

## **TRS New Headquarters - Frequently Asked Questions**

### **Q/ Why is TRS moving its headquarters?**

Almost 50 years after moving into TRS' current headquarters on Red River St., the agency is out of space and has been leasing office space nearby. The main campus has outlived its useful life and needs significant maintenance. Also, the continued rise of Austin's real estate market has created an ideal opportunity to sell the 47-year-old Red River property and purchase another, more efficient space that TRS owns outside Austin's Central Business District (downtown).

### **Q/ Where will the new campus be located?**

The site is within the Mueller Business District, a rising, mixed-use community a few miles outside of downtown Austin. The location is east of IH-35 and north of Airport Boulevard.

### **Q/ How was the site chosen?**

TRS staff undertook an extensive planning and search process with the assistance of a local real estate firm before presenting finalist properties to the Board of Trustees in early 2020. Priorities included a location outside of Austin's downtown, yet accessible to our membership. The COVID-19 pandemic temporarily halted the planning process, which resumed earlier this year.

### **Q/ What will the new campus cost?**

Negotiations are ongoing. It is estimated that the purchase of the new campus will cost between \$250 million and \$300 million. The proposed TRS plan includes two buildings with office space totaling 450,000 square feet. The cost will be partially offset by the proposed sale of TRS' current headquarters; it is estimated the value of the Red River Street property is between \$80-100 million.

### **Q/ Where are the funds coming from to pay for the new campus?**

The funds will come from the pension assets, as was the case in 1972-73 for the original purchase of land and construction of our current headquarters at 1000 Red River St. While the Trust is allocating funds upfront, they would effectively remain within the pension in the form of a capital asset. Although home office facilities are not an investment like the Red River property, TRS expects that the value of the new property will increase over the long term.

### **Q/ Will this affect the actuarial soundness of the pension fund?**

No. The purchase of the new campus can be seen as a transfer of cash assets to a real estate asset. In other words, the purchase price is not material to actuarial soundness. Further, as a long-term capital asset, the new headquarters is expected to rise in value over time.

### **Q/ Will this impact the ability of members to get a future COLA increase?**

No. The 86<sup>th</sup> Texas State Legislature approved phased-in benefit contribution enhancements. This allowed the pension fund to become actuarially sound. That fiscal soundness permits lawmakers to consider providing future cost-of-living allowance increases or other one-time, supplemental payments. Again, the purchase price is not material to future COLA increases, especially because TRS also will be realizing the value locked in the Red River property as a partial offset to the purchase price.

**Q/ How much is TRS currently spending on leases in Austin?**

TRS currently has a two-year renewal lease at 816 Congress Avenue where our Investment Management Division has been located since 2009. The lease is \$5 million a year. If the IMD remains in leased space after March 2023, annual lease costs are estimated to rise to \$7 million annually.

**Q/ Would it not cost a lot less to simply renovate the Red River campus?**

It is estimated maintenance costs total \$50 to \$75 million. However, those expenses only allow the Red River campus to remain occupied, they do not add future value to the facilities. In short, those funds, once spent, are gone. Further, addressing maintenance needs does nothing to address the space shortage or need to pay for ongoing lease costs. A new building would incur none of the same ongoing costs and, in the long run would be more efficient to operate (heat and cool etc.). Expansion on the existing campus is further restricted by the Capitol View Corridors.

**Q/ TRS leadership has pointed out the success of your work-from-home efforts during the pandemic, why do you need new space?**

Members consistently state they prefer face-to-face counseling sessions and to support that function, many staff are necessary to work on-site. While the pandemic demonstrated that certain staff can work remotely some of the time, many staff are needed onsite to support member-critical business processes. Further, many employees work better when working together in person. This is especially true for onboarding and training new employees.

As a result of lessons learned from the pandemic, we have modified (shrunk) the footprint of our original generational solution by 15%. This is based on the estimate of 75% of staff working in the office at any given time. The current plan is to acquire 450,000 square feet of space which will meet our long-term needs.

**Q/ Why is this happening so quickly?**

The current planning process for TRS' long-term facilities has been underway since 2014 and resumed in early 2019. After the pandemic eased this spring and the economy began its recovery, Austin experienced a significant rise in real estate values. It became evident there was an advantage to capitalizing on an active commercial real estate market to realize the maximum value for our current campus. The Red River Street facility is near the new Dell Medical Center and close to other downtown amenities. The longer TRS waits to move, the more opportunities will dissolve, and the higher future costs will be.

**Q/ Why does TRS need 800+ staff to run the pension?**

The TRS pension is approaching a value of \$200 billion and serves 1.7 million educators statewide. Among our pension peers, TRS' staff-to-member ratio is among the lowest, meaning we do more with fewer people than almost any other North American pension fund. Further, the population of Texas is expected to keep growing. That reality will push our membership up to between 2.7 million and 3.7 million by 2050. To responsibly meet the needs of its members, TRS staff will continue to grow.

**Q/ Why didn't members hear about this before now?**

TRS has been engaged with its board of trustees on a Long-Term Facilities project since 2014. The issue was deferred at that time. In 2018, TRS resumed the search for a long-term space solution to house all its employees in one location. By early 2020, TRS moved forward with negotiations with three finalist developers and began contract negotiations. In March 2020, the pandemic intervened, and efforts were suspended until the pandemic's effects on facilities planning could be better understood earlier this

year. TRS has provided a public update on Long-Term Facilities at every board meeting since early 2019.

**Q/ How does the Indeed Tower lease figure into all of this?**

Indeed Tower was sold on June 23, 2021, and TRS' lease was terminated when the sale closed. TRS has no further interest in or obligations related to Indeed Tower. A news release is available [here](#).

**Q/ Do our state lawmakers know about this plan?**

Yes. TRS has met with many legislators and their staffs and shared our plan.

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