

Popular Annual Financial Report

2025



What a difference a day makes.

What We Do Every Day
Is How We Earn Our Members' Trust.



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.



At Your Service

The employees of TRS are proud to dedicate their time and hard work to provide members with the services they've earned serving Texas.

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Brian K. Guthrie
Executive Director

For fiscal year 2025, TRS made pension benefit payments totaling \$14.2 billion to 523,657 retirees and their beneficiaries.

It is my pleasure to present the Teacher Retirement System of Texas' (TRS) Popular Annual Financial Report (PAFR) for fiscal year 2025, the System's 88th year of operation. The PAFR summarizes our Annual Comprehensive Financial Report (ACFR), providing financial highlights of the past year for those wishing to learn more about TRS developments. The 2025 ACFR can be viewed in the Publications Section of the TRS website: trs.texas.gov.

Pension Trust Fund

During the past fiscal year, the System experienced growth as membership increased by 45,382 individuals, ending the year with 2,102,992 participants. The Pension Trust Fund experienced favorable market performance resulting in positive returns for the fund, ending the 2025 fiscal year with a net position of \$226.3 billion compared to \$210.5 billion at the close of the 2024 fiscal year. TRS investment earnings, combined with the phased-in contribution rate increases approved in 2019 and completed on September 1, 2024, and continued contribution levels by the 89th Texas Legislature, continue to enable TRS to provide secure benefits for current and future retirees.

For fiscal year 2025, TRS made pension benefit payments totaling \$14.2 billion to 523,657 retirees and their beneficiaries. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions.

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 on which a large portion of retired public education employees rely. Funding is provided by premium payments from retiree participants and contributions from the State, employer, and active public education employees.

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.

Investments

For the twelve-month period ended August 31, 2025, the total portfolio delivered investment returns of 9.77 percent, which is 1.45 percent above the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$225.3 billion, or \$15.8 billion more than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 8.75 percent, which is 2.18 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2025, were 8.44 percent and 8.27 percent, respectively. Both rates surpassed the Board's adopted long-term assumed rate of return of 7.00 percent.

Thank You

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.



Robert H. Walls, Jr. Chair
San Antonio
Direct appointment of the governor
Term expires 2025



Michael Ball, Vice Chair
Argyle
Active public education position
Term expires 2025



Laronda Graf
Atlanta ISD Director of Human Resources
Queen City
At-Large position
Term Expires 2029



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



John R. Rutherford
Houston
Direct appointment of the governor
Term expires 2029



David Corpus
Executive Vice President-Bank President
Stellar Bank (STEL)
Humble
Position nominated by the State Board
of Education
Term expires 2025



Elvis Williams
Assistant Superintendent of Operations
Edgewood Independent School District
Fair Oaks Ranch
Active public education position
Term expires 2027



John Elliott
Founding Member
Law Office of John W. Elliott, P.L.L.C.
Austin
Direct appointment of the governor
Term expires 2027



Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

Teacher Retirement System of Texas

For its Annual Financial Report
For the Fiscal Year Ended

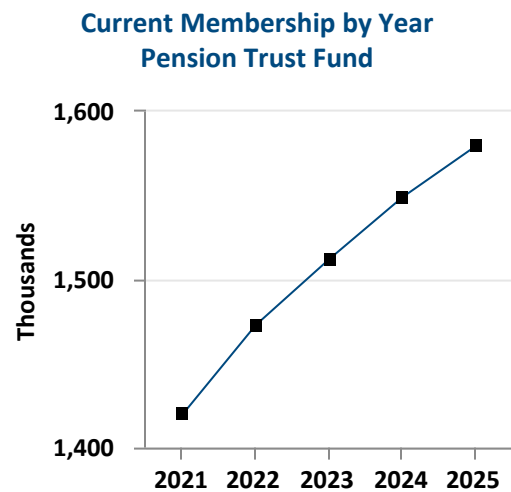
August 31, 2024

Christopher P. Morill

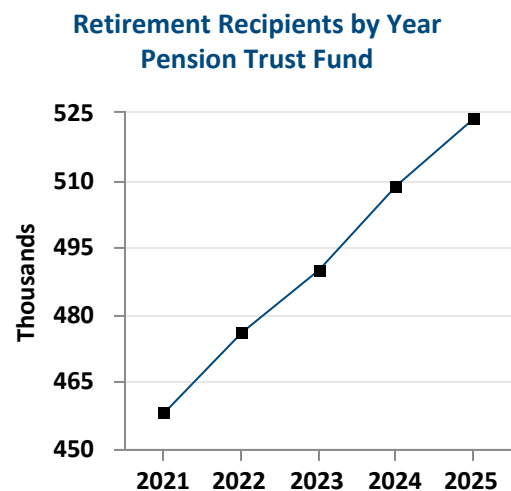
Executive Director/CEO

Membership of the Teacher Retirement System of Texas includes employees and retirees of state-supported educational institutions in Texas. The following tables represent TRS Pension Trust Fund participating employer and membership information for fiscal year 2025.

Number of Participating Employers	
Participating Employers	2025
Public Schools	1,019
Charter Schools	197
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	2
Other Entities	1
Total Participating Employers	1,346



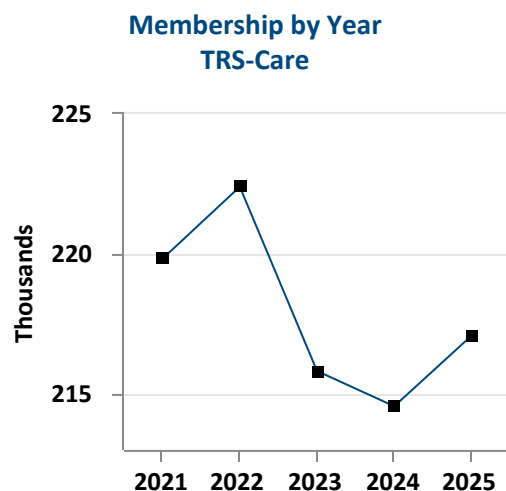
Membership Numbers by Category		
Member Categories	As of August 31,	
	2025	2024
Current Members		
Active Contributing	976,406	970,874
Inactive Non-vested	459,673	439,889
Inactive Vested	143,256	138,146
Total Current Members	1,579,335	1,548,909
Retirement Recipients		
Service	490,457	475,891
Disability	12,189	12,127
Survivor	21,011	20,683
Total Retirement Recipients	523,657	508,701
Total Membership	2,102,992	2,057,610



Texas Public School Retired Employees Group Insurance Program (TRS-Care)

Membership of TRS-Care is eligible to TRS public school retirees. There were 1,237 participating employers during fiscal year 2025.

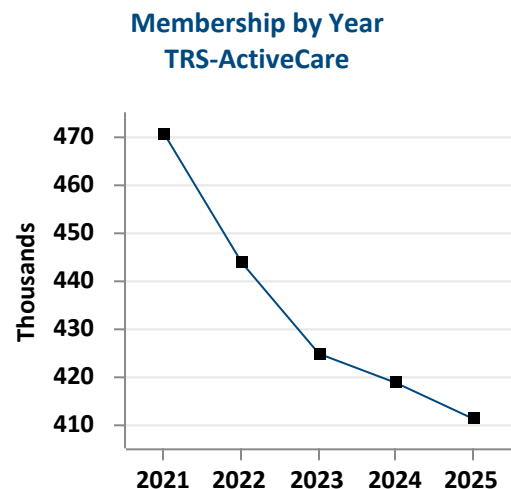
Membership Numbers by Category		
Member Categories	As of August 31,	
	2025	2024
Retirees	179,078	177,603
Surviving Spouses	5,701	5,832
Surviving Children	84	11
Dependent Spouses and Children	32,213	31,114
Total Membership	217,076	214,560



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 970 participating employers during fiscal year 2025.

