

April 2025

ACCOUNTABILITY

BUDGET Committee Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES AND
BUDGET COMMITTEE**

*All or part of the April 11, 2025, 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: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

The open portions of the April 11, 2025, 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

April 11, 2025 – 9:00 a.m.

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the December 2024 Budget Committee – Committee Chair.
3. Receive an update on the administrative operations budget for fiscal year 2025 including FTE update – Don Green.
4. Receive a preview of fiscal year 2026 administrative operations budget – 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 5, 2024**

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas met on December 5, 2024, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

Committee members:

Mr. Michael Ball, Chair

Ms. Nanette Sissney

Mr. Robert H. Walls, Jr.

Mr. Elvis Williams

Other TRS Board Members Present:

Ms. Brittny Allred

Mr. John Elliott

Mr. Dick Nance

Others who participated:

Brian Guthrie, TRS

Caasi Lamb, TRS

Don Green, TRS

Jase Auby, TRS

Heather Traeger, TRS

Janie Duarte, TRS

Patti Roano, TRS

Eddie Chan, TRS

Katherine Farrell, TRS

Suzanne Dugan, Cohen Milstein

Budget Committee Chair, Mr. Michael Ball, called the meeting to order at 3:04 p.m.

1. Call roll of Committee members.

Ms. Farrell called the roll. A quorum was present, Mr. Corpus was absent.

2. Consider the approval of the proposed minutes of the July 2024 committee meeting – Chair Michael Ball.

On a motion by Mr. Williams, seconded by Ms. Sissney, the committee unanimously voted to approve the proposed minutes for the July 2024 Budget Committee meeting as presented.

3. Review the Annual Comprehensive Financial Report for fiscal year 2024 – Janie Duarte, Pattie Roano and Eddie Chan.

Ms. Janie Duarte provided an overview of the Annual Comprehensive Financial Report (ACFR) for fiscal year 2024. She noted this year’s theme was “By the Numbers” which included various member statistics in every section of the report. She announced TRS was named a Triple Crown Winner by the Government Finance Officers Association. She reported the pension membership increased about 2.8 percent over 2023 to about 2.1 million members.

Ms. Patti Roano reviewed the financial section of the ACFR. She highlighted the pension fund ended the year with a net position of \$210.5 billion, an increase of \$23.4 billion mainly due to investment positive performance. She reported the TRS-Care Fund ended at \$4.8 billion, an increase in net position of around \$926.9 million. She reported the TRS-ActiveCare Fund had a net increase ending the fiscal year with a net position of \$688.5 million.

Mr. Eddie Chan reviewed the investment asset allocation as reported in the 2024 ACFR. Ms. Roana concluded by giving an overview of the statistical and benefit sections of the ACFR.

4. Review fiscal year 2024 administrative operations budget year end and an update on the administrative budget for fiscal year 2025 including FTE update – Don Green.

Mr. Don Green provided the FY 24 end of year budget analysis. He reported the total operating budget was about \$332 million, made up of healthcare, pension and commission credits. He said 88 percent of the administrative money in health care, about 96 percent in the Pension Fund, and 63 percent from the commission credit were expended. He noted the Pension Trust Fund lapsed \$12.4 million from salaries, professional fees and travel. For the healthcare funds he said combined there was a lapse of \$3.3 million majority related to salaries. He concluded FY 24 by noting the average FTE count was 1,191.

Mr. Green concluded with the FY 25 operating budget update. He reported based on expended and encumbered expenses there currently is an expectation to be well under operating budget, lapsing about 12 percent.

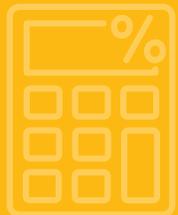
With no further business before the Committee, the meeting adjourned at 3:29 p.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on April _____, 2025.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



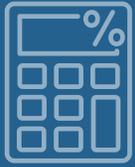
FY 2025 Midyear Budget & FTE Review

April 11, 2025

Presented By:

