TEACHER RETIREMENT SYSTEM OF TEXAS

Actuarial Valuation Report

As of August 31, 2025

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November 19, 2025

Board of Trustees
Teacher Retirement System of Texas
4655 Mueller Blvd
Austin, TX 78723

Subject: Actuary's Certification of the Actuarial Valuation Report as of August 31, 2025

We certify that the information included herein and contained in the 2025 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) Pension Fund (Fund) as of August 31, 2025. This report was prepared at the request of the Board of Trustees (Board) and is intended for use by the TRS staff and those designated or approved by the Board. This report may be provided to parties other than TRS staff only in its entirety and only with the permission of the Board.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Texas statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Mr. Newton is an Enrolled Actuary, a member of the American Academy of Actuaries and is qualified to give a Statement of Actuarial Opinion. All are experienced in performing valuations for large public retirement systems.

ACTUARIAL VALUATIONS

The primary purpose of the valuation report is to determine the adequacy of the statutory contribution rates through measuring the resulting funding period, to describe the current financial condition of the Fund, and to analyze changes in the Fund's condition. In addition, the report provides various summaries of the data. This report may not be appropriate for other purposes. The information required by the Fund in connection with Governmental Accounting Standards Board Statement No. 67 (GASB No. 67) will be provided under separate cover. Valuations are prepared annually, as of August 31 of each year, the last day of the Fund's plan and fiscal year.

FINANCING OBJECTIVE OF THE PLAN

The employee, employer, and State contribution rates are established by State law that, over time, are intended to remain level as a percent of payroll and provide assets to cover benefits when due.

The assessment of the current contribution rates performed in this actuarial valuation are intended to ensure they provide for the normal cost plus fully amortizing the unfunded actuarial accrued liability (UAAL) over a reasonable time.

The 2019 Texas Legislature increased contribution rates for the State, employers, and the members in a phased-in schedule that was completed in Fiscal Year 2025. The State's base rate is 8.25%. In addition, covered public education employers are contributing 2.00% of salary up to the minimum salary schedules. These employer contributions are assumed to be approximately 1.12% of total payroll. Combined, these contributions are assumed to be approximately 9.37% of total payroll. The member contribution rate is 8.25%. In addition to these contributions, there are contributions made on behalf of members who are receiving a pension but who have also returned to work for a TRS-covered employer and who are not contributing a portion of their salary to the TRS Pension Trust Fund. These contributions are assumed to be approximately 0.10% of total payroll. As a result, for Fiscal Year 2026, the Fund is expected to receive a total contribution rate of 17.72% of pay. All funding calculations in this report assume the rate will remain at that level thereafter.

In 2019, the Board adopted a Funding Policy per Texas Government Code Sec. 802.2011. In it, the Board Policy states that "*A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Tex. Gov't Code § 802.2011.*" In the portion of the Board Policy titled *"Achieving the Stated Funding Objective of at Least 100% Funded",* the policy indicates that, if at any time the annual valuation of TRS does not project the UAAL to begin to decline in the next 5 years, the next Legislative Appropriations Request (LAR) for TRS will include an increase in contribution rates so that the UAAL would be projected to begin to decline the year following the legislative session (since the next regular session is in 2027, this would be fiscal year 2028). Thus, this valuation is also assessing whether the UAAL is decreasing, or if it is not decreasing, how soon before it is expected to begin to do so.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVE

Based on this Actuarial Valuation Report as of August 31, 2025, the Fund's UAAL has increased to $64.9 billion compared to $60.6 billion as of August 31, 2024. The primary reason for the increase is the impact of legislation enacted by the 89th Texas Legislature that is expected to increase the compensation structure for educators and other personnel. These changes required modification to the actuarial assumptions used in the Actuarial Valuation Report, which resulted in the increase in the UAAL. The actuarial experience for the year (both on liabilities and assets) produced small reductions in the UAAL.

The total contribution rate pattern discussed above is sufficient to pay this normal cost and amortize the current UAAL of the Fund over a period of 35 years based on the smoothed asset value as of the valuation date. Since this is greater than 30 years, the financing objectives of the Statute are not expected to be met (assuming all assumptions are realized).

In addition, based on the current contribution schedule, the UAAL is anticipated to grow in nominal dollars through 2038 (as shown on Table 5b) before beginning to decline annually after that.

Therefore, based on the Board's Funding Policy, increased contribution rates will need to be requested since as of this valuation, the UAAL is not expected to begin to decrease in the next five years. A contribution rate increase of 1.50% of payroll would be necessary beginning on September 1, 2027 for the UAAL to be expected to begin decreasing year over year beginning with Fiscal Year 2028 per the Board's Policy.

The Actuarial Valuation Report as of August 31, 2025 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 77.5%, decreasing from 77.8% last year. The funded status is one of many metrics used to show trends and develop future expectations about the health of the Fund. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

Please note these expectations are based on the current benefit provisions, assumptions, and contribution rates. Any additional benefit enhancements (such as ad hoc Cost-of-Living Adjustments or "COLAs") granted without additional funding would increase the ultimate UAAL and extend the period before the funding status begins to improve. Thus, we continue to advise that additional sources be provided to cover the cost of any benefit enhancement.

PLAN PROVISIONS

The plan provisions used in the Actuarial Valuation Report described in Appendix 1 of the valuation report. There have been no changes to the ongoing benefit provisions of the Fund since the prior valuation.

DISCLOSURE OF PENSION INFORMATION

Beginning with Fiscal Year 2014, the Fund began reporting financial information in accordance with GASB Statement No. 67. The disclosure information for GASB No. 67 is provided in a separate report and is not contained herein.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

ACTUARIAL METHODS AND ASSUMPTIONS

The actuarial methods and assumptions have been selected by the Board based upon our analysis and recommendations. These assumptions and methods are detailed in Appendix 2 of this valuation report. The Board has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2021 and adopted on July 15, 2022. The most notable change was a reduction in the assumed invested return from 7.25% to 7.00%. Please see our Actuarial Experience Study as of

August 31, 2021 for more information on the rationale for the current assumptions. The next Actuarial Experience Study for the period ending August 31, 2025 will be conducted in 2026.

In our opinion, the actuarial assumptions and methods used in this funding valuation meet the parameters set by the Actuarial Standards of Practice (ASOP) issued by the Actuarial Standards Board (ASB) for such purposes.

As previously mentioned, the 2025 Texas Legislature enacted legislation that is expected to impact the future compensation of educators and other personnel. To reflect this expectation, we have modified the salary increase assumption used in the Actuarial Valuation Report.

The results of the Actuarial Valuation Report are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. To illustrate this point, on page 9 of this report we have shown illustrative results based on future investment experience deviating from the assumptions. Based on the scope of this engagement, we have not performed analysis on the potential range of future measurements based on other factors. The actuarial calculations are intended to provide information for rational decision making.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the Fund and to reasonable expectations.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Data

Member data for retired, active and inactive members was supplied as of August 31, 2025 by the TRS staff. The staff also supplied asset information as of August 31, 2025. While GRS did not audit this data, we did apply a number of tests to the data and concluded that it was reasonable and consistent with the prior year's data. It is also our understanding that TRS' auditor has attested to this information. GRS is not responsible for the accuracy or completeness of the information provided to us by TRS.

The following schedules in the Actuarial Section of the TRS Annual Comprehensive Financial Report were prepared by GRS:

- Actuarial Present Value of Future Benefits
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Post-Retirement Mortality
- Rates of Retirement
- Probability of Decrement due to Withdrawal
- Active Mortality

All other schedules shown in the actuarial section were prepared by TRS staff based upon our work. For further information, please see the full Actuarial Valuation Report.

This document and the PowerPoint presentation of the actuarial valuation results presented to the TRS Board in December 2025 comprise the full actuarial report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Lewis Ward
Consultant

Joseph P. Newton, FSA, EA, MAAA
Pension Market Leader and Actuary

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SECTION A

DISCUSSION

Executive Summary

The TRS Actuarial Valuation Report as of August 31, 2025 indicates that the Fund's UAAL has increased from $60.6 billion in 2024 to $64.9 billion in 2025. This compares to an expected increase to $61.3 billion in last year's report (Table 11a). The primary driver was the change in actuarial assumptions to reflect the expected impact on future compensation as a result of the legislation enacted by the 2025 Texas Legislature. The increase in the UAAL and normal cost associated with the new assumptions also increased the funding period. The UAAL is now expected to be fully amortized in 2060, or 35 years from the valuation date (this compares to 2054 at the last valuation). The key results of this valuation as of August 31, 2025 may be summarized as follows.

Item	2025	2024
Membership		
• Number of		
- Active members[1]	976,406	970,874
- Service retirees	490,457	475,891
- Disabled retirees	12,189	12,127
- Beneficiaries	21,011	20,683
- Inactive, vested	143,256	138,146
- Inactive, nonvested	459,673	439,889
- Total	2,102,992	2,057,610
• Projected Payroll for Contributions	$ 64.9 billion	$ 61.4 billion
Statutory contribution rates for following fiscal year		
• Combined State/Employers[2]	9.37%	9.43%
• Member	8.25%	8.25%
Actuarial Information		
• Normal cost %	12.61%	12.10%
• Unfunded actuarial accrued liability (UAAL)	$ 64.9 billion	$ 60.6 billion
• UAAL as % of pay	99.9%	98.7%
• Funded ratio	77.5%	77.8%
• Funding period (years)	35	28
• Statutory Actuarially Determined Employer Contribution (ADEC)[3,4]	9.74%	9.43%
• Reasonable Actuarially Determined Contribution (ADC) per ASOP 4[3,5]	10.87%	10.39%

[1] Includes members in Deferred Retirement Option Plan (DROP).

[2] For Fiscal Year 2026, in addition to the 8.25% statutory payroll contribution rate for the State/Employers, public education employers will contribute 2.00% of the minimum salary schedule. Combined, it is expected that these contributions will be approximately 9.37% of total payroll. Not included in the 9.37%, the Fund also receives contributions on behalf of retired members who have returned to work for a TRS-covered employer which yields an approximate additional 0.10%.

[3] Aggregate contribution rate for State and local employers.

[4] Based on the lesser of the current funding period or 30 years.

[5] Based on the lesser of the current funding period or the minimum contribution rate expected to produce positive amortization beginning the fiscal year after the next legislative session.

Executive Summary (Continued)

Item	2025	2024
Assets		
• Market value	$ 226.3 billion	$ 210.5 billion
• Actuarial value	223.6 billion	212.5 billion
• Estimated yield on market value	9.6%	12.7%
• Estimated yield on actuarial value	7.3%	6.7%
• Ratio of actuarial to market value	98.8%	100.9%
• Employee contributions, including service purchases	$ 5.1 billion	$ 5.0 billion
• State contributions	2.6 billion	7.5 billion
• Employer contributions	3.3 billion	3.2 billion
• Benefit, refund, and expense payments	16.9 billion	17.7 billion
• Net external cash flow	(5.8) billion	(2.0) billion
Items impacting the change in the UAAL		
• Asset experience	$ 0.7 billion	$ (0.7) billion
• Assumption changes/Legislative changes	(4.9) billion	0.0 billion
• Liability experience	0.6 billion	(1.3) billion
• Total	$ (3.6) billion	$ (2.0) billion
Actuarial Information based on Market Value of Assets		
• Unfunded actuarial accrued liability (UAAL)	$ 62.2 billion	$ 62.6 billion
• UAAL as % of pay	95.8%	101.9%
• Funded ratio	78.4%	77.1%

Item	UAAL ($ Billions)	Funding Period
(1)	(2)	(3)
1. 2024 Valuation	$60.6	28
2. Expected 2025 UAAL *	61.3	27
3. 2025 UAAL using expected assets and actual liabilities	60.6	28
4. 2025 UAAL using actual assets and liabilities, expected payroll	60.0	27
5. 2025 UAAL using actual payroll	60.0	27
6. 2025 UAAL with legislative changes**	64.9	35

* The funding period for this entry uses the expected UAAL and expected payroll.
Expected payroll is the prior year's valuation payroll, increased by the previous 2.9% payroll growth rate.

** HB 2 & SB 2 enacted by the 2025 Legislature is reflected here.

Introduction

The valuation of TRS as of August 31, 2025, reflects the following contribution rates for Fiscal Year 2026: (a) a member contribution rate of 8.25%, and (b) a State/Employer combined contribution rate approximating 9.37%, and (c) an additional amount on behalf of rehired retirees that equates to approximately 0.10% of payroll.

Fiscal Year	State/ Employer Rate	Public Education Contribution	Effective Employer Rate*	Member Rate	Rehired Retirees	Total Blended Contribution Rate as a % of Total Payroll
2026	8.25%	2.00%	9.37%	8.25%	0.10%	17.72%

* It is assumed that 57.1% of total payroll will be eligible for the Public Education Employer Contribution. This is based on the actual proportion from Fiscal Year 2025, adjusted for higher educator salaries from 2025 legislation. Please see Table 3b for more detail on this estimate.

For purposes of determining the funding period, it was assumed that the Fiscal Year 2026 contribution rates (both member and State/employer) would remain in place indefinitely.

In preparing this valuation, GRS has relied on employee data and asset information provided by TRS staff. While not verifying the data at their source, GRS has performed such tests for consistency and reasonableness as has been deemed necessary to be satisfied with the appropriateness of using the data supplied.

Section A contains an executive summary of the most significant valuation results. The basic results of the valuation are covered on pages 5 – 6. Page 9 discusses the sensitivity of the funded status to future investment performance. Page 12 provides analysis and discussion of changes in assets. Page 13 summarizes the findings of the valuation while Section B provides the tables supporting the report.

There have been no changes to the benefit provisions of TRS since the prior valuation. Please see Appendix 1 of this report for a summary of the major benefit provisions of the System.

As noted previously, except as noted below, the actuarial assumptions have not changed since the prior report. The current assumptions were adopted in conjunction with an Actuarial Experience Study as of August 31, 2021. The actuarial assumptions were adopted by the Board on July 15, 2022.

As a result of legislation enacted by the 89th Texas Legislature, the actuarial assumptions related to future salary increases for active employees and the overall covered payroll growth of the System are being modified with this Actuarial Valuation Report.

For a detailed description of the actuarial assumptions and methods, please see Appendix 2 of this report.

Funded Status of the TRS Pension Fund

Table 2 provides an overall summary of key actuarial data for the 2025 valuation, with comparative data for 2024. This information is summarized from the other tables, which supply more detail. This provides key comparative valuation results in one convenient place.

