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## Suggested GASB 68 Pension Note Disclosures for Employers Financial Statements for the Fiscal Year Ended August 31, 2026 Measurement Year Ended 8/31/25

*(Instructions are provided below in parentheses and should not be included in your note disclosures.)*

### Summary of Significant Accounting Policies

*Pensions.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Note X. Defined Benefit Pension Plans

#### A. Plan Description

The [employer] participates in a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

#### B. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, P.O. Box 149676, Austin, TX, 78714-0185, or by calling [1-800-223-8778](tel:1-800-223-8778).

#### C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

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Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 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.

**D. Contributions**

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas 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. Employee contribution rates are set in state statute, Texas Government Code 825.402.

**Contribution Rates**

	<b><u>2025</u></b>
<b>Member</b>	<b>8.25%</b>
<b>Non-Employer Contributing Entity (State)</b>	<b>8.25%</b>
<b>Employers</b>	<b>8.25%</b>
<b>Employer # XXXX—2025 Employer Contributions</b>	<b>\$xxx,xxx</b>
<b>Employer # XXXX—2025 Member Contributions</b>	<b>\$xxx,xxx</b>
<b>Employer # XXXX—2025 NECE On-behalf Contributions</b>	<b>\$xxx,xxx</b>

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 (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public schools, junior colleges, other entities, or 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 instances:

- On the portion of the 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.

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- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local 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.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to.

- All public schools, charter schools, and regional education service centers must contribute 2.0 percent of the member's salary beginning in fiscal year 2025.

When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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**E. Actuarial Assumptions**

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2025 TRS ACFR, Note 11, page 91.*

Valuation Date	August 31, 2024 rolled forward to August 31, 2025
Actuarial Cost Method	xxxx
Asset Valuation Method	xxxx
Single Discount Rate	x.xx%
Long-term expected Investment Rate of Return	x.xx%
Municipal Bond Rate as of August 2024	x.xx%
Inflation	x.x%
Salary Increases including inflation	x.x% to x.x%
Benefit Changes during the year	xxxx
Ad hoc post-employment benefit changes	xxxx

Effective with the measurement date of August 31, 2025, the salary increase assumption was modified to reflect anticipated changes in future contribution levels resulting from the enactment of House Bill 2 (HB2) by the 2025 Texas Legislature. Except for the change in salary increase assumption, 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, 2024. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2024.

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**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 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2026 and thereafter. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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.

The long-term expected rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension 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, 2025 (see page 56 of the 2025 TRS ACFR) are summarized on the next page:

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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>			
All Country	39.00 %	4.14 %	2.18 %
USA	0.00	3.85	0.00
Non-US Developed	5.00	4.60	0.31
Emerging Markets	1.00	4.71	0.07
Private Equity	12.00	6.80	1.19
<b>Stable Value</b>			
Government Bonds - Nominal	10.00	2.59	0.33
Government Bonds - Real	6.00	1.97	0.13
Absolute Return*	0.00	3.91	0.00
Stable Value Hedge Funds	5.00	1.68	0.09
<b>Real Return</b>			
Real Estate	15.00	4.60	0.86
Energy, Natural Resources & Infrastructure	6.00	4.86	0.36
Commodities	0.00	2.96	0.00
<b>Risk Parity</b>	5.00	4.38	0.26
<b>Asset Allocation Leverage</b>			
Cash	2.00	0.51	0.01
Asset Allocation Leverage	(6.00)	0.81	(0.05)
Inflation Expectation			2.30
Volatility Drag****			(0.71)
<b>Expected Return</b>	<b>100.00 %</b>		<b>7.33 %</b>
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2025 policy model.			
***Capital Market Assumptions (CMA) come from Meketa Investment Group's 2025 CMAs			
****The volatility drag results from the conversion between arithmetic and geometric mean returns.			

**F. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (x%) in measuring the Net pension liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
[Entity's] proportionate share of the net pension liability:	\$xx,xxx	\$xx,xxx	\$xx,xxx

## Suggested GASB 68 Pension Note Disclosures for Employers Financial Statements for the Fiscal Year Ended August 31, 2026

**Measurement Year Ended 8/31/25**

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### **G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

On August 31, 2025, the [employer] reported a liability of \$\_\_\_\_\_ for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the [employer]. The amount recognized by the [employer] as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the [employer] were as follows:

[Employer's] Proportionate share of the collective net pension liability	\$xxx,xxx
State's proportionate share that is associated with [employer]	<u>\$xxx,xxx</u>
Total	<u>\$xxx,xxx</u>

The net pension liability was measured as of August 31, 2024 and rolled forward to August 31, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2024 thru August 31, 2025.

On August 31, 2025, the employer's proportion of the collective net pension liability was xx.x% which was an increase (decrease) of x.xx% from its proportion measured as of August 31, 2024.

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**H. Changes in Assumptions and Benefits Since the Prior Actuarial Valuation**

The 2025 Texas Legislature passed HB2, which modified the future compensation structure for active employees covered by the System. As a result, a new salary increase assumption was adopted for determining the Net Pension Liability as of the August 31, 2025 measurement date. All other actuarial assumptions and methods remain the same as used in the determination of the prior year's Net Pension Liability. There have been no changes to the benefit provisions since the prior valuation.

The amount of pension expense recognized by (Employer) in the reporting period was \$ xxx,xxx.

For the year ended August 31, 2025, the [employer] recognized pension expense of \$\_\_\_\_\_ and revenue of \$\_\_\_\_\_ for support provided by the State. (Refer to the 2025 Allocation (Schedule) of Non-Employer Contributing Entity On-Behalf Payments (Contributions) for this information posted on the TRS website under GASB Statements 67 & 68.)

On August 31, 2025, the [employer] reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers for the current and prior years combined.) *The current year amounts can be found on the GASB 68 Plan Level Schedule of Deferred Inflows and Outflows file, collective plan totals (future amortization) in columns G and H.*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Economic Experience	\$xxx,xxx	\$xxx,xxx
Changes in Actuarial Assumptions	xxx,xxx	xxx,xxx
Difference between Projected and Actual Investment Earnings	xxx,xxx	xxx,xxx
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	xxx,xxx	xxx,xxx
Contributions paid to TRS subsequent to the measurement date of the net pension liability [to be calculated by employer]	xxx,xxx	
<b>Total</b>	<b>\$xxx,xxx</b>	<b>\$xxx,xxx</b>

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The [employer] recognized \$\_\_\_\_\_ as deferred outflows of resources related to pensions resulting from [employer] contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended August 31	Pension Expense Amount
2026	\$xx,xxx
2027	xx,xxx
2028	xx,xxx
2029	xx,xxx
2030	xx,xxx
Thereafter	xx,xxx