Don Green, Chief Financial Officer



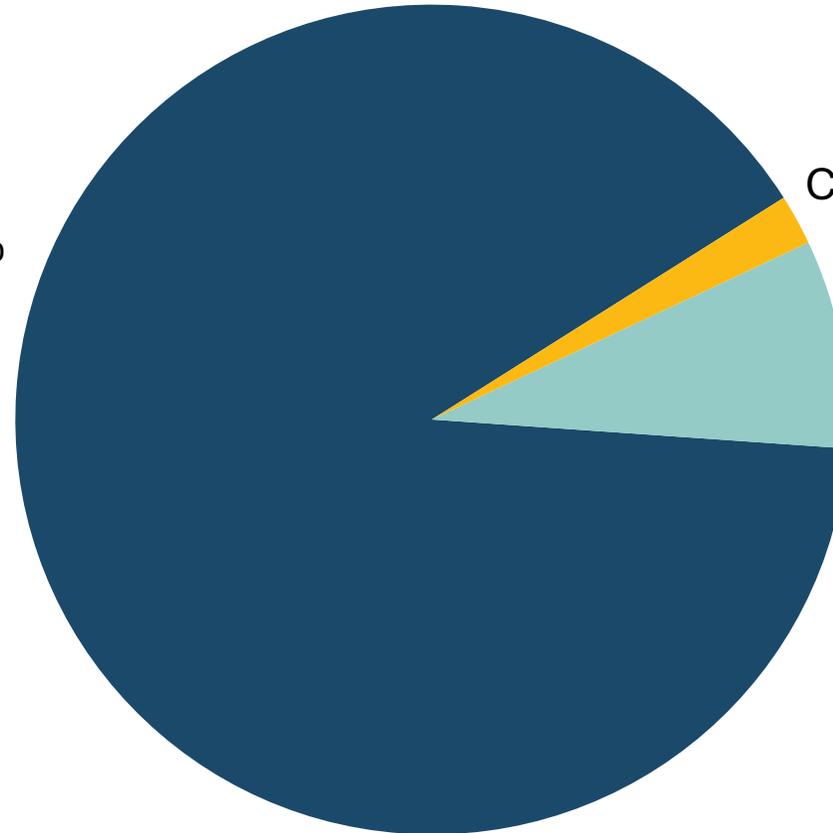


FY 2025 Administrative Operating Budget by Fund



FY 2025
Administrative
Operating Budget
\$381,614,544

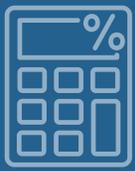
Pension,
\$343.1 , 90%



Commission Credits,
\$7.5 , 2%

Healthcare,
\$31.0 , 8%

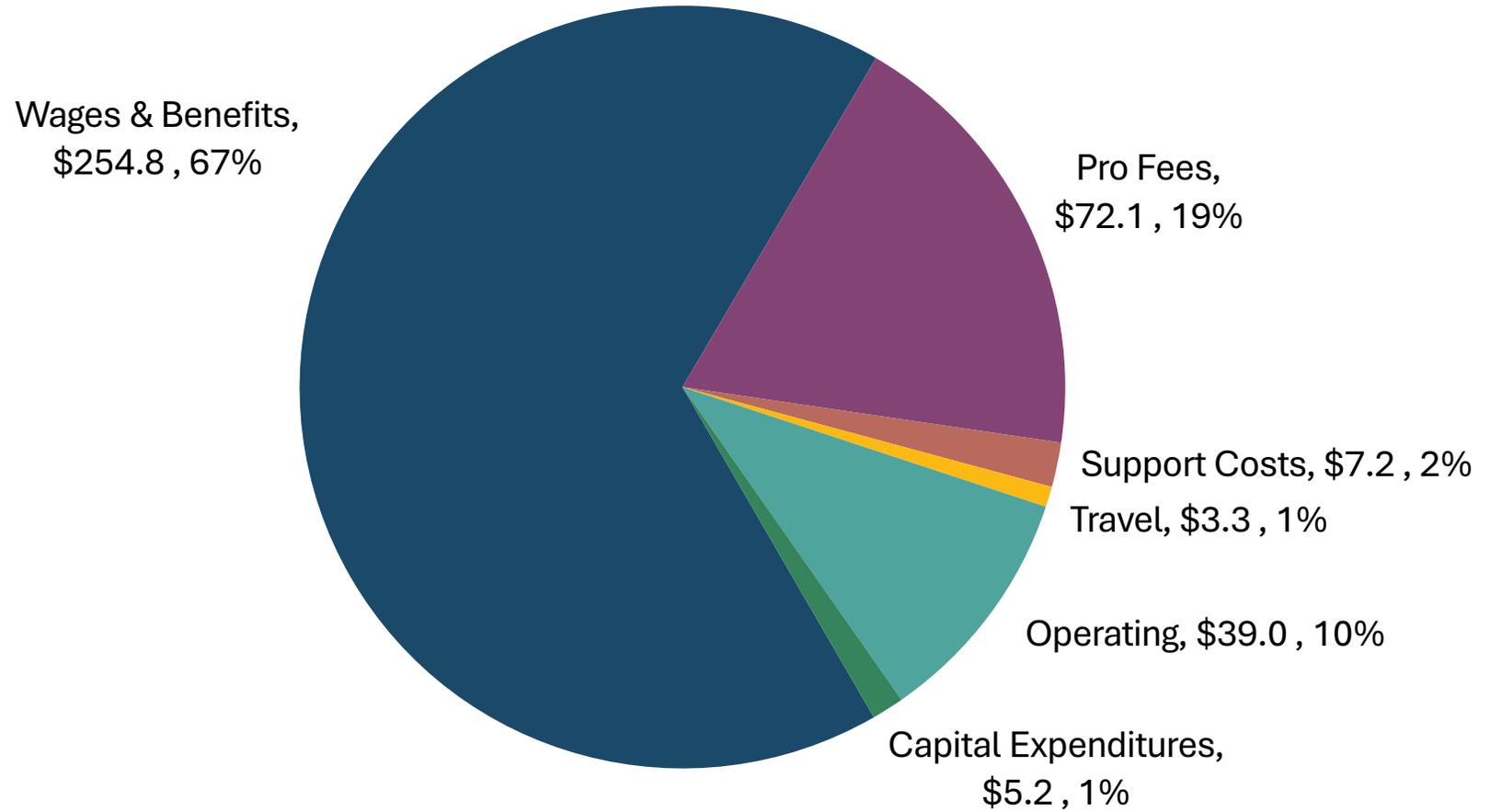
Amount in millions