Table 3a details the normal cost of the Fund by its various components. This normal cost is developed based on the valuation method known as the entry-age-normal actuarial cost method. The normal cost to pay for the benefits earned under the Fund is 12.61% of pay. This amount includes employee contributions. An additional adjustment is made to cover annual administrative expenses. It is assumed that administrative expense will be 0.14% of payroll. Thus, for Fiscal Year 2025 the total normal cost is 12.75% of pay and the net employer normal cost is 4.50% of pay based on the Fiscal Year 2026 member contribution rate of 8.25%.

The funding period is defined as the expected number of years until the UAAL is anticipated to be completely eliminated. This value takes into account all currently known information, including current assumptions, current funding policies, and any anticipated changes to normal cost based on the benefits for future members. This funding period for the Fund is determined under the entry-age-normal actuarial cost method based on a level percentage of pay. The key points of this method are as follows:

1. The "normal cost" for the Fund is deemed to be equal to the average cost of benefits for active members at each valuation date.

2. The "actuarial accrued liability" for benefits payable in the future to present active members is calculated as the present value of benefits payable in the future to present active members less the present value of future normal costs.

3. Funding of the unfunded actuarial accrued liability (UAAL) is a function of the rate of future growth in total covered payroll, the contributions established in state statute, and the trend in the normal cost over time.

Table 5 develops the funding period under the above approach not only for the current valuation, but also for the valuation as of August 31, 2024. From an actuarial perspective, the contribution rate in excess of the Fund's normal cost should be sufficient to amortize the UAAL over a reasonable period of time. Based on the future increases in the member and employer contribution rates, the contributions in excess of the Fund's normal cost are sufficient to amortize the Fund's UAAL over a period of 35 years (assuming all actuarial assumptions are exactly met).

Due to the current statutory funding policy which utilizes level percentage of payroll amortization, the amortization payments will not be sufficient to completely cover the interest charges on the UAAL until the funding period reaches approximately 22 years. Table 5b provides a projection of the UAAL financing which shows the UAAL is expected to increase to $74.1 billion in 2038 before beginning to decline. The projection shows the UAAL is expected to be fully amortized 22 years after that in 2060 (assuming all assumptions are exactly met including a 7.00% annual return on assets).

Funded Status of the TRS Pension Fund (Continued)

The 35-year funding period will neither satisfy the statutory requirements nor the Board's Funding Policy. The Fund will be in a period of negative amortization (the UAAL will actually increase) for more than a decade when the funding period is this long. The Board's Funding Policy and industry best practices would encourage contributions that begin to amortize the UAAL sooner and we agree with these practices. A contribution rate increase of 1.50% of payroll would be necessary beginning in Fiscal Year 2028 in order to expect the UAAL to begin to decrease year over year. This amortization structure would meet the requirements for a Reasonable Actuarially Determined Contribution (ADC) under ASOP No. 4.

In determining the number of years that will be required to amortize the UAAL, an assumption is made concerning future growth of the payroll of the Fund. Our current base payroll growth rate assumption is 2.90% per year. This is adjusted in future years for the impact of legislation enacted by the 89th Texas Legislature. The impact of recent legislation on the funding period is an increase of 8 years.

Please see Appendix 2 for a description of the impact of the recent legislation on the assumptions.

As shown in Item B5 of Table 5a and using the assumed rate of increase in covered payroll described in Appendix 2, the period to fund the UAAL is 35 years. The funding periods using alternative payroll growth assumptions are also shown and range from 27 years if payroll grows at a similar rate to the last 20 years, and 43 years if payroll only grows with price inflation.

Table 10 traces the changes in the UAAL and the funding period from the valuation as of August 31, 2024, to August 31, 2025. Item 2 of Table 10 shows the funding status if there had been no actuarial gains or losses in the areas of assets, liabilities, and reflecting the actual State contributions for the 2025 Fiscal Year. The UAAL would have increased during the year to $61.3 billion. Item 3 of Table 10 illustrates an experience liability gain which decreased the UAAL to $60.6 billion. Item 4 shows that the current year's investment experience further decreased the UAAL to $60.0 billion. Item 5 shows the impact on the funding period of actual payroll being different than assumed (there was no impact this year). Finally, Item 6 shows the impact of the 2025 legislative changes on both the UAAL and the funding period.

Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions

The determination of the accrued liability and an actuarially determined contribution (or funding period) requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid understanding of the effects of future experience that is different from the assumptions used in the Actuarial Valuation Report. Risk measures may also help with illustrating the potential volatility in the accrued liability and an actuarially determined contribution (or funding period) that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's Funding Policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends can generally be anticipated. For example, if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

TRS Specific Risks

While TRS has various levels of exposure to all of the risks listed above, in our opinion the ones that warrant the most observation for the TRS Board are contribution risk and political risk.

Contribution risk for TRS is based on the fact that contributions are set in statute and do not react to changing experience or legislation. Most of the industry has moved away from this type of funding structure since plans that were funded this way struggled more than their peers that have more dynamic funding structures that automatically adjusts contributions to reflect the appropriate amounts and/or timeframe, especially when legislation is passed that increases the liabilities of the system.

Political risk is the risk that stakeholders and decision makers change their priorities concerning the financial goals of TRS and that the decision makers meet only once every two years. The current statutory funding policy does not explicitly state its goals or conditions for change. If benefits are enhanced without additional funding or if the funding was reduced to finance other priorities, this would weaken the financial outlook for TRS.

PLAN MATURITY MEASURES

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk or reward. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk or reward. Several generally accepted plan maturity measures are described below. Please see Tables 11b and 12a which show the current year and a 20-year history of some of these measurements for TRS.

RATIO OF MARKET VALUE OF ASSETS TO PAYROLL

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5.0% different than assumed would equal 10.0% of payroll. A higher/lower or increasing/decreasing level of this maturity measure generally indicates a higher/lower or increasing/decreasing volatility in plan sponsor contributions as a percentage of payroll.

RATIO OF ACTUARIAL ACCRUED LIABILITY TO PAYROLL

The relationship between actuarial accrued liability and payroll is a useful indicator of the potential volatility of contributions for a fully funded plan. A funding policy that targets a funded ratio of 100.0% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time. The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll (5 to 2 ratio), a change in liability 2.0% other than assumed would equal 5.0% of payroll. A higher/lower or increasing/decreasing level of this maturity measure generally indicates a higher/lower or increasing/decreasing volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

RATIO OF ACTIVES TO RETIREES AND BENEFICIARIES

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

RATIO OF NET CASH FLOW TO MARKET VALUE OF ASSETS

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

ADDITIONAL RISK ASSESSMENT

Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. While a robust measurement of additional risk assessment is outside the scope of the annual actuarial valuation, we have provided some sensitivity analysis on the investment return assumption in the following section.

SENSITIVITY TO INVESTMENT PERFORMANCE

Table 11b provides several additional risk metrics that can help relate the size of the investment risk to the Fund, the Sponsor, and the membership. As shown on Table 11b, the assets are currently 3.4 times as large as the covered payroll (source of funding). Based on this ratio, assuming a 10.0% decrease in the asset levels that is never recovered by future gains would increase the 30-year contribution requirement by 1.98% of payroll (from the current 9.72% employer ADEC to 11.70%) and decrease the funded ratio by 7.8% (from 77.5% to 69.7%). Table 11b also shows how these metrics have changed over time. As a Fund matures and/or achieves higher funded ratios, these risk metrics will show proportionately higher investment risk.

The following exhibit projects the actuarial status of the Fund as of August 31, 2025 based on varying actual investment returns over the next few years. All other assumptions are assumed to be met, including the continuation of the new statutory member and employer contribution rates.

	Based on an Annual 4.00% Actual Investment Return on Market		Based on an Annual 7.00% Actual Investment Return on Market		Based on an Annual 10.00% Actual Investment Return on Market	
	Funded Ratio Measured By:					
August 31,	Actuarial Value of Assets	Market Value of Assets	Actuarial Value of Assets	Market Value of Assets	Actuarial Value of Assets	Market Value of Assets
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2025	77.5%	78.4%	77.5%	78.4%	77.5%	78.4%
2026	77.7%	76.7%	78.2%	78.9%	78.7%	81.2%
2027	77.6%	75.1%	79.0%	79.5%	80.4%	84.1%
2028	77.0%	73.4%	79.8%	80.1%	82.6%	87.2%
2029	75.9%	71.7%	80.6%	80.7%	85.4%	90.5%

The future liability is calculated by rolling forward the liabilities as of August 31, 2025, taking into account interest and benefit payments for the year, including mortality incidence and anticipated COLAs (none in this case). The 7.00% scenario above coincides with the actuarial investment return assumption of 7.00%. The 4.00% and 10.00% scenarios were selected because there is statistically a

high probability of the return for a five-year period being within +/- 3% of the expected return. The scenarios above are for illustration purposes only and are in no way to be used as expected investment performance. They assume no other deviations from the expected assumptions taken into consideration besides the asset performance. Careful consideration of this projection should be taken into account before any benefit enhancement is adopted. Note that under the 7.00% return scenario, the funded ratio based on actuarial assets and market assets will have converged to relatively the same level by Fiscal Year 2029.

Low-Default-Risk Obligation Measure

ASOP No. 4 was revised and reissued in December 2021 by the ASB. It includes a new calculation called a low-default-risk obligation measure (LDROM) to be prepared and issued annually for defined benefit pension plans. The transmittal memorandum for ASOP No. 4 includes the following explanation:

"The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the "right" liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan's funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date."

The LDROM estimates the amount of money the plan would need to invest in low-risk securities to provide the benefits with greater certainty. The traditional model (which is based on expected portfolio returns) expects lower costs but with higher risk, which creates less certainty and a possibility of higher costs. The LDROM model creates higher expected costs but more predictability when compared to the traditional model. Thus, the difference between the two measures (Valuation and LDROM) is one illustration of the possible costs the sponsor could incur if there was a reduction in the investment risk in comparison to the current diversified portfolio. However, the downside risk would be limited in the scenarios where the current portfolio would fail to achieve returns in excess of the low-default-risk discount, in this case 5.52%.

The following information has been prepared in compliance with this new requirement. Unless otherwise noted, the measurement date, actuarial cost methods, and assumptions used are the same as for the funding valuation covered in this Actuarial Valuation Report.

A.	LDROM measure of benefits as of the measurement date:	$348,810 million
B.	Valuation liability at 7% on measurement date:	288,536 million
C.	Cost to mitigate investment risk in the System's portfolio:	$ 60,274 million

Disclosures: Discount rate used to calculate LDROM: 5.52% Intermediate FTSE Pension Discount Curve as of August 31, 2025. This measure may not be appropriate for assessing the need for or amount of future contributions as the current portfolio is expected to generate significantly more investment earnings than the low-default-risk portfolio. This measure is also not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligation as this measure includes projections of salary increases and the ability for current members to continue to accrue eligibility and vesting service.

GASB Disclosure

The Fund prepares its financial accounting and disclosure information in accordance with GASB Statement No. 67.

We provide a separate accounting report with the required disclosures under this accounting standard.

Change in Assets During the Year

This section provides an analysis of the change in the Plan Net Assets during the year and an estimate of the yield on mean assets of the total Fund. Table 8a shows a rearrangement of some of the tables included in the annual financial statements of the Fund. Table 8b shows the estimated yield on a market value basis and on the actuarial asset valuation method.

To determine estimated yield on "mean assets", the traditional insurance company formula for yield rates is used. The estimated yield is derived by dividing the appropriate income by the corresponding mean assets. This is a “dollar weighted” rate of return and will differ slightly from the “time weighted” return shown in TRS’ Annual Comprehensive Financial Report.

As indicated by Item A4 of Table 8b, the estimated yield on the mean market value is 9.6%, compared to a 12.7% return in 2024. The actuarial asset yield (Item B4) is 7.3%, compared to 6.7% in 2024, and compared to the 7.00% assumption rate. This difference in the estimated yield on market value and actuarial value illustrates the smoothing effect of the asset valuation method.

The actuarial value of assets is developed in Table 4. It should be noted that the intent of the actuarial asset valuation method is to smooth out year-to-year fluctuations in market rates of return. The current asset method determines the expected actuarial value of assets and then recognizes at least 20% of the difference between that expected actuarial value of assets and the actual market value of assets. As shown in Item 8 of Table 4, if the current year’s difference between expected and actual investment income is of the opposite sign from the remaining deferred excesses/(shortfalls), then this year’s difference is directly offset against any prior year bases of the opposite sign (starting with the oldest base and working forward). Any remaining bases are then recognized over the remaining number of years. This is intended to ensure the smoothed value of assets will converge towards the market value in a reasonable and finite amount of time.

It should also be noted that the asset valuation method is still deferring $2.7 billion in unrecognized excess investment income into future years. Absent future negative investment experience, this deferred excess income will be recognized over future actuarial valuations.

Summary and Closing Comments

The contribution rates adopted by the 2019 Texas Legislature put TRS on a path to paying off the UAAL over a reasonable period of time satisfying both the statutory requirements and the Board's Funding Policy, as shown by the funding period of 28 years as of August 31, 2024. However, the changes to the future compensation structure of public education employees as a result of legislation enacted by the 2025 Texas Legislature resulted in an increase in both the UAAL and the expected time to reduce the UAAL to $0, which is now 35 years. This result satisfies neither the statutory requirements nor the Board's Funding Policy.

With percentage of payroll financing, the UAAL will not begin to decline in dollar amounts until the funding period reaches 22 years, which is projected to peak in 2038 at approximately $74.1 billion. For illustration, an increase in the contribution rate by another 1.50% of payroll in Fiscal Year 2028 would begin decreasing the UAAL in fiscal year 2028 and result in the System being fully funded more than a decade earlier. This change would be expected to save more than $62 billion in interest over the amortization period.

When considering benefit enhancements, it is important to fund them with increased contributions or a lump sum contribution. All enhancements since 2019, including the Fiscal Year 2024 COLA and stipend, were fully financed with lump sum contributions. This should be the model used in any future year that a COLA is considered. In past legislation, there were times when COLAs and retroactive benefit enhancements were granted without additional funding sources and that eventually deteriorated the financial health of the Fund.