Membership Numbers by Category		
Member Categories	As of August 31,	
	2025	2024
Employees	264,942	268,767
Dependents	146,192	149,855
Total Membership	411,134	418,622



Pension Trust Fund Overview

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.

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.

Funding Status

As of August 31, 2025, the System had a funded ratio of 77.5 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$64.9 billion. The UAAL is the approximate difference between how much money is in the Fund and the cost of current future annuity payments. The UAAL increased due to recognition of new salary increases for public education employees passed during the 89th Regular Texas Legislature Session. Increases in salary levels impact the financial position of the pension fund in how much is paid into and how much is paid out of the Fund. The heightened salary levels both increase contributions to the Fund and increase the amount of retirement benefits the Fund pays out for those employees when they retire. The UAAL is anticipated to be fully amortized with all benefits funded by 2060. A funding period projects the time expected to eliminate the UAAL. The funding period as of August 31, 2025 is 35 years, meaning the Fund will not meet the statutorily determined actuarial soundness definition by having a funding period of less than 31 years.

Statement of Fiduciary Net Position
Pension Trust Fund

As of August 31

(Dollars in Thousands)

	2025	2024	Percentage Change
Assets			
Cash and Receivables	\$ 7,523,327	\$ 9,908,993	(24.1)%
Investments	244,434,985	227,929,511	7.2
Invested Securities Lending Collateral	4,357,671	5,276,749	(17.4)
Prepaid Expenses and Deposits	6,812	410	1561.5
Capital Assets	400,988	367,256	9.2
Total Assets	\$ 256,723,783	\$ 243,482,919	5.4 %
Total Deferred Outflow of Resources	\$ 63,047	\$ 54,605	15.5 %
Liabilities			
Benefits Payable	\$ 363,478	\$ 340,677	6.7 %
Investments Purchased Payable	\$ 949,847	\$ 1,572,531	(39.6)%
Other Payables	125,509	114,856	9.3
*Investment Liabilities	23,727,009	25,401,165	(6.6)
*Securities Lending Obligations	4,876,287	5,282,904	(7.7)
Net Other Post-Employment Benefits Liability	129,857	108,784	19.4
Other Liabilities	258,526	104,444	147.5
Total Liabilities	\$ 30,430,513	\$ 32,925,361	(7.6)%
Total Deferred Inflow of Resources	\$ 28,016	\$ 68,905	(59.3)%
Total Net Position	\$ 226,328,301	\$ 210,543,258	7.5 %

*The collateral obligations for securities lending and derivative instruments were collectively reported as Collateral Obligations in Fiscal Year 2024. To provide additional clarity, these two types of obligations are reported separately beginning in Fiscal Year 2025. The balances of these two types of obligations for Fiscal Year 2024 are also reported separately. This change in reporting has no effect on the beginning fund balance in Exhibit II, Statement of Changes in Fiduciary Net Position for Fiscal Year 2025.

Statement of Changes in Fiduciary Net Position
Pension Trust Fund

For the Fiscal Years Ended August 31

(Dollars in Thousands)

	2025	2024	Percentage Change
Additions			
Member Contributions	\$ 5,093,207	\$ 4,921,798	3.5 %
Non-Employer Contributing Entity Contributions	2,564,554	2,483,581	3.3
Employer Contributions	3,283,988	3,151,326	4.2
Supplemental Funding - Appropriations		5,000,000	(100.0)
Gain on Capital Assets	32,800	27,157	20.8
Other Revenue	92,623	86,839	6.7
Investment Income	20,038,964	23,789,442	(15.8)
Total Additions	\$ 31,106,136	\$ 39,460,143	(21.2)%
Deductions			
Retirement Benefits and Other	\$ 14,372,110	\$ 15,244,135	(5.7)%
Refunds of Contributions	825,349	744,484	10.9
Other Post-Employment Benefits Expense	16,719	14,084	18.7
Administrative Expenses	106,916	84,717	26.2
Total Deductions	\$ 15,321,094	\$ 16,087,420	(4.8)%
Change in Net Position	\$ 15,785,042	\$ 23,372,723	(32.5)%
Total Net Position	\$ 226,328,301	\$ 210,543,258	7.5 %

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 inception of the plan was fiscal year 1986. The net position of TRS-Care at August 31, 2025 was \$5.6 billion, an increase of \$753.1 million from the \$4.8 billion at August 31, 2024.