FY 2025 Administrative Operating Budget by Budget Category



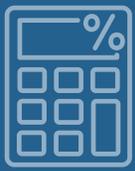
FY 2025
Administrative
Operating Budget
\$381,614,544



Amount in millions

Operating: software, hardware, postage, printing, equipment, reference materials

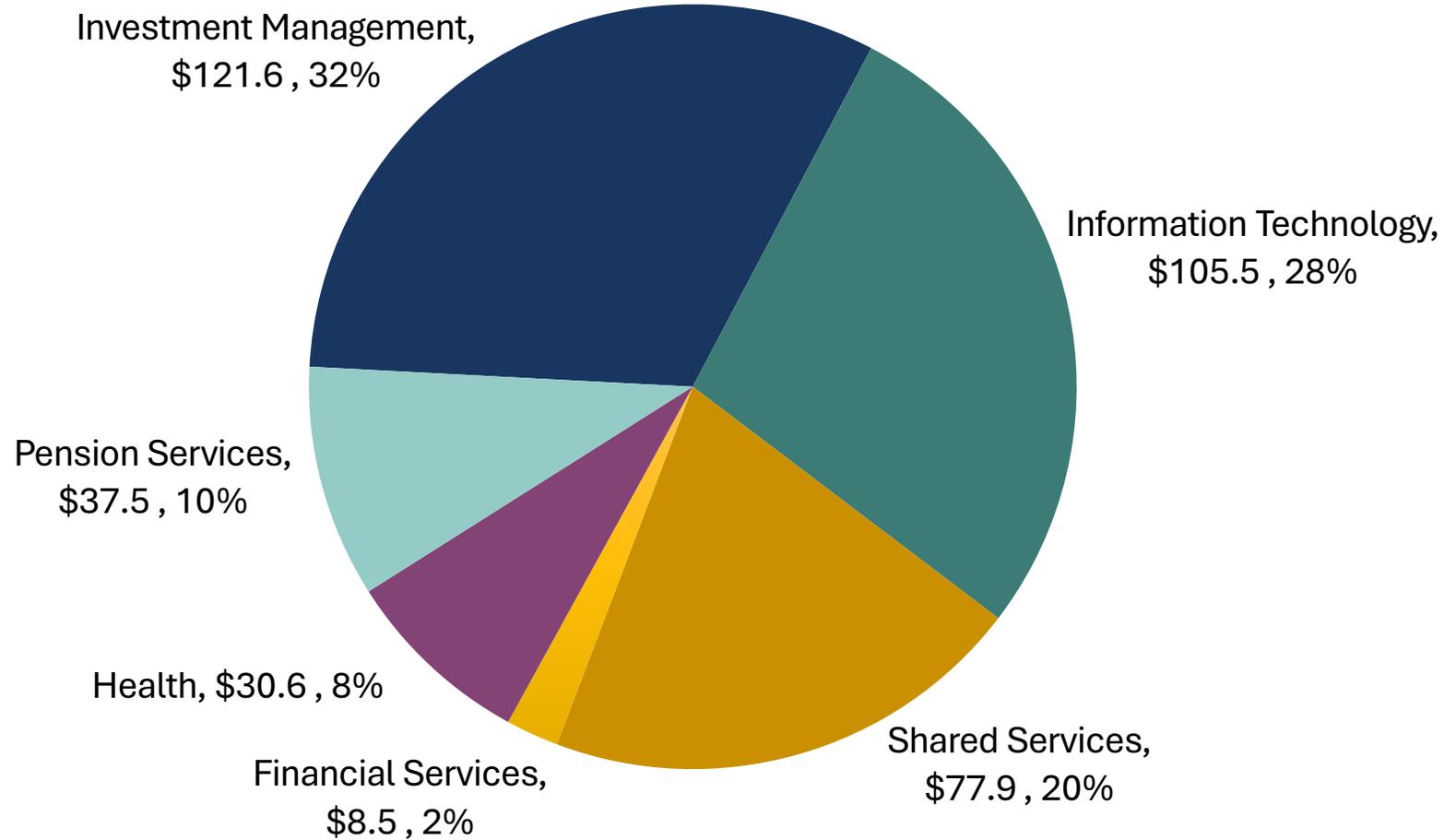
Support costs: Rent, building/equipment maintenance, utilities, supplies