SECTION B

ACTUARIAL TABLES

ACTUARIAL TABLES

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Table 1

ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS

	August 31, 2025 (1)	August 31, 2024 (2)
A. Present Value of Benefits Presently Being Paid:		
1. Service retirement benefits	$ 135,974,199,570	$ 131,030,875,199
2. Disability retirement benefits	1,304,182,616	1,302,190,997
3. Death benefits	1,218,087,276	1,196,279,980
4. Present survivor benefits	403,846,497	398,458,981
5. Total present value of benefits presently being paid	$ 138,900,315,959	$ 133,927,805,157
B. Present Value of Benefits Payable in the Future to Present Active Members:		
1. Service retirement benefits	$ 174,294,988,382	$ 159,529,210,880
2. Disability retirement benefits	7,093,035,602	6,018,789,085
3. Termination benefits	21,650,163,078	19,588,651,118
4. Death and survivor benefits	2,985,066,023	2,747,848,684
5. Total active member liabilities	$ 206,023,253,085	$ 187,884,499,767
C. Present Value of Benefits Payable in the Future to Present Inactive Members:		
1. Inactive vested participants	$ 8,024,222,092	$ 7,509,703,539
2. Refunds of contributions to inactive nonvested members	1,335,013,374	1,218,489,735
3. Future survivor benefits payable on behalf of present annuitants	2,154,446,655	2,079,196,524
4. Total inactive liabilities	$ 11,513,682,121	$ 10,807,389,798
D. Total Actuarial Present Value of Future Benefits:	$ 356,437,251,165	$ 332,619,694,722

Table 2

SUMMARY OF COST ITEMS

	Valuation as of August 31, 2025		Valuation as of August 31, 2024	
	Cost Item	Cost as % of Pay	Cost Item	Cost as % of Pay
	(1)	(2)	(3)	(4)
1. Participants				
a. Active contributing members				
1. Not in DROP	976,404		970,872	
2. In DROP	2		2	
b. Active subtotal	976,406		970,874	
c. Inactive members w/deferred benefits	143,256		138,146	
d. Retired members and beneficiaries	523,657		508,701	
e. Subtotal, members	1,643,319		1,617,721	
f. Inactive nonvested members due refunds	459,673		439,889	
g. Total membership	2,102,992		2,057,610	
2. Average for Active Members				
a. Average age	44.8		44.7	
b. Average years of service	10.3		10.2	
c. Average pay	$ 60,928		$ 59,210	
3. Present Value of Future Pay	$ 565,597,375,563		$ 517,122,182,135	
4. Normal Cost Rate for Upcoming Fiscal Year				
a. Gross normal cost	12.61%		12.10%	
b. Less employee contribution rate	(8.25%)		(8.25%)	
c. Administrative expenses	0.14%		0.14%	
d. State normal cost	4.50%		3.99%	
5. Present Value of Future Benefits				
a. Retired members - in pay or deferred	$ 138,900,315,959		$ 133,927,805,157	
b. Retired members - future survivor benefits	2,154,446,655		2,079,196,524	
c. Vested inactive members	8,024,222,092		7,509,703,539	
d. Active members	206,023,253,085		187,884,499,767	
e. Inactive nonvested members	1,335,013,374		1,218,489,735	
f. Total	$ 356,437,251,165	548.8%	$ 332,619,694,722	541.8%
6. Present Value of Future Normal Costs (employee plus employer)	$ 67,901,217,443	104.6%	$ 59,524,634,671	97.0%
7. Actuarial Accrued Liability	$ 288,536,033,722	444.3%	$ 273,095,060,051	444.9%
8. Actuarial Value of Assets	$ 223,633,551,164	344.4%	$ 212,520,440,440	346.2%
9. Unfunded Actuarial Accrued Liability	$ 64,902,482,558	99.9%	$ 60,574,619,611	98.7%
10. Projected Payroll for Contributions	$ 64,942,668,627		$ 61,388,248,000	
11. Employer Contribution Rate *	9.37%		9.43%	
12. Funding Period	35 years		28 years	
13. Estimated Yield on Actuarial Assets	7.3%		6.7%	
14. Funded Ratio - Smoothed Basis	77.5%		77.8%	
15. Actuarially Determined Employer Contribution (ADEC)**	9.74%		9.43%	

* For fiscal year 2026, the base contribution rate is set at 8.25% of pay. In addition, public education employers will contribute 2.00% of the minimum salary schedule. Combined, it is expected that these sources of contributions will be approximately 9.37% of total payroll. Additional contributions, approximately 0.10% of pay, are received for retired members who have returned to work.

** See description of ADEC in Appendix 2.

Table 3a

ANALYSIS OF NORMAL COST BY COMPONENT

Benefit Component	8/31/2025 Cost as % of Pay	8/31/2024 Cost as % of Pay
(1)	(2)	(3)
1. Normal Cost		
a. Retirement Benefits	8.93%	8.46%
b. Disability Benefits	0.53%	0.50%
c. Death Benefits (including survivor benefits)	0.24%	0.24%
d. Termination benefits	2.91%	2.90%
e. Total	12.61%	12.10%
2. Employee Contribution Rate for Next Fiscal Year	(8.25%)	(8.25%)
3. Administrative Expenses	0.14%	0.14%
4. State Normal Cost (Item 1e - Item 2+ Item 3)	4.50%	3.99%

Table 3b

ESTIMATION OF COVERED PAYROLL AND EFFECTIVE EMPLOYER CONTRIBUTION RATES

		8/31/2025
1.	Calculation of Covered Payroll	
a.	Normal Member Contributions	$5,093,206,594
b.	Member Contribution Rate for Fiscal Year	8.25%
c.	Estimated Covered Payroll for Fiscal Year 1a \ 1b	61,735,837,503
d.	Projected Covered Payroll for Next Fiscal Year 1c increased by one year's payroll growth	63,526,176,791
e.	1d plus additional payroll from HB 2	64,942,668,627
2.	Supplemental Employer Contribution Rate	
a.	Public Education Employer Contribution for Fiscal Year	705,362,179
b.	Contribution Rate for Fiscal Year	2.00%
c.	Estimated Eligible Payroll for Fiscal Year 2a \ 2b	35,268,108,950
d.	Total Projected Eligible Payroll 2c increased by one year's payroll growth	36,290,884,110
e.	Contribution Rate for Fiscal Year	2.00%
f.	Effective Public Education Employer Contribution Rate (2d * 2e) / 1e	1.12%
3. a.	Retiree Return to Work Contribution Surcharge	62,619,774
b.	3a \ 1c	0.10%

4. a. Projection of Payrolls and Contribution Rates

Fiscal Year	Total Projected Payroll	Base Contribution Rate	Public Education Employer Contribution Eligible Payroll	Public Education Employer Contribution Rate	Total Projected Contributions 2*3+4*5	Effective Contribution Rate 6/2
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2026	$64,943	8.25%	$36,291	2.00%	$6,084	9.37%
2027	66,826	8.25%	37,343	2.00%	6,260	9.37%
2028	68,764	8.25%	38,426	2.00%	6,442	9.37%
2029	70,758	8.25%	39,541	2.00%	6,628	9.37%
2030	72,810	8.25%	40,687	2.00%	6,821	9.37%

$ in millions.
Assumes all payrolls grow at 2.9% after FY2026.

Table 4

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

	Year Ending August 31, 2025
1. Actuarial value of assets at beginning of year	$ 212,520,440,440
2. Net new investments	
a. Contributions	11,034,130,322
b. Benefits and refunds paid	(15,214,178,306)
c. Administrative expenses	(106,915,751)
d. Subtotal	$ (4,286,963,735)
3. Assumed investment return rate for fiscal year	7.00%
4. Assumed investment return for fiscal year (Item 1 + Item 2.d / 2) x Item 3	$ 14,726,387,100
5. Expected actuarial value at end of year (1 + 2.d + 4)	$ 222,959,863,805
6. Market value of assets at end of year	$ 226,328,300,601
7. Excess/(Shortfall) (6 - 5)	$ 3,368,436,796

8. Development of amounts to be recognized as of August 31, 2025:

Fiscal Year End	Remaining Deferrals of Excess (Shortfall) of Investment Income	Offsetting of Gains/(Losses)	Net Deferrals Remaining	Years Remaining	Recognized for this valuation	Remaining after this valuation
	(1)	(2)	(3) = (1) + (2)	(4)	(5) = (3) / (4)	(6) = (3) - (5)
2021	$ -	$ -	$ -	1	$ -	$ -
2022	-	-	-	2	-	-
2023	(1,977,181,945)	1,977,181,945	-	3	-	-
2024	-	-	-	4	-	-
2025	5,345,618,741	(1,977,181,945)	3,368,436,796	5	673,687,359	2,694,749,437
Total	$ 3,368,436,796	$ -	$ 3,368,436,796		$ 673,687,359	$ 2,694,749,437

9. Actuarial value of plan net assets, end of year (Item 6 - Column 6 of the Total row of 6 Item 8)	$ 223,633,551,164
10. Asset gain (loss) for year (Item 9 - Item 5)	$ 673,687,359
11. Asset gain (loss) as % of actual actuarial assets	0.30%
12. Ratio of actuarial value to market value	98.8%

Notes: Remaining deferrals in Column (1) for prior years are from last year's report column (6). The number in the current year is the difference between the remaining deferrals for prior years and the total Excess/(Shortfall) return shown in Item 7. Column 2 is a direct offset of the current year's excess/(shortfall) return against prior years' excess/(shortfall) of the opposite type.

Table 5a

DEVELOPMENT OF YEARS TO FUND THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

	As of August 31, 2025 (1)	As of August 31, 2024 (2)
A. Basic Data		
1. Projected payroll for contributions	$ 64,942,668,627	$ 61,388,248,000
2. Present value of future pay	$ 565,597,375,563	$ 517,122,182,135
3. Normal cost rate of benefits		
a. Total normal cost rate	12.61%	12.10%
b. Less employee contribution rate	(8.25%)	(8.25%)
c. Administrative Expenses	0.14%	0.14%
d. State normal cost rate	4.50%	3.99%
4. State/employer contribution rate for funding unfunded actuarial accrued liability		
a. Total State/employer contribution rate	9.37%	9.43%
b. Credit for Return to Work contributions	0.10%	0.09%
c. Less State normal cost rate	(4.50%)	(3.99%)
d. Contribution rate available	4.97%	5.53%
5. Actuarial accrued liability for present active members		
a. Present value of benefits payable in the future to present members	$ 206,023,253,085	$ 187,884,499,767
b. Less present value of future normal costs	(67,901,217,443)	(59,524,634,671)
c. Actuarial accrued liability	$ 138,122,035,642	$ 128,359,865,096
B. Development of Funding Period		
1. Total actuarial accrued liability		
a. Present value of benefits presently being paid	$ 138,900,315,959	$ 133,927,805,157
b. Actuarial accrued liability for present active members (Item A5c)	138,122,035,642	128,359,865,096
c. Present value of benefits for inactive members	11,513,682,121	10,807,389,798
d. Total	$ 288,536,033,722	$ 273,095,060,051
2. Current actuarial assets	223,633,551,164	212,520,440,440
3. Unfunded actuarial accrued liability (UAAL) (Item B1d - Item B2)	$ 64,902,482,558	$ 60,574,619,611
4. Amount of State contribution available to fund unfunded actuarial accrued liability (Item A4d x Item A1)	$ 3,227,650,631	$ 3,394,770,114
5. Years to fund unfunded actuarial accrued liability*	35 years	28 years
Rate of Increase in Covered Payroll		
None: 0.00%	Never	Never
Assumed Price Inflation: 2.30%	43 years	32 years
Assumed Payroll Growth: 3.00%	35 years	28 years
Last 20 Years Actual: 4.23%	27 years	24 years
Assumed PGR with 1% Population: 3.90%	29 years	24 years
6. Actuarially Determined Employer Contribution rate (ADEC) (Normal cost + amortization of UAAL)**	9.74%	9.43%

* This calculation reflects the legislated increases in the member and employer rates in future years.

** See description of ADEC in Appendix 2.

Table 5b

DETAILED DEVELOPMENT OF YEARS TO FUND THE UNFUNDED
ACTUARIAL ACCRUED LIABILITY ($ in millions)

As of Aug 31,	Payroll For Next FY	Contribution as % of Payroll	Normal Cost and Admin as % of Payroll	Net Amortization [c - d] * b	UAAL BOY	Interest	Net Principal Contribution e - g	Funding Period
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
2025	$64,943	17.72%	12.75%	$3,230	$64,902	$4,432	($1,202)	35
2026	67,059	17.72%	12.68%	3,381	66,105	4,511	(1,130)	34
2027	69,233	17.72%	12.64%	3,517	67,234	4,585	(1,068)	33
2028	71,400	17.72%	12.60%	3,653	68,302	4,655	(1,002)	32
2029	73,581	17.72%	12.57%	3,791	69,305	4,721	(930)	31
2030	75,795	17.72%	12.54%	3,929	70,235	4,781	(852)	30
2031	78,044	17.72%	12.50%	4,070	71,087	4,836	(766)	29
2032	80,330	17.72%	12.48%	4,213	71,853	4,885	(672)	28
2033	82,660	17.72%	12.45%	4,359	72,525	4,927	(568)	27
2034	85,047	17.72%	12.42%	4,508	73,093	4,961	(454)	26
2035	87,494	17.72%	12.39%	4,661	73,546	4,988	(327)	25
2036	90,008	17.72%	12.37%	4,818	73,873	5,005	(188)	24
2037	92,611	17.72%	12.34%	4,980	74,061	5,013	(33)	23
2038	95,297	17.72%	12.32%	5,146	74,094	5,010	137	22
2039	98,070	17.72%	12.30%	5,318	73,958	4,994	323	21
2040	100,925	17.72%	12.28%	5,493	73,634	4,965	528	20
2041	103,860	17.72%	12.26%	5,674	73,106	4,922	751	19
2042	106,875	17.72%	12.24%	5,857	72,355	4,863	994	18
2043	109,965	17.72%	12.22%	6,045	71,361	4,787	1,257	17
2044	113,121	17.72%	12.21%	6,234	70,103	4,693	1,541	16
2045	116,357	17.72%	12.20%	6,427	68,562	4,578	1,848	15
2046	119,678	17.72%	12.19%	6,622	66,714	4,442	2,180	14
2047	123,089	17.72%	12.18%	6,822	64,534	4,283	2,539	13
2048	126,591	17.72%	12.17%	7,025	61,994	4,098	2,927	12
2049	130,177	17.72%	12.17%	7,230	59,067	3,886	3,345	11
2050	133,856	17.72%	12.16%	7,439	55,723	3,645	3,795	10
2051	137,640	17.72%	12.16%	7,652	51,928	3,372	4,280	9
2052	141,533	17.72%	12.16%	7,869	47,648	3,065	4,805	8
2053	145,547	17.72%	12.16%	8,092	42,843	2,721	5,372	7
2054	149,685	17.72%	12.16%	8,321	37,472	2,337	5,985	6
2055	153,949	17.72%	12.16%	8,556	31,487	1,910	6,647	5
2056	158,414	17.72%	12.16%	8,802	24,840	1,436	7,366	4
2057	163,008	17.72%	12.17%	9,054	17,475	912	8,142	3
2058	167,735	17.72%	12.17%	9,312	9,332	333	8,980	2
2059	172,599	17.72%	12.17%	9,578	353	(305)	9,883	1
2060	177,605	17.72%	12.17%	9,851	(9,530)	(1,006)	10,857	0

