosophy, as well as statewide goals and benchmarks
- Has line-item veto power

State Auditor's Office (SAO)

- Serves as independent auditor of state agencies, including institutions of higher education
- Audits the accuracy of reported performance measures and assesses the related internal controls

Constitutional Spending Limits

- **Pay-As-You-Go Limit:** Requires bills making appropriations be sent to the Comptroller of Public Accounts (CPA) for certification
- **Limitation on the Growth of Certain Appropriations:** Limits the biennial growth of appropriations from state tax revenue not dedicated by the Constitution to the estimated rate of growth of the state's economy (8%)
- **Welfare Spending Limit:** Provides the amount that may be paid out of state funds for assistance grants not exceed 1 percent of the state budget in any biennium
- **Debt Limit:** Limits the authorization of additional state debt, if in any fiscal year, the resulting annual debt service payable from unrestricted GR exceeds 5 percent of the average annual unrestricted GR funds for the previous three years