FY 2025 Administrative Operating Budget by Division



FY 2025
Administrative
Operating Budget
\$381,614,544



Amount in millions

Shared Services: Executive Administration, Information Security, Internal Audit, Legal & Compliance, Government Affairs, Organizational Excellence, Communications, Administrative Services, Contract Services



FY 2025 Administrative Operating Budget

Mid-Year Review

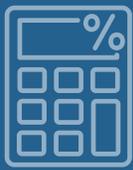
Fund Type	Budget Category	Current Budget	Expended / Encumbered	Projected Spend	Available Budget	% Lapsed
Pension Trust Fund	Wages & Benefits	193,184,700	85,695,639	98,139,526	9,349,535	5%
	Pro Fees	56,164,905	37,553,091	14,478,910	4,132,904	7%
	Support Costs	7,165,844	4,716,577	1,954,428	494,839	7%
	Travel	3,018,500	727,551	980,705	1,310,244	43%
	Operating	38,644,491	26,184,315	7,162,534	5,297,642	14%
	Capital	5,188,844	434,024	4,723,165	31,655	1%
Pension Trust Fund Total		\$ 303,367,284	\$ 155,311,197	\$ 127,439,268	\$ 20,616,819	7%
Commission Credits	Pro Fees	7,400,000	2,467,831	3,032,169	1,900,000	26%
	Operating	110,000	-	-	110,000	100%
Commission Credits Total		\$ 7,510,000	\$ 2,467,831	\$ 3,032,169	\$ 2,010,000	27%
TRS-Care	Wages & Benefits	19,367,300	8,249,285	9,796,806	1,321,209	7%
	Pro Fees	5,424,000	5,216,916	200,044	7,040	0%
	Support Costs	13,800	-	-	13,800	100%
	Travel	205,000	62,357	57,643	85,000	41%
	Operating	200,000	80,058	21,200	98,742	49%
TRS-Care Total		\$ 25,210,100	\$ 13,608,616	\$ 10,075,693	\$ 1,525,791	6%
TRS-ActiveCare	Wages & Benefits	2,542,100	1,172,842	1,363,411	5,847	0%
	Pro Fees	3,094,000	2,488,375	179,480	426,145	14%
	Support Costs	4,500	-	-	4,500	100%
	Travel	60,000	10,140	19,860	30,000	50%
	Operating	84,500	39,201	9,554	35,745	42%
TRS-ActiveCare Total		\$ 5,785,100	\$ 3,710,558	\$ 1,572,305	\$ 502,237	9%
Performance Pay Plan		39,742,060	39,742,060	-	-	0%
Grand Total		\$ 381,614,544	\$ 214,840,262	\$ 142,119,435	\$ 24,654,847	6%