Table 6

GROWTH OF COVERED PAYROLL AND ACTIVE MEMBERS

	Total Annualized Salaries		Active Members			Average Salary		
Year Ending August 31,	Amount in $ Millions	Percent Increase	Number	Percent Increase	Compound Increase Between Year Indicated and 08-31-2025	Average Salary	Percent Increase	Compound Increase Between Year Indicated and 08-31-2025
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2006	$ 28,397	9.4%	761,658	6.5%	1.3%	$ 37,284	2.8%	2.6%
2007	31,114	9.6%	777,789	2.1%	1.3%	40,003	7.3%	2.4%
2008	33,238	6.8%	801,455	3.0%	1.2%	41,472	3.7%	2.3%
2009	35,097	5.6%	817,537	2.0%	1.1%	42,930	3.5%	2.2%
2010	36,629	4.4%	834,060	2.0%	1.1%	43,916	2.3%	2.2%
2011	36,797	0.5%	828,919	(0.6%)	1.2%	44,392	1.1%	2.3%
2012	36,310	(1.3%)	815,155	(1.7%)	1.4%	44,543	0.3%	2.4%
2013	37,104	2.2%	831,302	2.0%	1.3%	44,634	0.2%	2.6%
2014	39,195	5.6%	857,342	3.1%	1.2%	45,717	2.4%	2.6%
2015	37,122	(5.3%)	828,851	(3.3%)	1.7%	44,787	(2.0%)	3.1%
2016	39,281	5.8%	847,631	2.3%	1.6%	46,343	3.5%	3.1%
2017	40,904	4.1%	864,233	2.0%	1.5%	47,330	2.1%	3.2%
2018	42,105	2.9%	872,978	1.0%	1.6%	48,232	1.9%	3.4%
2019	43,779	4.0%	884,522	1.3%	1.7%	49,495	2.6%	3.5%
2020	47,088	7.6%	914,741	3.4%	1.3%	51,477	4.0%	3.4%
2021	49,355	4.8%	918,539	0.4%	1.5%	53,732	4.4%	3.2%
2022	50,849	3.0%	928,415	1.1%	1.7%	54,770	1.9%	3.6%
2023	54,435	7.1%	953,293	2.7%	1.2%	57,102	2.6%	3.3%
2024	57,485	5.6%	970,872	1.8%	0.6%	59,210	3.7%	2.9%
2025	59,490	3.5%	976,404	0.6%	--	60,928	2.9%	--

Note: Beginning August 31, 2015, the definition of active member was changed.

Table 7

RELATIVE SIZE OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

		Relative to Projected Payroll		Relative to Actuarial Value of Assets		Relative to Total Actuarial Liabilities (Present Value of Future Benefits)	
Year Ending August 31,	Unfunded Actuarial Accrued Liability in $ Millions	Projected Payroll In $ Millions	Percent of Projected Payroll	Assets in $ Millions	Percent of Assets	Actuarial Liabilities in $ Millions	Percent of Actuarial Liabilities
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1974	$ 1,739	$ 2,246	77.4%	$ 2,394	72.6%	$ 6,207	28.0%
1975	1,998	2,583	77.4%	2,764	72.3%	7,143	28.0%
1976	2,445	2,875	85.0%	3,103	78.8%	8,067	30.3%
1977	2,879	3,246	88.7%	3,531	81.5%	9,626	29.9%
1978	2,422	3,636	66.6%	4,016	60.3%	9,858	24.6%
1979	3,322	3,928	84.6%	4,529	73.3%	12,336	26.9%
1980	2,785	4,378	63.6%	5,342	52.1%	12,181	22.9%
1981	3,300	4,970	66.4%	6,386	51.7%	13,890	23.8%
1982	3,864	5,616	68.8%	7,373	52.4%	16,135	23.9%
1983	4,549	6,378	71.3%	8,586	53.0%	20,277	22.4%
1984	4,849	6,652	72.9%	9,851	49.2%	22,456	21.6%
1985	6,474	7,547	85.8%	12,096	53.5%	29,618	21.9%
1986	5,365	8,237	65.1%	14,939	35.9%	32,273	16.6%
1987	4,096	8,646	47.4%	18,055	22.7%	34,801	11.8%
1988	3,890	9,166	42.4%	20,096	19.4%	37,332	10.4%
1989	3,489	9,764	35.7%	23,302	15.0%	41,084	8.5%
1990	3,343	10,446	32.0%	26,111	12.8%	45,685	7.3%
1991	3,429	11,181	30.7%	28,860	11.9%	49,515	6.9%
1992	3,441	11,959	28.8%	31,201	11.0%	53,123	6.5%
1993	3,440	13,391	25.7%	35,179	9.8%	59,210	5.8%
1994	825	14,167	5.8%	38,843	2.1%	58,351	1.4%
1995	1,956	14,888	13.1%	43,442	4.5%	65,259	3.0%
1996	1,813	15,983	11.3%	47,487	3.8%	68,948	2.6%
1997	146	17,044	0.9%	53,760	0.3%	74,677	0.2%
1998	(2,463)	18,325	-13.4%	60,357	-4.1%	79,603	-3.1%

Table 7 (Continued)

RELATIVE SIZE OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

		Relative to Projected Payroll		Relative to Actuarial Value of Assets		Relative to Total Actuarial Liabilities (Present Value of Future Benefits)	
Year Ending August 31,	Unfunded Actuarial Accrued Liability in $ Millions	Projected Payroll In $ Millions	Percent of Projected Payroll	Assets in $ Millions	Percent of Assets	Actuarial Liabilities in $ Millions	Percent of Actuarial Liabilities
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1999	$ (2,190)	$ 19,529	-11.2%	$ 69,435	-3.2%	$ 91,563	-2.4%
2000	(5,446)	21,920	-24.8%	79,328	-6.9%	100,414	-5.4%
2001	(2,135)	23,365	-9.1%	86,352	-2.5%	113,663	-1.9%
2002	3,287	24,818	13.2%	86,035	3.8%	118,100	2.8%
2003	5,230	25,756	20.3%	89,033	5.9%	123,677	4.2%
2004	7,953	25,485	31.2%	88,784	9.0%	121,267	6.6%
2005	13,196	25,957	50.8%	89,299	14.8%	124,556	10.6%
2006	13,694	28,397	48.2%	94,218	14.5%	131,906	10.4%
2007	12,545	31,114	40.3%	103,419	12.1%	142,190	8.8%
2008	11,523	33,238	34.7%	110,233	10.5%	150,999	7.6%
2009	21,646	35,097	61.7%	106,384	20.3%	158,899	13.6%
2010	22,899	36,629	62.5%	111,293	20.6%	166,445	13.8%
2011	24,062	36,797	65.4%	115,253	20.9%	173,204	13.9%
2012	26,101	36,310	73.6%	118,326	22.1%	177,901	14.7%
2013	28,936	37,104	79.3%	121,730	23.8%	184,332	15.7%
2014	31,638	38,522	82.1%	128,398	24.6%	195,893	16.2%
2015	32,968	39,620	83.2%	133,485	24.7%	197,662	16.7%
2016	35,453	42,376	83.7%	138,786	25.5%	207,411	17.1%
2017	35,471	43,164	82.2%	146,282	24.2%	216,125	16.4%
2018	46,165	44,956	102.7%	154,051	30.0%	241,438	19.1%
2019	49,486	47,414	104.4%	160,233	30.9%	253,626	19.5%
2020	50,605	49,987	101.2%	167,432	30.2%	264,161	19.2%
2021	47,648	51,356	92.8%	180,599	26.4%	276,424	17.2%
2022	51,652	54,198	95.3%	193,909	26.6%	298,453	17.3%
2023	57,880	57,785	100.2%	199,664	29.0%	313,925	18.4%
2024	60,575	61,388	98.7%	212,520	28.5%	332,620	18.2%
2025	64,902	64,943	99.9%	223,634	29.0%	356,437	18.2%

Table 8a

CHANGE IN PLAN NET ASSETS

	Year Ending August 31, 2025 (1)	Year Ending August 31, 2024 (2)
I. Revenue for the Year		
A. Contribution and fees		
1. Member contributions	$ 5,093,206,594	$ 4,921,798,309
2. State contributions - State of Texas	2,599,354,632	2,516,865,571
3. State contributions - 415 Excess Plan	4,332,051	4,361,714
4. State contributions - Employers	3,283,987,580	3,151,326,299
5. Supplemental Funding - Appropriations for COLA & One-time stipend	-	5,000,000,000
6. Purchase of Service Credit-Refundable	28,205,257	27,045,770
7. Purchase of Service Credit-Non-Refundable	25,044,208	20,987,761
8. Total	$ 11,034,130,322	$ 15,642,385,424
B. Income		
1. Net appreciation in fair value of investments	$ 21,305,276,741	$ 24,962,673,167
2. Income from securities lending	291,470,339	396,465,572
3. Investment expenses	(1,557,783,143)	(1,569,696,290)
4. Total	$ 20,038,963,937	$ 23,789,442,449
C. Other Adjustments (Including Prior Period Adjustments)	$ 33,041,904	$ 28,315,090
D. Total Revenue	$ 31,106,136,163	$ 39,460,142,963
II. Expenditures for the Year		
A. Refund of Contributions	$ 825,348,691	$ 744,483,839
B. Benefit Payments	14,388,829,615	15,258,219,146
C. Expenses	106,915,751	84,717,041
D. Total Expenditures	$ 15,321,094,057	$ 16,087,420,026
III. Net Increase in Plan Net Assets (Item I.D. - Item II.E.)	$ 15,785,042,106	$ 23,372,722,937

Table 8b

ESTIMATION OF YIELDS

Item	Year Ending August 31, 2025	Year Ending August 31, 2024
(1)	(2)	(3)
A. Market value yield		
1. Beginning of year net market assets	$ 210,543,258,495	$ 187,170,535,558
2. Investment income (net of investment expenses)	20,072,005,841	23,817,757,539
3. End of year market assets	$ 226,328,300,601	$ 210,543,258,495
4. Estimated market value yield	9.6%	12.7%
B. Actuarial value yield		
1. Beginning of year actuarial assets	$ 212,520,440,440	$ 199,663,655,982
2. Investment income	15,400,074,459	13,301,819,060
3. End of year actuarial assets	$ 223,633,551,164	$ 212,520,440,440
4. Estimated actuarial value yield	7.3%	6.7%

Table 9

GAIN OR LOSS FOR THE YEAR

Item	Year Ending August 31, 2025	Year Ending August 31, 2024
(1)	(2)	(3)
A. CALCULATION OF TOTAL GAIN OR LOSS		
1. Unfunded actuarial accrued liability (UAAL),		
a. Previous year, before Legislative changes	$ 60,574,619,611	$ 57,879,603,456
b. Previous year, after Legislative changes	60,574,619,611	62,878,603,456
2. Normal cost plus service purchase for the year	$ 7,630,201,554	$ 7,434,909,518
3. Contributions for the year	$ (11,034,130,322)	$ (15,642,385,424)
4. Interest at 7.00%		
a. On UAAL	$ 4,240,223,373	$ 4,226,537,242
b. On normal cost	267,057,054	260,221,833
c. On contributions	(386,194,561)	(547,483,490)
d. Total	$ 4,121,085,866	$ 3,939,275,585
5. Expected UAAL (Sum of Items A1 through A4)	$ 61,291,776,709	$ 58,610,403,135
6. Actual UAAL	$ 64,902,482,558	$ 60,574,619,611
7. Gain/(loss) for the year (Item A5 - Item A6)	$ (3,610,705,849)	$ (1,964,216,476)
B. SOURCE OF GAINS AND LOSSES		
1. Asset gain/(loss) for the year (Table 4)	$ 673,687,359	$ (659,060,648)
2. Asset gain/(loss) as a % of actuarial assets	0.30%	(0.31%)
3. Total actuarial accrued liability gain/(loss) for year (Item A7 - Item B1)	(4,284,393,208)	(1,305,155,828)
4. Analysis of actuarial accrued liability gain/(loss)		
a. Assumption/Legislative changes	$ (4,926,667,971)	$ -
b. Liability experience	642,274,763	(1,305,155,828)
c. Total	$ (4,284,393,208)	$ (1,305,155,828)
5. Experience liability gain/(loss) as % of total actuarial accrued liability (Item B4.b as % of total actuarial accrued liability)	0.22%	(0.48%)

Table 10

ANALYSIS OF CHANGE IN FUNDING PERIOD

Basis	UAAL ($ Billions)	Normal Cost Rate	Total Contribution Rate	Funding Period	Change in Funding Period
(1)	(2)	(3)	(4)	(5)	(6)
1. 2024 Valuation	$60.6	12.24%	17.77%	28	0
2. Expected 2025 UAAL	61.3	12.17%	17.77%	27	(1)
3. 2025 UAAL using expected assets and actual liabilities	60.6	12.22%	17.77%	28	1
4. 2025 UAAL using actual assets and liabilities, expected payroll	60.0	12.22%	17.77%	27	(1)
5. 2025 UAAL using actual payroll	60.0	12.22%	17.77%	27	0
6. 2025 UAAL with legislative changes	64.9	12.75%	17.72%	35	8

Notes:

Row 2 The funding period for this entry uses the expected UAAL and expected payroll. The expected payroll is the prior year's valuation payroll rolled forward at the prior year 2.9% payroll growth rate assumption.

Row 3 This entry uses expected assets and payroll growth, while incorporating the actual liabilities as of August 31, 2025.