Financial highlights for fiscal year 2025 with prior year comparisons are presented in the tables below.

Statement of Fiduciary Net Position				
TRS-Care				
As of August 31				
(Dollars in Thousands)				
	2025	2024	Percentage Change	
Assets				
Cash and Receivables	\$ 5,754,958	\$ 4,984,483	15.5 %	
Capital Assets	2,389	4,994	(52.2)	
Total Assets	\$ 5,757,347	\$ 4,989,477	15.4 %	
Liabilities				
Accounts Payables and Other	\$ 47,006	\$ 38,003	23.7 %	
Health Care Fees Payable	8,155	8,130	0.3	
Health Care Claims Payables	132,396	126,698	4.5	
Total Liabilities	\$ 187,557	\$ 172,831	8.5 %	
Total Net Position	\$ 5,569,790	\$ 4,816,646	15.6 %	

Statement of Changes in Fiduciary Net Position				
TRS-Care				
For the Fiscal Years Ended August 31				
(Dollars in Thousands)				
	2025	2024	Percentage Change	
Additions				
Member Contributions	\$ 294,948	\$ 290,205	1.6 %	
Non-Employer Contributing Entity Contributions	526,551	505,173	4.2	
Participating Employers Contributions	397,833	404,083	(1.5)	
Rebates and Discount Income	693,568	645,294	7.5	
Federal Revenue	329,978	221,928	48.7	
Other Revenue	3,222	15,133	(78.7)	
Investment Income	217,628	202,197	7.6 %	
Total Additions	\$ 2,463,728	\$ 2,284,013	7.9 %	
Deductions				
Health Care Claims	\$ 2,060,139	\$ 1,898,950	8.5 %	
Less: Health Care Premiums Paid by Retirees	(398,015)	(583,752)	(31.8)	
Health Care Claims Processing	20,034	18,588	7.8	
Insurance Premium Payments	5	5		
Health Care Fees	247	209	18.2	
Administrative Expenses	28,174	23,132	21.8	
Total Deductions	\$ 1,710,584	\$ 1,357,132	26.0 %	
Change in Net Position	\$ 753,144	\$ 926,881	(18.7)%	
Total Net Position	\$ 5,569,790	\$ 4,816,646	15.6 %	

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. The net position was \$818.8 million at August 31, 2025, an increase of \$130.3 million from \$688.5 million the previous fiscal year.

Financial highlights for fiscal year 2025 with prior year comparisons are presented in the tables below.

Statement of Net Position				
TRS-ActiveCare				
As of August 31				
(Dollars in Thousands)				
	2025	2024	Percentage Change	
Assets				
Cash	\$ 993,886	\$ 832,714	19.4 %	
Receivables	153,182	174,047	(12.0)	
Total Assets	\$ 1,147,068	\$ 1,006,761	13.9 %	
Liabilities				
Accounts Payable and Other	\$ 5,710	\$ 1,162	391.4 %	
Premiums and Fees Payable	1,464	1,261	16.1	
Health Care Claims Payable	321,138	315,861	1.7	
Total Liabilities	\$ 328,312	\$ 318,284	3.2 %	
Total Net Position	\$ 818,756	\$ 688,477	18.9 %	