FY 2025 Administrative Operating Budget by Division



	Current Budget	Expended/ Encumbered	Projected Spend	Available Balance	% Lapsed
Core Services					
Investment Management	84,760,261	37,581,153	36,563,179	10,615,929	13%
Pension Services	37,458,118	17,410,717	19,634,477	412,924	1%
Health	30,549,664	17,319,173	11,542,977	1,687,514	6%
Shared Services					
Administrative Services	25,387,281	16,516,617	8,601,868	268,796	1%
Contract Services	63,000	9,805	15,400	37,795	60%
Communications	2,606,881	1,260,930	934,246	411,705	16%
Executive	4,039,959	2,802,881	1,020,464	216,614	5%
Financial Services	8,530,762	4,296,500	4,009,628	224,634	3%
Government Affairs	639,772	259,729	338,351	41,692	7%
Information Security	4,277,992	1,610,807	1,701,208	965,977	23%
Information Technology	61,311,977	37,939,981	18,755,755	4,616,241	8%
Internal Audit	5,244,821	2,980,215	1,691,766	572,840	11%
Legal & Compliance	13,835,962	7,273,000	6,103,262	459,700	3%
Organizational Excellence	12,214,982	6,290,069	5,370,958	553,955	5%
Agencywide	6,823,954	1,278,471	3,537,716	2,007,767	29%
TEAM	17,243,370	10,176,599	5,526,297	1,540,474	9%
Investment Data Modernization	26,883,728	10,091,555	16,771,883	20,290	0%
Performance Pay Plan	39,742,060	39,745,060	-	-	0%
Grand Total	\$ 381,614,544	\$ 214,840,262	\$ 142,119,435	\$ 24,654,847	6%



Alpha/Bravo Cost Update

(\$ in millions)

\$340M NTE Amount

	Alpha	Bravo
<i>Purchase Price</i>	\$ 103.1	\$ 129.7
<i>Escrow Accounts & Fees¹</i>	48.7	57.1
<i>Projected Actual Spend</i>	\$ 151.8	\$ 186.8
<i>Estimated Total Spend</i>	\$ 338.6	

Note 1: Escrow Accounts & Fees includes TI & FFE and build-out costs for Bravo garage

➤ **Estimated cost to complete Alpha & Bravo is currently trending under budget at \$338.6 million.**