Row 4 This entry includes the current year investment results.

Row 5 This entry incorporates known assets, liabilities, and payroll growth. The overall payroll growth does not affect the liabilities of the plan, but instead affects the calculation of the funding period because the payroll is the denominator in the calculation of the amortization payment. Higher than expected payroll growth leads to a decrease in the required amortization payment as a percentage of payroll.

Row 6 HB 2 & SB 2 enacted by the 2025 Legislature is reflected here.

Table 11a

NEAR TERM OUTLOOK

Valuation as of August 31, (1)	Unfunded Actuarial Accrued Liability (UAAL, in Millions) (2)	Funded Ratio (3)	Funding Period (4)	Actuarial Value of Assets (AVA, in Millions) (5)	**For Fiscal Year Ending August 31,** (6)	Projected Payroll for Contributions (in Millions) (7)	Blended Employer Rate (8)	Employer Contributions (in Millions) (9)	Member Rate (10)	Employee Contributions (in Millions) (11)	Benefit Payments, Refunds, and Admin Expenses (12)	Net External Cash Flow (in Millions) (13)
2025	$ 64,902	77.5%	35	$ 223,634	2026	$ 64,943	9.47%	$ 6,150	8.25%	$ 5,358	$ 16,585	$ (5,077)
2026	66,105	78.0%	34	234,036	2027	67,059	9.47%	6,350	8.25%	5,532	16,026	(4,143)
2027	67,234	78.5%	33	246,133	2028	69,233	9.47%	6,556	8.25%	5,712	16,879	(4,611)
2028	68,302	79.1%	32	258,593	2029	71,400	9.47%	6,762	8.25%	5,891	17,765	(5,113)
2029	69,305	79.7%	31	271,406	2030	73,581	9.47%	6,968	8.25%	6,070	18,687	(5,649)
2030	70,235	80.2%	30	284,561	2031	75,795	9.47%	7,178	8.25%	6,253	19,614	(6,184)
2031	71,087	80.7%	29	298,084	2032	78,044	9.47%	7,391	8.25%	6,439	20,564	(6,735)
2032	71,853	81.3%	28	311,984	2033	80,330	9.47%	7,607	8.25%	6,627	21,528	(7,293)
2033	72,525	81.8%	27	326,278	2034	82,660	9.47%	7,828	8.25%	6,819	22,514	(7,866)
2034	73,093	82.3%	26	340,981	2035	85,047	9.47%	8,054	8.25%	7,016	23,513	(8,443)
2035	73,546	82.9%	25	356,116	2036	87,494	9.47%	8,286	8.25%	7,218	24,521	(9,017)

Assumes statutory member and State contribution rates.
Assumes 7.00% investment return on actuarial value of assets each year.
Assumes all other assumptions exactly met.
Employer Rate includes 0.10% for Retiree Return to Work Surcharges.

Table 11b

HISTORY OF RISK METRICS

Valuation as of August 31,	Actuarial Value of Assets (in Millions)	Actuarial Accrued Liability (AAL) (in Millions)	Annual Projected Payroll (in Millions)	AVA as % of Projected Payroll (2) / (4)	AAL as % of Projected Payroll (3) / (4)	Increase in ADEC* if Assets Decrease 10%	Funded Ratio	Decrease in Funded Ratio if Assets Decrease 10%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2006	$94,218	$107,911	$28,397	332%	380%	2.22%	87.3%	8.7%
2007	103,419	115,964	31,114	332%	373%	2.22%	89.2%	8.9%
2008	110,233	121,757	33,238	332%	366%	2.22%	90.5%	9.1%
2009	106,384	128,029	35,097	303%	365%	2.03%	83.1%	8.3%
2010	111,293	134,191	36,629	304%	366%	2.03%	82.9%	8.3%
2011	115,253	139,315	36,797	313%	379%	2.09%	82.7%	8.3%
2012	118,326	144,427	36,310	326%	398%	2.18%	81.9%	8.2%
2013	121,730	150,666	37,104	328%	406%	2.19%	80.8%	8.1%
2014	128,398	160,036	38,522	333%	415%	2.23%	80.2%	8.0%
2015	133,485	166,453	39,620	337%	420%	2.25%	80.2%	8.0%
2016	138,786	174,239	42,376	328%	411%	2.19%	79.7%	8.0%
2017	146,282	181,753	43,164	339%	421%	2.27%	80.5%	8.0%
2018	154,051	200,216	44,956	343%	445%	2.29%	76.9%	7.7%
2019	160,233	209,720	47,414	338%	442%	2.26%	76.4%	7.6%
2020	167,432	218,038	49,987	335%	436%	1.96%	76.8%	7.7%
2021	180,599	228,247	51,356	352%	444%	2.05%	79.1%	7.9%
2022	193,909	245,561	54,198	358%	453%	2.05%	79.0%	7.9%
2023	199,664	257,543	57,785	346%	446%	1.98%	77.5%	7.8%
2024	212,520	273,095	61,388	346%	445%	1.99%	77.8%	7.8%
2025	223,634	288,536	64,943	344%	444%	1.98%	77.5%	7.8%

*Assumes 30-year funding period.

Note: Amount in $ millions.

Actuarial assumptions were modified effective 2008, 2011, 2015, 2018, 2022, and 2025.

Table 12a

HISTORY OF CASH FLOW

Year Ending August 31, (1)	Contributions for the Year[1] (2)	Benefit Payments (3)	Refund of Contributions (4)	Expenses[2] (5)	Total Expenditures (6)	External Cash Flow for the Year[3] (7)	Market Value of Assets (8)	External Cash Flow as Percent of Market Value (9)
2006	$ 3,454,514,897	$ (5,582,306,639)	$ (265,487,479)	$ (45,543,800)	$ (5,893,337,918)	$ (2,438,823,021)	$ 100,238,963,187	(2.4%)
2007	3,703,755,952	(5,807,036,778)	(277,932,219)	(48,444,678)	(6,133,413,675)	(2,429,657,723)	112,128,799,849	(2.2%)
2008	4,142,958,389	(6,454,687,449)	(275,482,331)	(55,452,812)	(6,785,622,592)	(2,642,664,203)	104,910,497,545	(2.5%)
2009	4,352,908,188	(6,343,563,704)	(266,695,076)	(97,300,965)	(6,707,559,745)	(2,354,651,557)	88,652,971,682	(2.7%)
2010	4,587,520,751	(6,669,304,862)	(265,186,589)	(141,911,262)	(7,076,402,713)	(2,488,881,962)	95,688,405,009	(2.6%)
2011	4,704,016,139	(7,175,255,376)	(399,040,901)	(275,521,878)	(7,849,818,155)	(3,145,802,016)	107,420,786,893	(2.9%)
2012	4,391,331,052	(7,726,105,535)	(452,217,315)	(249,825,059)	(8,428,147,909)	(4,036,816,857)	111,449,887,034	(3.6%)
2013	4,682,290,371	(8,077,729,314)	(466,805,558)	(282,545,932)	(8,827,080,804)	(4,144,790,433)	117,388,143,859	(3.5%)
2014	5,036,110,456	(8,550,916,357)	(490,764,166)	(292,157,107)	(9,333,837,630)	(4,297,727,174)	132,779,243,085	(3.2%)
2015	5,616,774,652	(8,937,328,045)	(475,400,534)	(333,858,664)	(9,746,587,243)	(4,129,812,591)	128,538,706,212	(3.2%)
2016	6,164,030,328	(9,382,696,877)	(462,273,069)	(355,033,407)	(10,200,003,353)	(4,035,973,025)	134,008,637,473	(3.0%)
2017	6,608,895,283	(9,778,784,310)	(513,742,959)	(405,454,172)	(10,697,981,441)	(4,089,086,158)	147,361,922,120	(2.8%)
2018	6,817,023,723	(10,278,160,798)	(422,335,740)	(582,901,501)	(11,283,398,039)	(4,466,374,316)	154,568,901,833	(2.9%)
2019	7,643,366,923	(11,364,264,674)	(486,460,902)	(736,829,975)	(12,587,555,551)	(4,944,188,628)	157,978,199,075	(3.1%)
2020	7,938,742,052	(11,091,376,913)	(421,366,179)	(491,404,262)	(12,004,147,354)	(4,065,405,302)	165,416,245,243	(2.5%)
2021	8,207,548,218	(11,811,565,514)	(449,135,634)	(329,287,996)	(12,589,989,144)	(4,382,440,926)	201,807,045,133	(2.2%)
2022	9,659,433,965	(13,260,988,197)	(579,461,885)	(365,710,495)	(14,206,160,577)	(4,546,726,612)	184,185,617,196	(2.5%)
2023	9,722,752,090	(12,879,089,617)	(707,816,831)	(1,230,806,222)	(14,817,712,670)	(5,094,960,580)	187,170,535,558	(2.7%)
2024	15,642,385,424	(15,258,219,146)	(744,483,839)	(1,654,413,331)	(17,657,116,316)	(2,014,730,892)	210,543,258,495	(1.0%)
2025	11,034,130,322	(14,388,829,615)	(825,348,691)	(1,664,698,894)	(16,878,877,200)	(5,844,746,878)	226,328,300,601	(2.6%)

[1] Column (2) includes employee and employer contributions, as well as any service purchase or account reinstatement receipts during the year.

[2] Column (5) includes both administrative and investment expenses.

[3] Column (7) = Column (2) + Column (6).

Table 12b

COMPARISON OF ACTUAL VERSUS ASSUMED INVESTMENT PERFORMANCE
AS REQUIRED UNDER SECTION 802.1085

Year		1-Year Period			5-Year Period			10-Year Period			20-Year Period			30-Year Period		
Ending August 31,	Market Value of Assets	Actual Return	Hypothetical Balance	Excess/ Shortfall	Actual Return	Hypothetical Balance	Excess/ Shortfall	Actual Return	Hypothetical Balance	Excess/ Shortfall	Actual Return	Hypothetical Balance	Excess/ Shortfall	Actual Return	Hypothetical Balance	Excess/ Shortfall
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(12)	(13)	(14)
2021	$201.8	25.0%	$172.9	$28.9	11.4%	$165.2	$36.6	9.7%	$163.3	$38.6	7.7%	$223.6	($21.8)	8.7%	$137.0	$64.8
2022	184.2	(6.7)%	211.7	(27.5)	7.3%	183.7	0.5	8.1%	171.0	13.2	7.8%	180.9	3.3	8.1%	148.7	35.5
2023	187.2	3.8%	197.4	(10.2)	6.4%	191.8	(4.6)	7.6%	180.9	6.3	7.4%	198.4	(11.3)	7.8%	177.4	9.8
2024	210.5	12.7%	198.2	12.4	7.9%	191.0	19.5	7.1%	212.6	(2.0)	7.4%	223.3	(12.8)	8.0%	169.3	41.2
2025	226.3	9.8%	219.2	7.1	8.4%	207.0	19.3	8.3%	199.8	26.5	7.2%	256.4	(30.1)	7.9%	208.1	18.2

Hypothetical Balance is the estimated balance, starting with the market value of assets at the beginning of the stated time period, and then bringing the asset balance forward each year assuming the cash flows were the same but actual returns exactly equaled the investment return assumption for that individual year.

Thus, the Excess/(Shortfall) represents the accumulated total actuarial gains or losses over the time period due to investment performance compared to the assumption.
Actual returns for 2025 are time-weighted returns provided by TRS.
$ amounts in billions.

Table 12c

HISTORY OF INVESTMENT RETURNS

Year Ending August 31,	Assumed Return	Actual Return
(1)	(2)	(3)
2003	8.00%	11.0%
2004	8.00%	11.9%
2005	8.00%	14.4%
2006	8.00%	9.6%
2007	8.00%	14.4%
2008	8.00%	(4.2)%
2009	8.00%	(13.5)%
2010	8.00%	10.7%
2011	8.00%	15.5%
2012	8.00%	7.4%
2013	8.00%	8.9%
2014	8.00%	16.8%
2015	8.00%	(0.3)%
2016	8.00%	7.3%
2017	8.00%	12.9%
2018	7.25%	7.7%
2019	7.25%	5.0%
2020	7.25%	7.1%
2021	7.25%	24.8%
2022	7.25%	(6.7)%
2023	7.00%	3.8%
2024	7.00%	12.7%
2025	7.00%	9.6%
5 Year Average		8.4%
10 Year Average		8.2%
20 Year Average		7.1%
30 Year Average		7.8%

Actual returns are compounded dollar-weighted returns.