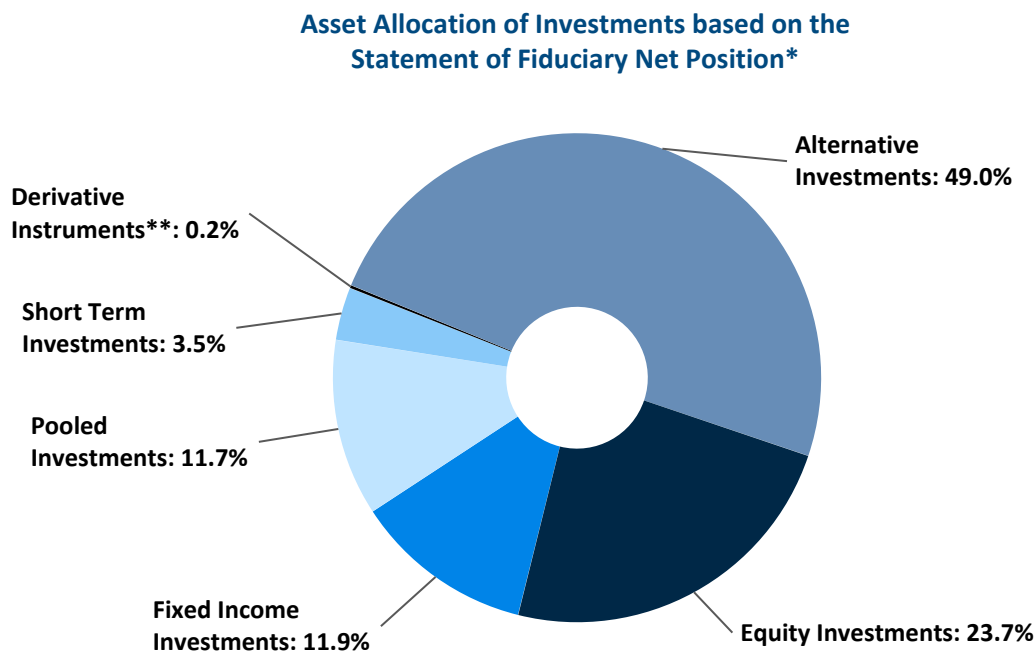
Statement of Revenues, Expenses, and Changes in Net Position				
TRS-ActiveCare				
For the Fiscal Years Ended August 31				
(Dollars in Thousands)				
	2025	2024	Percentage Change	
Revenues (Operating and Non-Operating)				
Health Care Premiums	\$ 2,045,518	\$ 1,907,470	7.2 %	
Rebate and Discount Income	341,407	289,318	18.0	
Supplemental Funding - Appropriations	369,225	588,518	(37.3)	
Investment Income	38,487	48,201	(20.2)	
Other Revenue	1,495			
Total Revenue	\$ 2,796,132	\$ 2,833,507	(1.3)%	
Operating Expenses				
Health Care Claims	\$ 2,573,491	\$ 2,276,218	13.1 %	
Health Care Claims Processing	77,163	75,272	2.5	
Health Care Fees	1,361	1,132	20.2	
Premium Payments to HMOs	7,556	72,525	(89.6)	
Administrative Expenses	6,282	3,720	68.9	
Total Expenses	\$ 2,665,853	\$ 2,428,867	9.8 %	
Change in Net Position	\$ 130,279	\$ 404,640	(67.8)%	
Total Net Position	\$ 818,756	\$ 688,477	18.9 %	

For Fiscal Year 2025, investment performance was strong, with the TRS Pension Trust Fund achieving a 9.77% return and closing the year with \$225.3 billion in assets under management, a \$15.8 billion increase from the prior year, net of benefit payments. Over longer periods, returns also exceeded expectations, with five-year and ten-year annualized returns of 8.44% and 8.27%, respectively, both outperforming the pension trust fund's long-term assumed rate of 7.00%. Investment earnings continued to play a vital role in the fund's sustainability, accounting for more than 64% of total pension fund revenue and supporting over \$1 billion paid per month in annuity payments.