Alpha 210,428 sq ft



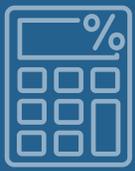
Bravo 247,951 sq ft





FY 2025 FTE Review

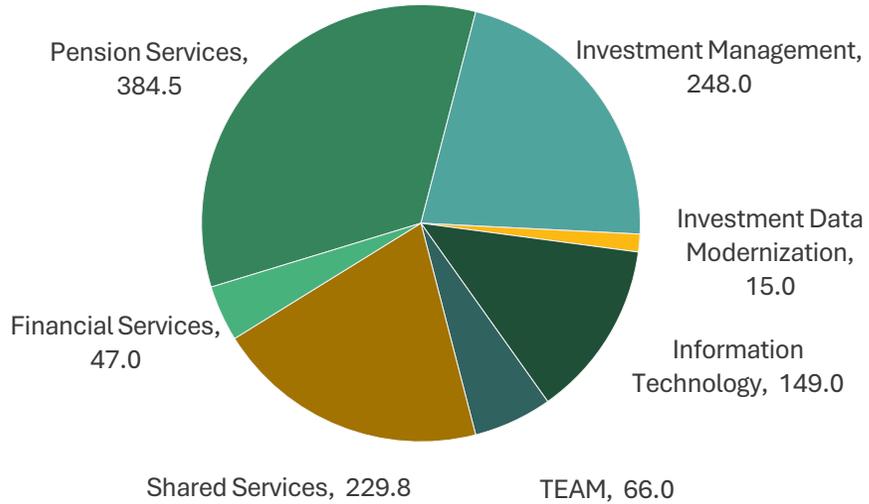
As of March 26, 2025



FY 2025 Budgeted FTE Summary

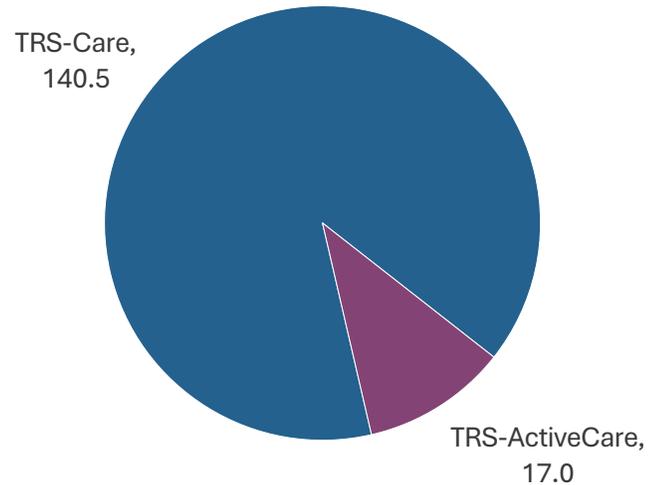


Pension Funded FTEs 1,139.3

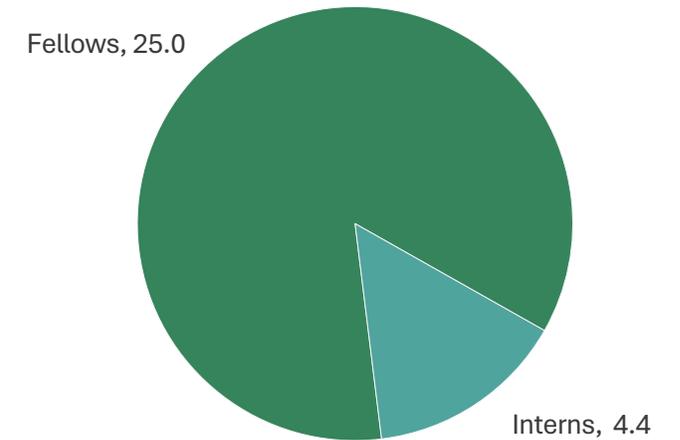


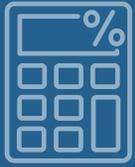
Shared Services: Executive Administration, Information Security, Internal Audit, Legal & Compliance, Government Affairs, Organizational Excellence, Communications, Administrative Services, Contract Services