Table 13

HISTORY OF CONTRIBUTION RATES

Fiscal Year	Actuarially Determined Employer Contribution Rate	Aggregate Employer Contribution Rate	Percentage Contributed	Member Contribution Rate	Total Contribution Rate (3) + (5)
(1)	(2)	(3)	(4)	(5)	(6)
1984/85		7.10%		6.00%	13.10%
1985/86		8.00%		6.40%	14.40%
1986/87		8.00%		6.40%	14.40%
1987/88		7.20%		6.40%	13.60%
1988/89		7.20%		6.40%	13.60%
1989/90		7.65%		6.40%	14.05%
1990/91		7.65%		6.40%	14.05%
1991/92		7.31%		6.40%	13.71%
1992/93		7.31%		6.40%	13.71%
1993/94		7.31%		6.40%	13.71%
1994/95		7.31%		6.40%	13.71%
1995/96		6.00%		6.40%	12.40%
1996/97	6.00%	6.00%	100%	6.40%	12.40%
1997/98	6.00%	6.00%	100%	6.40%	12.40%
1998/99	4.12%	6.00%	146%	6.40%	12.40%
1999/00	4.92%	6.00%	122%	6.40%	12.40%
2000/01	4.12%	6.00%	146%	6.40%	12.40%
2001/02	5.70%	6.00%	105%	6.40%	12.40%
2002/03	7.15%	6.00%	84%	6.40%	12.40%
2003/04	7.39%	6.00%	81%	6.40%	12.40%
2004/05	7.31%	6.00%	82%	6.40%	12.40%
2005/06	7.19%	6.00%	83%	6.40%	12.40%
2006/07	7.02%	6.00%	85%	6.40%	12.40%
2007/08	6.47%	6.58%	102%	6.40%	12.98%
2008/09	6.10%	6.58%	108%	6.40%	12.98%
2009/10	7.72%	6.64%	86%	6.40%	13.04%
2010/11	7.77%	6.64%	86%	6.40%	13.04%
2011/12	8.13%	6.00%	74%	6.40%	12.40%
2012/13	8.62%	6.40%	74%	6.40%	12.80%
2013/14	8.67%	6.80%	78%	6.40%	13.20%
2014/15	8.25%	7.70%	93%	6.70%	14.40%
2015/16	7.92%	7.70%	97%	7.20%	14.90%
2016/17	7.94%	7.70%	97%	7.70%	15.40%
2017/18	7.85%	7.71%	98%	7.70%	15.41%
2018/19	9.48%	7.71%	81%	7.70%	15.41%
2019/20	9.33%	8.44%	90%	7.70%	16.14%
2020/21	9.07%	8.51%	94%	7.70%	16.21%
2021/22	8.87%	8.89%	100%	8.00%	16.89%
2022/23	9.47%	9.12%	96%	8.00%	17.12%
2023/24	9.40%	9.40%	100%	8.25%	17.65%
2024/25	9.43%	9.43%	100%	8.25%	17.68%
2025/26	9.74%	9.37%	96%	8.25%	17.62%

Table 14a

SCHEDULE OF FUNDING PROGRESS

Valuation as of August 31,	Actuarial Value of Assets (in Millions)	Actuarial Accrued Liability (AAL) (in Millions)	Unfunded AAL (UAAL) (3) - (2) (in Millions)	Funding Ratio Assets as % of AAL (2) / (3)	Projected Payroll (in Millions)	UAAL as a % of Projected Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2006	$ 94,218	$ 107,911	$ 13,694	87.3%	$ 28,397	48.2%
2007	103,419	115,964	12,545	89.2%	31,114	40.3%
2008	110,233	121,757	11,523	90.5%	33,238	34.7%
2009	106,384	128,029	21,646	83.1%	35,097	61.7%
2010	111,293	134,191	22,899	82.9%	36,629	62.5%
2011	115,253	139,315	24,062	82.7%	36,797	65.4%
2012	118,326	144,427	26,101	81.9%	36,310	71.9%
2013	121,730	150,666	28,936	80.8%	37,104	78.0%
2014	128,398	160,036	31,638	80.2%	38,522	82.1%
2015	133,485	166,453	32,968	80.2%	39,620	83.2%
2016	138,786	174,239	35,453	79.7%	42,376	83.7%
2017	146,282	181,753	35,471	80.5%	43,164	82.2%
2018	154,051	200,216	46,165	76.9%	44,956	102.7%
2019	160,233	209,720	49,486	76.4%	47,414	104.4%
2020	167,432	218,038	50,605	76.8%	49,987	101.2%
2021	180,599	228,247	47,648	79.1%	51,356	92.8%
2022	193,909	245,561	51,652	79.0%	54,198	95.3%
2023	199,664	257,543	57,880	77.5%	57,785	100.2%
2024	212,520	273,095	60,575	77.8%	61,388	98.7%
2025	223,634	288,536	64,902	77.5%	64,943	99.9%

Commentary: looking only at the dollar amounts of aggregate actuarial accrued liabilities and Unfunded Actuarial Accrued Liabilities (UAAL) can be misleading. The dollar amounts of these two items can be increasing at a time when their actual substance may be decreasing. Dividing valuation asset dollars by aggregate actuarial accrued liability dollars and dividing UAAL dollars by active member payroll dollars provide clarifying indices. The larger the ratio of valuation assets to aggregate actuarial accrued liabilities, the stronger the system.

Table 14b

SOLVENCY TEST (DOLLARS IN MILLIONS)

Valuation as of August 31,	Aggregate Actuarial Accrued Liabilities For: Active and Inactive Member Contributions	Retirees and Beneficiaries	Active Members State Financed Portion	Valuation Assets	Portion of Aggregate Accrued Liabilities Covered by Valuation Assets: Active Member Contributions	Retirees and Beneficiaries	Active Members State Financed Portion
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2009	$ 23,914	$ 55,484	$ 48,632	$ 106,384	100%	100%	55.5%
2010	27,559	58,476	48,156	111,293	100%	100%	52.5%
2011	28,911	63,470	46,934	115,253	100%	100%	48.7%
2012	30,006	68,449	45,972	118,326	100%	100%	43.2%
2013	31,365	73,841	45,460	121,730	100%	100%	36.3%
2014	33,028	78,431	48,576	128,398	100%	100%	34.9%
2015	33,856	82,535	50,062	133,485	100%	100%	34.1%
2016	34,803	86,986	52,451	138,786	100%	100%	32.4%
2017	36,513	90,573	54,667	146,282	100%	100%	35.1%
2018	37,834	101,911	60,472	154,051	100%	100%	23.7%
2019	39,212	105,702	64,806	160,233	100%	100%	23.6%
2020	41,470	109,030	67,538	167,432	100%	100%	25.1%
2021	43,906	113,352	70,989	180,599	100%	100%	32.9%
2022	45,700	121,489	78,372	193,909	100%	100%	34.1%
2023	48,096	125,984	83,463	199,664	100%	100%	30.7%
2024	50,180	136,007	86,908	212,520	100%	100%	30.3%
2025	52,850	141,055	94,631	223,634	100%	100%	31.4%

A short-term solvency test is one means of checking a retirement system's progress under its funding program. The schedule provides a historical illustration of a short-term solvency test for TRS wherein present assets are compared with:

- active member contributions on deposit
- the liabilities for future benefits to present annuitants (Retirees and Beneficiaries)
- the liabilities for active members under the entry age normal actuarial cost method including a projection of future salary increases and anticipated future service Active Members-State Financed Portion

Under the level percent of payroll financing followed by TRS, liabilities for active member contributions on deposit and the liabilities for future benefits to present retirees and beneficiaries will be fully covered by present assets except in rare circumstances. In addition, liabilities for active member benefits earned or to be earned in the future will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of active member benefits will increase over time.

Table 15a

STATISTICAL INFORMATION - ACTIVE AND INACTIVE MEMBERS

	August 31, 2025 (1)	August 31, 2024 (2)	August 31, 2023 (3)
A. Number			
1. Active Members			
a. Total active members	976,404	970,872	953,293
b. Average age	44.8	44.7	44.7
c. Average service	10.3	10.2	10.3
2. Inactive Vested Members			
a. Male members	31,514	30,222	29,203
b. Female members	111,742	107,924	104,897
c. Total inactive vested members	143,256	138,146	134,100
3. Inactive Nonvested Members	459,673	439,889	424,658
B. Annualized Salaries			
1. Active members			
a. Total active members	$ 59,490,127,055	$ 57,484,875,501	$ 54,435,365,991
b. Average annual salary	60,928	59,210	57,102
C. Accumulated Members Contributions			
1. Total Active Members	$ 45,866,393,411	$ 43,656,781,781	$ 41,944,613,675
2. Inactive Vested Members			
a. Male members	$ 1,242,640,565	$ 1,160,566,998	$ 1,091,567,780
b. Female members	4,406,141,461	4,144,432,290	3,920,904,888
c. Total inactive vested members	$ 5,648,782,026	$ 5,304,999,288	$ 5,012,472,668
3. Inactive Nonvested Members	$ 1,335,013,374	$ 1,218,489,735	$ 1,138,614,072
D. Active Members in DROP (not included in above totals)			
1. Number	2	2	2

Table 15b

STATISTICAL INFORMATION - RETIRED MEMBERS

	August 31, 2025 (1)	2024 (2)	2023 (3)
E. Persons Receiving Benefits			
1. Number			
a. Life annuities	490,457	475,891	457,779
b. Annuities certain	2,241	2,392	2,368
c. Disability annuities - less than 10 years of service	78	97	103
d. Disability annuities - 10 or more years of service	12,111	12,030	11,830
e. Survivor annuities			
1) Currently in pay	17,937	17,433	16,936
2) Deferred	833	858	905
3) Total	18,770	18,291	17,841
f. Total persons receiving benefits	523,657	508,701	489,921
2. Annual Annuities			
a. Life annuities *	$ 13,638,358,459	$ 13,100,519,264	$ 12,079,732,955
b. Annuities certain *	$ 35,631,243	$ 36,099,011	$ 34,344,422
c. Disability annuities - less than 10 years of service	$ 140,400	$ 158,400	$ 169,200
d. Disability annuities - 10 or more years of service	$ 199,358,733	$ 194,128,855	$ 181,329,214
e. Survivor annuities			
1) Currently in pay	$ 53,913,774	$ 52,314,359	$ 50,825,459
2) Deferred	2,495,500	2,567,400	2,708,100
3) Total	$ 56,409,274	$ 54,881,759	$ 53,533,559
f. Total persons receiving benefits	$ 13,929,898,109	$ 13,385,787,289	$ 12,349,109,350
g. Average monthly annuities			
1) Life annuities *	$ 2,317	$ 2,294	$ 2,199
2) Annuities certain *	1,325	1,258	1,209
3) Disability annuities - 10 or more years of service	1,372	1,345	1,277

* Annual and average life annuity amounts represent values after Partial Lump Sum Option Elections.

Table 16

STATEMENT OF PLAN NET ASSETS

	August 31, 2025	August 31, 2024
A. ASSETS	(1)	(2)
1. Current assets		
a. Cash and short term investments		
1) Cash on hand and State Treasury	$ 282,954,075	$ 600,030,439
2) Short term investments	8,502,509,741	9,209,814,617
b. Accounts receivable		
1) Member contributions	13,701,326	13,646,564
2) School districts	667,302,860	617,780,131
3) Employees Retirement System	2,854,812	2,877,708
4) State	162,107,617	127,523,053
5) Sale of investments	5,917,210,753	8,078,239,641
6) Interest and dividends	471,635,749	463,421,335
7) Other	5,559,323	5,474,058
c. Prepaid assets	6,812,115	409,816
d. Total current assets	$ 16,032,648,371	$ 19,119,217,362
2. Long term investments		
a. Fixed income	$ 29,076,562,976	$ 32,697,849,428
b. Alternative assets	120,386,284,692	111,095,334,925
c. Equities	57,889,853,716	52,506,356,349
d. Pooled investments	28,579,773,959	22,026,382,193
e. Invested securities lending collateral	4,357,671,166	5,276,749,145
f. Total long term investments	$240,290,146,509	$223,602,672,040
3. Other assets		
a Non-depreciable assets	$ 60,359,705	$ 344,406,464
b. Building and equipment after depreciation	340,628,771	22,849,790
c. Deferred assets	63,046,655	54,604,892
d. Total other assets	$ 464,035,131	$ 421,861,146
4. Total assets	$256,786,830,011	$243,143,750,548
B. LIABILITIES		
1. Current liabilities		
a. Accounts payable	$ 125,509,295	$ 114,856,652
b. Benefits payable	363,477,874	340,677,143
c. Due to Employees Retirement System	11,024,031	10,707,836
d. Due to State's General Revenue Fund	210,731,842	66,546,478
e. Investments purchased payable	949,846,513	1,572,530,503
f. Other liabilities	4,191,164,645	5,072,290,101
g. Collateral obligations and repurchase agreements	24,578,759,230	25,353,978,670
h. Total current liabilities	$ 30,430,513,430	$ 32,531,587,383
2. Deferred credits	28,015,980	68,904,670
3. Total liabilities and deferred credits	$ 30,458,529,410	$ 32,600,492,053
C. NET ASSETS HELD IN TRUST	$226,328,300,601	$210,543,258,495
D. ASSET ALLOCATION FOR CASH & LONG TERM INVESTMENTS		
1. Cash	3.5%	4.2%
2. Fixed income	11.7%	14.0%
3. Alternative assets	48.3%	47.6%
4. Equities	23.2%	22.5%
5. Pooled investments	11.5%	9.4%
6. Invested securities lending collateral	1.8%	2.3%
7. Total	100.0%	100.0%

Table 17

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND BY YEARS OF SERVICE
AS OF 08/31/2025

Attained Age	Years of Credited Service (Displaying Counts and Average Compensation)												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	Total
Under 25		15,945	8,128	3,112	1,108	294							28,587
		$31,334	$38,074	$34,742	$32,627	$33,975							$33,698
25-29		19,958	20,320	18,670	14,117	17,044	114						90,223
		$39,261	$49,430	$53,102	$55,470	$57,616	$49,438						$50,432
30-34		14,390	13,563	12,634	11,223	46,114	10,559	62					108,545
		$39,679	$50,019	$52,988	$56,011	$62,568	$66,380	$57,488					$56,541
35-39		12,443	12,003	10,782	8,913	34,035	35,881	7,397	79				121,533
		$39,063	$50,371	$53,351	$56,777	$63,248	$70,655	$74,196	$67,676				$61,003
40-44		10,755	10,348	9,795	7,811	29,893	27,550	30,880	7,671	120			134,823
		$38,745	$50,106	$53,104	$55,684	$62,614	$70,942	$77,123	$78,873	$67,876			$64,612
45-49		8,588	8,490	7,863	6,228	24,997	22,135	22,369	26,515	6,509	83		133,777
		$38,554	$49,274	$53,551	$55,618	$61,066	$69,268	$75,492	$81,528	$83,624	$77,333		$67,110
50-54		6,999	6,806	6,365	5,140	21,161	19,498	18,850	19,598	20,965	3,373	47	128,802
		$38,794	$49,710	$51,265	$53,594	$59,321	$65,929	$72,554	$77,741	$84,410	$87,610	$72,249	$67,640
55-59		5,404	5,417	5,036	4,283	16,972	15,683	16,754	16,218	11,567	8,582	1,495	107,411
		$38,329	$47,853	$50,781	$52,932	$57,390	$62,296	$67,004	$72,074	$77,927	$89,381	$88,409	$65,095
60-64		3,516	3,690	3,617	2,997	12,255	11,392	11,742	10,011	7,046	3,836	2,855	72,957
		$33,951	$44,017	$46,173	$47,372	$53,112	$58,953	$62,438	$65,592	$67,952	$78,056	$86,510	$59,326
65 +		2,755	2,836	2,654	2,282	9,154	7,962	6,550	5,770	4,469	2,667	2,647	49,746
		$29,968	$36,766	$38,643	$42,037	$48,745	$55,397	$60,417	$63,589	$63,621	$66,449	$78,380	$54,361
Total		100,753	91,601	80,528	64,102	211,919	150,774	114,604	85,862	50,676	18,541	7,044	976,404
		$37,405	$48,012	$51,374	$54,215	$60,186	$67,018	$71,915	$75,564	$78,669	$83,363	$83,763	$60,928

Note: Table includes contributing members but excludes members in DROP.