Global equity markets were the primary driver of strong results. Favorable market conditions supported by easing inflation, steady corporate earnings, and expectations for lower interest rates in the U.S. and Europe propelled global stock performance. The S&P 500 Index gained 15.88% for the year ended August 31, 2025, driven by robust earnings, multiple expansion, and continued momentum in technology sectors such as artificial intelligence, cloud computing, and semiconductors.

TRS' Public Equity portfolio generated a 16.18% return for the year. Public Equities represented 43.51% of total assets managed, or \$98.0 billion, including \$48.0 billion managed internally. The \$19.6 billion Government Bonds-Nominal portfolio return declined to -7.12% due to inflation. Since the Government Bonds-Real allocation launched in October 2024, to hedge against inflation risk, the \$7.0 billion Government-Bonds-Real portfolio produced a 3.30% return. The bond allocation continues to serve as a defensive component that enhances diversification and provides liquidity. Other Stable Value investments performed well, with Stable Value Hedge Funds and Absolute Return strategies gaining 9.43% and 17.34%, respectively, bringing their combined assets to \$19.8 billion.

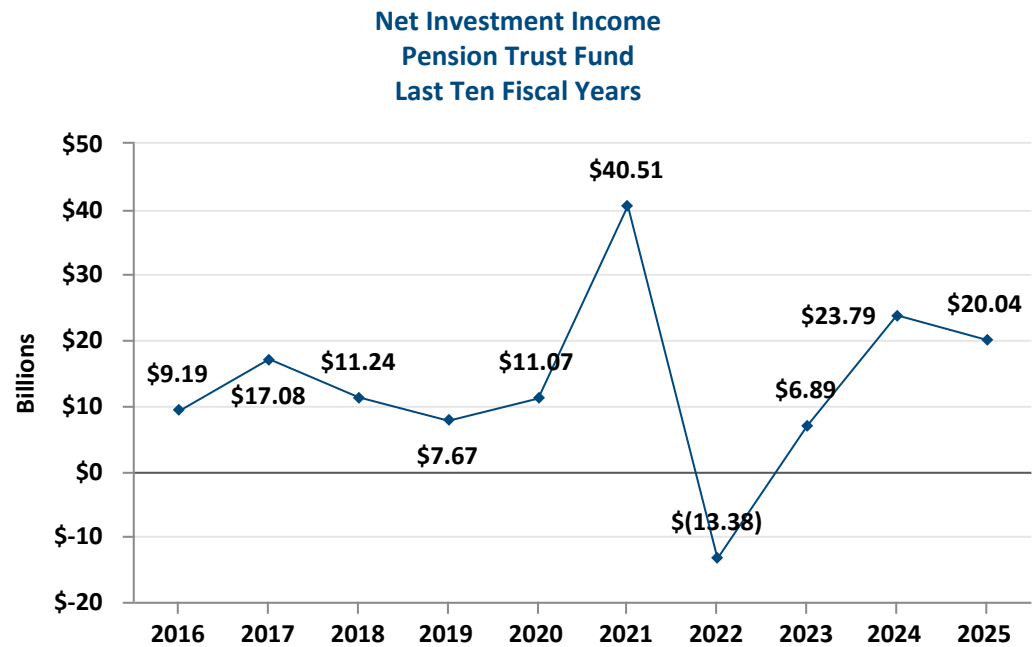
The chart below presents net investments of the System (excluding securities lending collateral and obligations) allocated based on investment classifications within the Statement of Fiduciary Net Position as of August 31, 2025.



*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.

The chart below presents net investment income for the last ten fiscal years.



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Total Commitment

Our members are our mission—the reason nearly 1,000 of us are here. We are the largest public retirement system in Texas, serving two million people. We strive to continue earning your trust every day.

TRS improves the retirement security of our Texas public education employees through our “best in class” investment management and diligent delivery of pension and health care benefits.



Teacher Retirement System of Texas

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Austin, Texas 78723

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www.trs.texas.gov