Healthcare Funded FTEs 157.5



Interns and Fellows 29.4

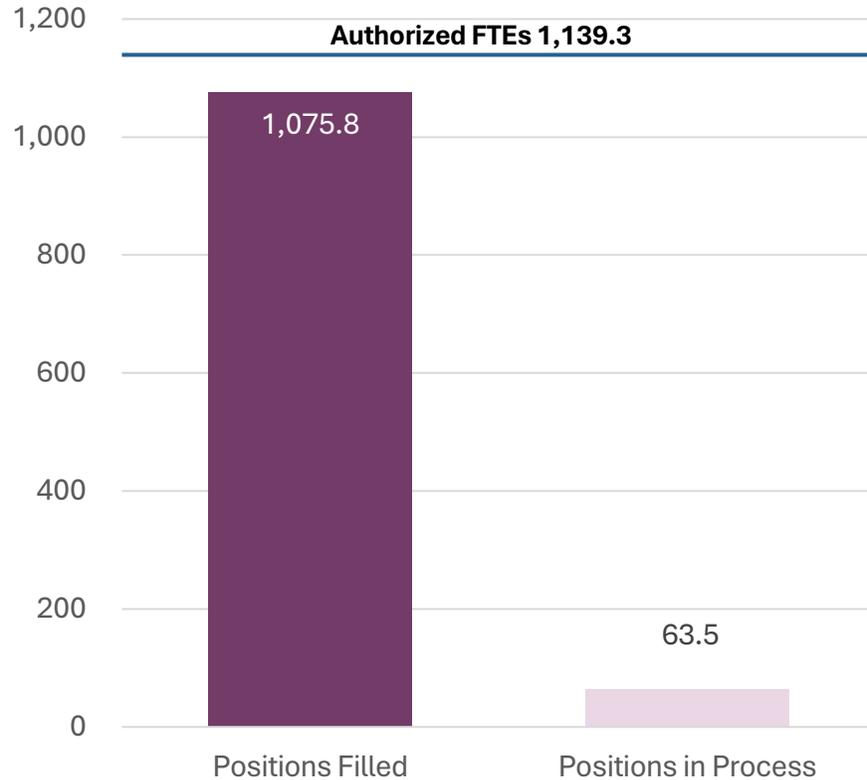




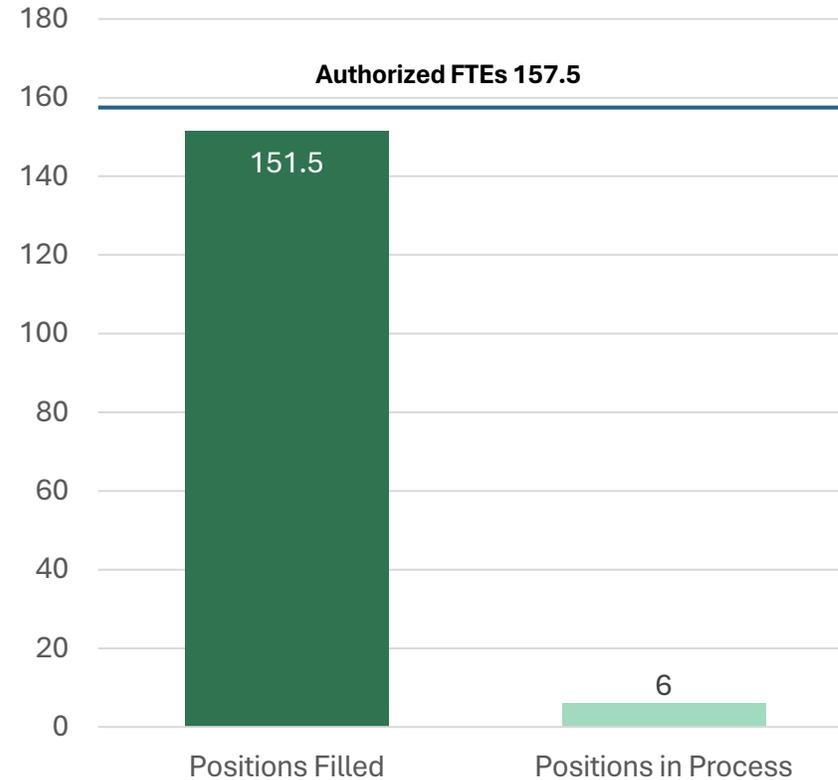
FY 2025 FTE Status



Pension Funded FTEs



Healthcare Funded FTEs



- Rider 19 (GAA, House Bill 1 as enrolled, Article III, page III-44, 88th Legislature, Regular Session) provides the Board of Trustees authority to increase the number of FTEs to levels necessary to carry out the fiduciary duties of the Board. In September 2025, TRS utilized this rider to increase the authorized FTE limitation to 1,139.3.