Table 18

DISTRIBUTION OF LIFE ANNUITIES BY AGE

Age	Number	Annual Annuities	Monthly Average Annuity
(1)	(2)	(3)	(4)
Up to 35	506	$ 7,016,945	$ 1,156
35-40	488	7,684,978	1,312
40-44	720	10,954,167	1,268
45-49	979	16,578,090	1,411
50-54	7,012	296,356,797	3,522
55-59	26,516	1,075,299,697	3,379
60-64	58,414	2,004,186,310	2,859
65-69	96,693	2,804,863,123	2,417
70-74	108,182	2,902,112,539	2,236
75-79	92,709	2,303,637,843	2,071
80-84	55,363	1,262,421,521	1,900
85-89	28,085	614,307,472	1,823
90-94	11,656	261,552,512	1,870
95-99	2,844	64,685,300	1,895
100 & up	290	6,701,165	1,926
Total	490,457	$ 13,638,358,459	$ 2,317

Table 19

DISTRIBUTION OF DISABLED ANNUITIES BY AGE

Age	Number	Annual Annuities	Monthly Average Annuity
(1)	(2)	(3)	(4)
Up to 35	2	$ 22,912	$ 955
35-40	19	272,362	1,195
40-44	138	2,257,792	1,363
45-49	360	7,628,222	1,766
50-54	894	20,599,434	1,920
55-59	1,605	33,007,208	1,714
60-64	2,238	37,952,841	1,413
65-69	2,304	35,075,162	1,269
70-74	1,927	26,733,693	1,156
75-79	1,404	18,466,674	1,096
80-84	671	8,762,318	1,088
85-89	319	4,846,799	1,266
90-94	174	2,862,626	1,371
95 -99	52	815,262	1,307
100 & up	4	55,428	1,155
Total	12,111	$ 199,358,733	$ 1,372

Table 20

RETIREES, BENEFICIARIES, AND DISABLED PARTICIPANTS ADDED TO AND REMOVED FROM ROLLS

	Added to Rolls		Removed from Rolls		Rolls-End of Year			
Valuation August 31,	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2006	15,810	$ 324,292,542	7,175	$ 120,623,840	257,144	$ 5,282,107,571	4.0%	$ 20,541
2007	15,861	336,348,640	7,698	131,295,705	265,307	5,487,160,506	3.9%	20,682
2008	17,727	391,920,863	7,806	135,160,090	275,228	5,743,921,279	4.7%	20,870
2009	17,326	392,452,923	7,940	136,537,511	284,614	5,999,836,691	4.5%	21,081
2010	20,076	473,512,423	8,199	142,187,645	296,491	6,331,161,469	5.5%	21,354
2011	24,688	620,038,676	8,499	147,985,004	312,680	6,803,215,141	7.5%	21,758
2012	27,915	697,134,389	8,848	155,597,838	331,747	7,344,751,692	8.0%	22,140
2013	25,825	743,998,946	9,344	165,231,795	348,228	7,923,518,843	7.9%	22,754
2014	24,429	573,876,713	9,475	174,915,127	363,182	8,322,480,429	5.0%	22,915
2015	25,134	604,436,264	10,578	191,966,951	377,738	8,734,949,742	5.0%	23,124
2016	27,018	673,313,552	10,842	195,097,916	393,914	9,213,165,378	5.5%	23,389
2017	24,739	613,145,920	10,885	203,792,399	407,768	9,622,518,899	4.4%	23,598
2018	24,317	611,173,964	11,627	219,236,845	420,458	10,014,456,018	4.1%	23,818
2019	25,420	642,167,173	11,452	217,977,284	434,426	10,438,645,907	4.2%	24,029
2020	24,197	630,241,319	13,349	256,566,773	445,274	10,812,320,453	3.6%	24,282
2021	28,174	748,954,294	15,315	290,713,672	458,133	11,270,561,075	4.2%	24,601
2022	32,756	877,905,521	14,937	287,276,320	475,952	11,861,190,276	5.2%	24,921
2023	28,283	773,088,024	14,314	285,168,950	489,921	12,349,109,350	4.1%	25,206
2024	33,805	1,335,075,185	15,025	298,397,246	508,701	13,385,787,289	8.4%	26,314
2025	30,578	872,288,831	15,622	328,178,011	523,657	13,929,898,109	4.1%	26,601

APPENDIX 1

SUMMARY OF BENEFIT PROVISIONS OF THE RETIREMENT FUND

APPENDIX 1

Summary of Benefit Provisions of the Retirement Fund

As of August 31, 2019

The Teacher Retirement System of Texas provides retirement, disability, and death and survivor benefits to employees of the public and higher education systems of Texas. The major provisions of the Fund may be summarized as follows:

A. RETIREMENT BENEFITS

1. Grandfather Criteria:

To be grandfathered, a member must have met at least one of the following requirements on or before August 31, 2005: (i) be at least 50 years old, or (ii) age and years of service credit equal at least 70, or (iii) have at least 25 years of service credit.

2. Normal Retirement:

(a) end of month following age 65 and 5 years of creditable service,

(b) (i) For members hired on or before August 31, 2007: end of month following attainment of "Rule of 80"

(ii) For members hired after August 31, 2007 and who are vested as of August 31, 2014: end of month following attainment of "Rule of 80" with minimum age of 60.

(iii) For members who are not vested as of August 31, 2014: end of month following attainment of "Rule of 80" with minimum age of 62.

Standard Annuity:

The product of 2.3% of the member's average compensation multiplied by years of creditable service. The average compensation is calculated as the average of the highest five annual salaries (based on creditable compensation). Members who as of August 31, 2005, were either age 50, had 25 years of service, or whose age plus service totaled 70 have their standard annuity calculated using the average of their highest three annual salaries.

Normal Retirement Benefits:

Greater of standard annuity, or $150 per month.

3. Early Retirement:

(a) after age 55 with 5 or more years of creditable service, or

(b) after 30 years of creditable service, regardless of age.

(c) For members hired after August 31, 2007, end of month following attainment of "Rule of 80".

APPENDIX 1 (Continued)

Early Retirement Benefits:

(a) If a member was hired prior to September 1, 2007, has more than 30 years of service but does not meet the Rule of 80, and has maintained continuous membership until retirement, the early retirement benefit is equal to the normal retirement benefit earned to the date of retirement, reduced by 2% for each point the member is less than age 50.

(b) If a member is grandfathered the early retirement benefit is equal to the normal retirement benefit earned to the date of retirement, reduced according to the following table:

	AGE AT DATE OF RETIREMENT					
Years of Service	55	56	57	58	59	60
20	90%	92%	94%	96%	98%	100%
21	92%	94%	96%	98%	100%	100%
22	94%	96%	98%	100%	100%	100%
23	96%	98%	100%	100%	100%	100%
24	98%	100%	100%	100%	100%	100%
25	100%	100%	100%	100%	100%	100%
26	100%	100%	100%	100%	100%	100%
27	100%	100%	100%	100%	100%	100%
28	100%	100%	100%	100%	100%	100%
29	100%	100%	100%	100%	100%	100%
30 or more	100%	100%	100%	100%	100%	100%

(c) If the member was hired after August 31, 2007 and is vested as of August 31, 2014 and the member has met the "Rule of 80" or has 30 years of service the benefit is reduced 5% per year from age 60.

(d) If the member is not vested as of August 31, 2014 and the member has met the "Rule of 80" or has 30 years of service the benefit is reduced 5% per year from age 62.

(e) If the member does not meet any of the conditions (a) – (d) above, the early retirement benefit is equal to the normal retirement benefit earned to the date of retirement, reduced according to the following table:

AGE AT DATE OF RETIREMENT										
55	56	57	58	59	60	61	62	63	64	65
43%	46%	50%	55%	59%	64%	70%	76%	84%	91%	100%

For further details of the early retirement reductions by Tier please see TRS Rule 29.12.

4. Normal Form of Benefit:

Straight life annuity payable monthly with benefits commencing at end of month following retirement with the last payment payable on behalf of the annuitant in the month of death.

5. Optional Forms:

Option 1 - Joint and 100% survivor, benefit reverts to normal form following the death of the joint annuitant.

Option 2 - Joint and 50% contingent survivor, benefit reverts to normal form following the death of the joint annuitant.

Option 3 - 5 years certain and life.

Option 4 - 10 years certain and life.

Option 5 - Joint and 75% contingent survivor, benefit reverts to normal form following the death of the joint annuitant.

6. Deferred Retirement Option Plan (DROP):

(a). Eligibility:

1) Must be an active contributing member.

2) Must be eligible for a standard service retirement annuity that is not reduced for retirement at an early age.

3) Must have at least 25 years of creditable service.

4) Must have entered the DROP program before January 1, 2006.

(b). Program Summary:

1) Participation begins the 1st of the month following the member's application and TRS approval of the application. Participation may begin in any month.

2) Participation may range from a minimum of one year to a maximum of five years, in 12-month increments. The member elects the period of participation at the outset.

3) The amount of the member's standard annuity is established as of the date of participation in the DROP. This amount is also used in determining the monthly deposit to the DROP account. A member will not accumulate further retirement annuity benefits during DROP participation, i.e., no

further credit will be achieved from years of service or compensation changes.

4) Any special service credit that a member wishes to purchase must be paid in full prior to DROP participation.

5) A separate DROP account will be established for each participating member. Each month, an amount equal to 60 percent of the calculated standard annuity will be deposited into the account. At retirement, the account plus interest at the rate of five percent per annum will be distributed.

6) Member and employer contributions continue during DROP participation. Contributions are not deposited into the member's DROP account and will not be refunded.

7) Three events terminate participation - death, retirement or expiration of the participation period.

8) Upon retirement, participating members will receive their retirement annuity plus the balance in their DROP account including interest. DROP balances may be paid by TRS in a lump sum or on a time payout selected by the member.

7. Partial Lump-Sum Option Program:

Members eligible for unreduced retirement and either (1) grandfathered or (2) meeting the Rule of 90, and not participating in the DROP program, may select a partial lump-sum distribution not to exceed an amount equal to 36 months of a standard service retirement annuity. When this option is selected, the member's annuity will be actuarially reduced to reflect that distribution and will be computed so that no actuarial loss results to TRS.

The percentage shown in the following table will be applied to reduce the standard annuity when the partial lump-sum option is elected.

APPENDIX 1 (Continued)

Age	Percentage of Standard Annuity 12 Months	24 Months	36 Months
45	92.49%	84.97%	77.46%
46	92.45	84.90	77.34
47	92.41	84.81	77.22
48	92.36	84.72	77.09
49	92.31	84.63	76.94
50	92.26	84.53	76.79
51	92.21	84.42	76.63
52	92.15	84.30	76.45
53	92.09	84.17	76.26
54	92.02	84.04	76.06
55	91.95	83.89	75.84
56	91.87	83.74	75.60
57	91.78	83.57	75.35
58	91.69	83.39	75.08
59	91.59	83.19	74.78
60	91.49	82.97	74.46
61	91.37	82.74	74.10
62	91.24	82.48	73.72
63	91.10	82.20	73.30
64	90.95	81.90	72.84
65	90.78	81.57	72.35
66	90.61	81.21	71.82
67	90.41	80.83	71.24
68	90.20	80.41	70.61
69	89.97	79.95	69.92
70	89.73	79.45	69.18
71	89.46	78.91	68.37
72	89.16	78.32	67.48
73	88.84	77.68	66.52
74	88.49	76.97	65.46
75	88.10	76.20	64.31
76	87.68	75.36	63.04
77	87.22	74.43	61.65
78	86.71	73.42	60.13
79	86.15	72.30	58.45
80	85.53	71.06	56.60
81	84.85	69.70	54.55
82	84.10	68.19	52.29
83	83.26	66.52	49.78
84	82.33	64.66	46.99
85	81.30	62.59	43.89
86	80.14	60.28	40.42
87	79.09	58.19	37.28
88	78.00	56.00	34.00
89	76.81	53.62	30.43
90	75.52	51.04	26.56
91	74.13	48.26	22.39

8. Minimum Annuity Payments:

Total annuity payments shall in no case be less than the member's accumulated contributions at retirement. Upon the death of a retiree, the excess, if any, of accumulated contributions over total annuity payments received prior to death will be paid to the beneficiary.

B. DISABILITY BENEFITS

1. Less than 10 years of creditable service: $150.00 per month for the shorter of:

(a) disability, or

(b) number of months of creditable service as of date of disability retirement.

2. At least 10 years of creditable service: the greater of accrued retirement income or $6.50 per month per year of creditable service, payable for duration of disability; disability presumed continuous if it continues past age 60. The minimum disability payment made on behalf of a member will be no less than $150.00 per month.

C. DEATH BENEFITS

1. Eligibility: applicable if death occurs:

(a) in service,

(b) while absent from service for good cause,

(c) while not in service but eligible to retire,

(d) while not in service but would be eligible to retire without additional service before April 15 of the sixth school year after last creditable year of service, or

(e) while receiving a disability benefit, but only eligible for 2f, below.

2. Benefit: any one of the following, at the option of the beneficiary:

(a) a lump sum (not to exceed $80,000) equal to two times the rate of pay for the last year of service,

(b) a lump sum (not to exceed $80,000) equal to two times annual pay for the year preceding last year of service,

(c) 60 monthly payments of accrued standard annuity,

(d) a life annuity payable under Option 1 as if the member had retired on the last day of the month preceding death,

(e) a refund of accumulated contributions, or

(f) the survivor benefits, if eligible.

Note: Items (c) and (d) available only if member has at least 5 years of creditable service.

3. Benefit if Absent from Service Without Good Cause: return of accumulated contributions.

D. SURVIVOR BENEFITS

1. Benefits: (a) or (b) at the election of the beneficiary:

(a) lump sum payment of $10,000, or

(b) lump sum payment of $2,500 plus one of the following, if the designated beneficiary is eligible:

(i) if a spouse or dependent parent, $250 per month commencing at age 65,

(ii) if a spouse with children under age 18, $350 per month until youngest child reaches 18, then $250 per month commencing at spouse's age 65, or

(iii) if dependent children, $350 per month as long as at least two dependent children under 18, reducing to $250 per month when there is only one child under 18.

If benefits are payable under (i) or (ii) above and eligible spouse or dependent dies, payments will revert in accordance with (iii) above.