TAB 4

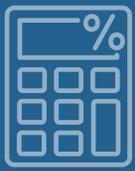


FY 2026 Administrative Operating Budget Preview

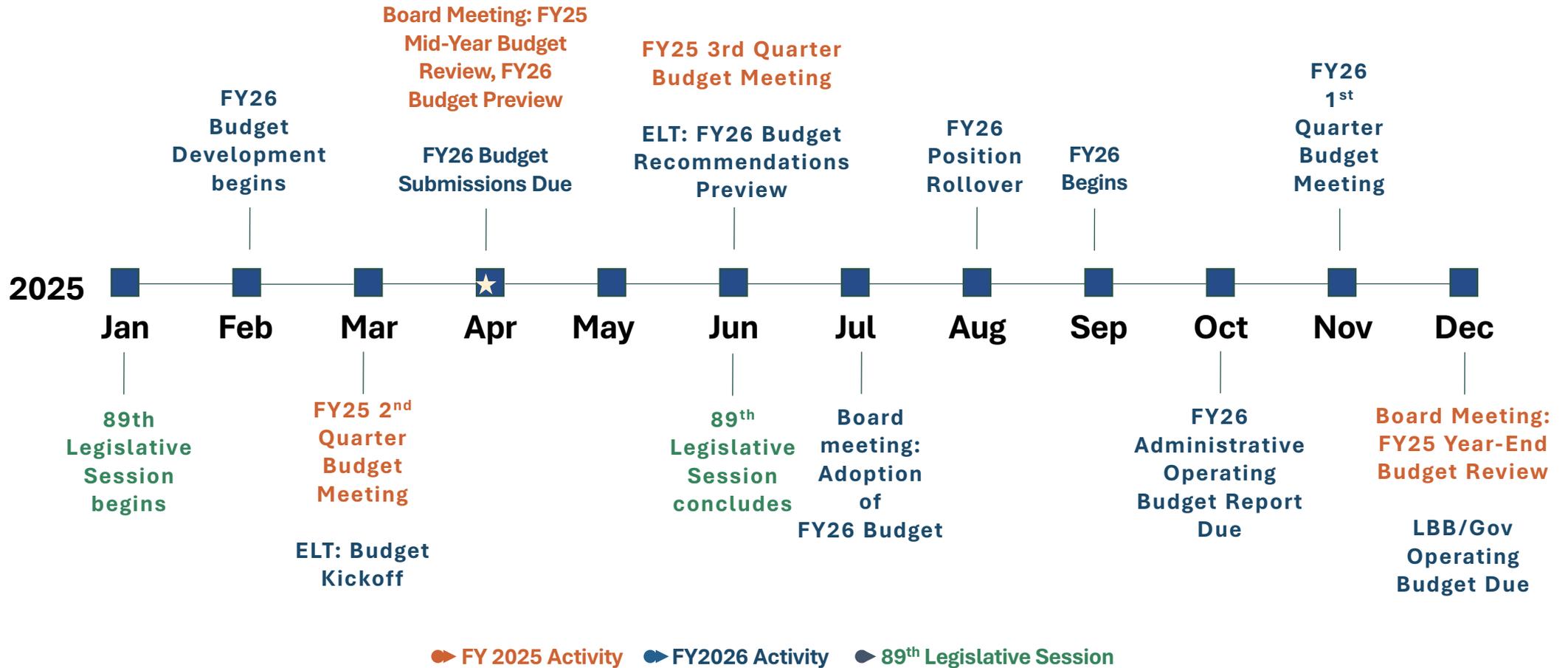
April 11, 2025

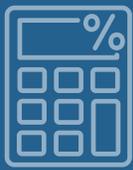
Presented By:
Don Green, Chief Financial Officer





Budget Development Timeline



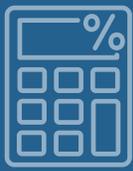


89th Legislative Session Highlights



	TRS LAR		SB1 & HB1		Variance	
	FY26	FY27	FY26	FY27	FY26	FY27
Administrative Operations	\$ 291,612,800	\$ 256,873,800	\$ 291,612,800	\$ 256,873,800	-	-
Authorized FTEs	1,139.3		1,139.3		-	

- FY26-27 includes the FTE Adjustment per the FY25 Fiduciary Finding by the Board to invoke Rider 19.
- SB1 & HB1 funded administrative operations full request as submitted.
- SB1 & HB1 fully funded our capital budget request, including \$32.1 million for the final phase of Investment Data Modernization.



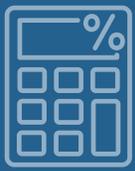
FY26 Administrative Operating Budget

Preliminary Review



- Consistent with the Pension Trust Fund FY26 funding level **recommended in SB1 and HB1 of the 89th Legislature.**
- **Upcoming Considerations:** Adoption of the FY26 Administrative Operating Budget.

	FY25 Budget	FY26 Budget	Variance	
<i>\$ in millions</i>				
Pension Trust Fund	303.4	332.9	29.5	10%
Admin Operations	267.7	288.3	20.6	8%
Capital Budget	35.7	44.6	8.9	25%
Commission Credits	7.5	5.5	(2.0)	(27%)
TRS-Care	25.2	26.9	1.7	7%
TRS-ActiveCare	5.8	6.1	0.3	5%
Grand Total	\$ 341.9	\$ 371.4	\$ 29.5	9%
Performance Pay Plan	39.7	39.7	-	0%
Grand total	\$ 381.6	\$ 411.1	\$ 29.5	8%



FY26 Administrative Operating Budget

Efficient Allocation of Resources



Reexamining the budget process



Analyze

Current Spending

Provide a baseline understanding of where and how resources are being consumed



Identify

Opportunities for Improved Efficiency

Target areas with high lapsed budgets and redundancies.



Improve

Budget Precision

Implement multi-model* budgeting by mapping models to operating attributes. A culture of cost-awareness ensures that all stakeholders understand the financial impact of the budget decisions.

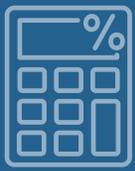


Create

Contingency Account

Unlock resources to pursue in-year opportunities and mitigate risks.

*Multi-Model Budgeting: Zero-based, Evidenced-based, Performance-based budgeting.



FY26 Administrative Operating Budget

Efficient Allocation of Resources



In the process of developing the FY26 Administrative Operating Budget divisions are collaborating with budget staff to thoroughly reassess the allocation of resources

- FTEs will be held constant, need to utilize available authority and prioritize staffing needs.
- As projects wrap up and fellowship recipients' terms come to an end, the ability to add new FTEs will be limited.
- Review staff augmentation and temporary employment services to determine cost effectiveness.
- Examine consulting services for efficiency by identifying potential contract overlaps, redundancies and opportunities for consolidation.
- Identify potential savings via contract renegotiation when renewals are due.
- Identify cost savings with furniture and equipment, technology hardware and software, and other operating cost.
- Assess the build-out and move-in activities for the new TRS headquarters buildings.
- Prioritize essential conference attendance, take advantage of virtual seminars, and reduce number of travelers each trip.
- Eliminate memberships and subscriptions no longer needed.

Salaries & Wages

Professional Fees & Services

Operating

Support Costs

Staff Development & Travel

Subscriptions & Memberships