2. Eligibility:

(a) all employees eligible for a death benefit other than refund of accumulated contributions,

(b) any retired member, in addition to any benefit provided by his or her option of payment, or

(c) any disabled participant, in lieu of other death benefits (Item C2).

E. VESTING OF BENEFITS

1. Vesting: a member is fully vested after 5 years of creditable service.

2. Benefits upon Vesting: a fully vested member is entitled to the following:

(a) upon becoming inactive, not required to withdraw accumulated contributions within seven years,

(b) may apply at age 65 for normal retirement benefit equal to accrued standard annuity, or

(c) may apply for any other retirement benefits for which he or she is eligible upon satisfying age requirement (if applicable) if he or she satisfied the corresponding service requirement at time of last termination; benefit is based on his or her full accrued standard annuity.

F. MEMBER CONTRIBUTIONS

8.25% for Fiscal Years on and after 2024.

G. STATE CONTRIBUTIONS

State will contribute 8.25% for Fiscal Year 2024 and each year thereafter. Public education employers will contribute 1.50% of pay (capped at the minimum salary schedule) in Fiscal Year 2020, increasing by 0.1% per year from Fiscal Year 2022 to Fiscal Year 2025 and remaining at 2.00% thereafter. Combined it is expected that these contributions will be approximately 9.43% of total payroll beginning in Fiscal Year 2025.

H. LEGISLATIVE CHANGES MADE BY THE 1991 STATE LEGISLATURE

1. The minimum retirement benefit increased from $75 to $100 per month.

2. The disability death benefit changed to the same as a service retirement death benefit.

3. An ad hoc cost of living increase was approved for members who retired prior to May 1, 1989. The increase does not apply to a survivor benefit or to a disability benefit for a member who had less than 10 years of service at the time of retirement or death. The amount of the increase is five-tenths of one percent of each full six-month period between the latest effective date of retirement (or date of death) and August 1, 1991. The increase begins August 1991.

I. LEGISLATIVE CHANGES MADE BY THE 1993 STATE LEGISLATURE

1. Increase in survivor benefit by $50 per month.

2. Retroactive minimum benefit of $6.50 per year of service for members retired as of November 1, 1991.

3. An ad hoc cost of living increase approximating a 25% CPI catch-up. The actual percentage increase varies by year of retirement and has a minimum increase of 5%. The increase begins with the January, 1994 annuity check and covers all benefit recipients who began receiving benefits before August 31, 1991, except that it does not apply to survivor benefits or to a disability benefit for a member who had less than 10 years of service at the time of retirement or death.

4. ERS/TRS transfer provisions.

(a) Service credit transfers allowed if the participant is a member of both ERS and TRS and has at least three years of service credit in the Fund from which the member is

retiring.

(b) A member may reinstate or purchase service credit in the other Fund prior to making the transfer if that member has at least three years of service credit in the current Fund.

(c) TRS and ERS will jointly set rules for the assumptions used in computing asset transfer amounts. The transfer of funds between ERS and TRS takes place at the time of actual retirement.

J. LEGISLATIVE CHANGES MADE BY THE 1995 STATE LEGISLATURE

1. Unreduced benefits at retirement were expanded to include participants age 50 or older with 30 or more years of service.

2. Annuitants' benefits increased in an amount equal to the greater of:

(a) A recalculation of benefits based on

(i) January 1, 1995 law with all intervening ad hoc increases, plus

(ii) A CPI catch-up increase.

(b) A recalculation of benefits for retirees who retired before September 1, 1993, based on a 2% multiplier and a minimum annual salary of a classroom teacher or full-time librarian as described by the Education Code. This annual salary is currently $17,000 based on current Education Code.

3. Treat all Option 1 and Option 2 benefits as including the pop-up feature.

4. The annuity payment in the month of death is payable on behalf of the annuitant.

5. The disability benefit payable when a member has less than ten years of service increased from $50 per month to $150 per month for both current and future disabled members. The minimum disability payment made on behalf of a member with ten or more years of service shall be no less than $150 per month.

6. The benefit increase reserve account in TRS was eliminated, resulting in the liability for all annuity benefits being included within the retired reserve account.

7. The maximum two-times-pay death benefit payable on behalf of a member would increase from $60,000 to $80,000.

K. LEGISLATIVE CHANGES MADE BY THE 1997 STATE LEGISLATURE

1. Driver's education pay is added to plan compensation for the determination of a member's best 3-year average compensation.

2. Disabled participants are allowed to select a Joint and Survivor annuity option after commencement of disability benefits, if they become married after date of disability.

3. Retirees are allowed to change the designated beneficiary for pension benefits payable after their death under certain conditions.

4. Adoption of "Rule of 80" criteria for unreduced standard retirement annuity (i.e., sum of member's age & credited service is greater than or equal to 80).

5. Elimination of $6.50 per month per year of service minimum standard retirement annuity benefit.

6. Addition of $50.00 to the minimum survivor benefit.

7. Creation of a Deferred Retirement Option Program (DROP), described in Item A6 above.

8. A CPI catch-up ad hoc cost-of-living increase for retired members.

L. LEGISLATIVE CHANGES MADE BY THE 1999 STATE LEGISLATURE

1. Increased multiplier from 2.0% to 2.2% effective September 1, 1999, and an equivalent 10% increase for all retirees.

2. A CPI catch-up ad hoc cost-of-living increase for retired members.

3. Established a partial lump-sum option at time of retirement.

4. DROP participant enrolled on or before August 31, 1999, have a one-year window from September 1, 1999 to revoke DROP participation.

5. For members entering DROP on or after September 1, 1999, the monthly DROP deposit will be reduced from 79% to 60% of the standard annuity.

4. Provides a lump-sum death benefit of $160,000 for an active member employed by a school district who dies due to a physical assault during the performance of their regular duties.

5. Allows a return to teaching after being retired at least 12 months without a reduction in the retirement benefit under certain circumstances.

M. LEGISLATIVE CHANGES MADE BY THE 2001 STATE LEGISLATURE

1. Increased multiplier from 2.2% to 2.3% effective September 1, 2001, and an equivalent 4.5% increase for all retirees.

2. A 6% ad hoc increase for retired members.

3. Increase in survivor benefits of $50 per month.

4. Allows a return to work as a bus driver with no reduction in the monthly benefit if retired with an unreduced benefit.

5. Permits purchase of up to 3 years of "air time" if the member has at least 7 years of actual membership service. Purchase price is the full actuarial cost of the purchased service.

N. LEGISLATIVE CHANGES MADE BY THE 2003 STATE LEGISLATURE

1. For employees hired on or after September 1, 2003, a 90-day waiting period is required for participation in TRS. Members may have the option to purchase this service. This provision is set to expire on September 1, 2005.

2. Limits the collection of overpayments to the three years prior to the overpayment discovery, except in cases of fraud or knowledge by the participant that the payments were incorrect.

3. Repealed the requirement that in order to reinstate service withdrawn after August 31, 2003, for the purposes of ERS/TRS transfer, the member must belong to the Fund from which the service is purchased.

4. Retirees who are employed by a third-party entity are considered to be employees of the school for return to work purposes unless the retiree does not perform duties or provide services on behalf of the school.

5. Retirees may work as a substitute and on a half-time basis during a single calendar month as long as the total days worked do not exceed the number of days for one-half time employment for that month.

O. LEGISLATIVE CHANGES MADE BY THE 2005 STATE LEGISLATURE

1. Final average salary at retirement will be determined by the highest five years (instead of three years) of salary, subsidized early retirement will be eliminated, and partial lump sum option eligibility will require a combined age plus years of creditable service that equals at least 90 ("Rule of 90").

2. Future members (those who establish TRS membership on or after September 1, 2007) will have the following eligibility requirements to qualify for an unreduced annuity at retirement: (i) age 65 with 5 years of service, or (ii) age 60 with at least 5 years of service and meets the Rule of 80 (combined age and years of service equal at least 80).

3. Employers will be required to pay a monthly surcharge to the pension fund for each retiree working in a TRS-covered position and reported to TRS.

4. The Deferred Retirement Option Plan (DROP) is being discontinued for new participation effective December 31, 2005.

APPENDIX 1 (Continued)

P. LEGISLATIVE CHANGES MADE BY THE 2007 STATE LEGISLATURE

1. The State contribution rate was increased to 6.58% for fiscal year 2008. In addition, the new law requires the State contribution rate to be at least equal to the member contribution rate.

2. The Legislature authorized TRS to make a one-time payment (13th check) in January 2008, if the August 31, 2007 Actuarial Valuation Report showed that the funding period would be less than 31 years with the payment. The payment is equal to the lesser of the member's December monthly payment or $2,400. To be eligible a retiree must have retired on or before December 31, 2006.

Q. LEGISLATIVE CHANGES MADE BY THE 2009 STATE LEGISLATURE

The Legislature included funding for a one-time supplemental payment of $500 million for current retirees. This appropriation was contingent upon a ruling by the Attorney General's office that such a payment is permissible under State law. The Attorney General determined this payment was not permissible, and therefore the additional appropriation will be contributed to the Trust as additional contributions, increasing the State contribution rate to an effective 6.644% for the biennium.

R. LEGISLATIVE CHANGES MADE BY THE 2013 STATE LEGISLATURE

1. The normal retirement eligibility for members who are not vested as of August 31, 2014 to the "Rule of 80" with minimum age 62 (was minimum age of 60).

2. For members who are not vested as of August 31, 2014, their early retirement benefit will be reduced from age 62 (was 60) if they meet the Rule of 80" but are not eligible for normal retirement.

3. The Legislature granted an ad hoc COLA for members in payment status since August 31, 2004. The payment is equal to the lesser of $100 or 3% of their monthly payment.

4. The member contribution rate will increase to 6.70% in Fiscal Year 2015, 7.20% in Fiscal Year 2016, and 7.70% for Fiscal Years on and after 2017.

5. The State's contribution rate increased to 6.80% in fiscal year 2014.

6. Covered employers whose employees are not participating in Social Security whose positions are subject to the state statutory minimum salary schedule will begin contributing 1.50% of pay in Fiscal Year 2015.

APPENDIX 1 (Concluded)

S. LEGISLATIVE CHANGES MADE BY THE 2019 STATE LEGISLATURE

1. The Legislature authorized TRS to make a one-time payment (13th check) and provided a lump sum appropriation to cover the additional liability. The payment was equal to the lesser of the member's monthly payment or $2,000.

2. SB 12 increased the member contribution rate from 7.77% to 8.00% in Fiscal Year 2022 and 8.25% in Fiscal Year 2024.

3. SB 12 increased the base contribution rate from 6.80% to 7.50% in Fiscal Year 2020, 7.75% in Fiscal Year 2022, 8.00% in Fiscal Year 2023, and 8.25% in Fiscal Year 2024.

4. SB 12 increased the employers who contribute the supplemental contribution from covered employers whose employees are not participating in Social Security to all public education employers. It also put in a schedule of increasing the 1.50% of pay to 2.00% by Fiscal Year 2025.

5. HB 3 created a mechanism for the State to provide additional salary increases to certain member groups. It was communicated that $825 million was budgeted for this mechanism in Fiscal Year 2020.

T. LEGISLATIVE CHANGES MADE BY THE 2021 STATE LEGISLATURE

1. The Legislature authorized TRS to make a one-time payment (13th check) and provided a lump sum appropriation to cover the additional liability. The payment was equal to the lesser of the member's monthly payment or $2,400.

U. LEGISLATIVE CHANGES MADE BY THE 2023 STATE LEGISLATURE

1. The Legislature authorized TRS to make a one-time payment and provided a lump sum appropriation to fully fund the additional liability. The payment was equal to $7,500 for retirees who had reached the age of 75 and $2,400 for those between age 70 and 75.

2. The Legislature authorized TRS to make a one-time increase in the monthly annuity for retirees and provided a lump sum appropriation to fully fund the additional liability. The amount of increase was based on the date of retirement for the member as follows:

    1. Retirees who retired in FY 2001 or before received a 6% increase

    2. Retires who retired between FY 2002 and FY 2013 received a 4% increase

    3. Retirees who retired between FY 2014 and FY 2020 received a 2% increase

APPENDIX 1 (Continued)

V. LEGISLATIVE CHANGES MADE BY THE 2025 STATE LEGISLATURE

1. HB 2 provided increased funding for public schools, including additional compensation for public education employees under the Foundation School Program.

2. SB 2 created an education savings account program to provide participating students with state funds that may be spent exclusively on eligible education expenses. The program could provide funding to proposed education service providers, some of which are not employers covered by TRS under existing state law.

APPENDIX 2

ACTUARIAL ASSUMPTIONS AND METHODS

APPENDIX 2

Actuarial Assumptions and Methods
(Adopted July 15, 2022)

The following assumptions were developed and recommended based on the Actuarial Experience Study as of August 31, 2021, except for the salary assumptions which were updated after the 2025 legislative session. All of the assumptions are based on a combination of anticipated future experience and market observations. We believe all of the assumptions are reasonable and appropriate for this measurement. Please see our report for more discussion about the selection of these assumptions.

ACTUARIAL ASSUMPTIONS

1. Investment Return Rate — 7.00% per annum, compounded annually, composed of an assumed 2.30% inflation rate and a 4.70% real rate of return, net of investment expenses

2. Mortality, Withdrawal, Disability Retirement, and Service Retirement Rates:

   Rates and scales developed in the actuarial investigation as of August 31, 2021, with values at specimen ages shown in the tables below:

   a. Active Mortality: Based on the PUB(2010), Amount-Weighted, Below-Median Income, Teacher, Male and Female tables, with a 2-year set forward for male. The rates are projected on a fully generational basis by the long-term rates of the most recently published projection scale MP 2021 to account for future mortality improvements. Below are the samples rates for 2025 and 2055.

	2025 Mortality Rates			2055 Mortality Rates	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
20	0.000237	0.000106	**20**	0.000157	0.000071
30	0.000277	0.000139	**30**	0.000184	0.000092
40	0.000546	0.000326	**40**	0.000363	0.000217
50	0.001468	0.000758	**50**	0.000976	0.000504
60	0.003531	0.001664	**60**	0.002349	0.001107
70	0.009438	0.005109	**70**	0.006491	0.003513
80	0.035164	0.019636	**80**	0.025234	0.014091
90	0.153851	0.094466	**90**	0.127280	0.078151

APPENDIX 2 (Continued)

b. Rates of Termination (net of applying rehire assumption)

Probability of Decrement Due to Termination

Years of Service	Male/Female
1	0.143011
2	0.121016
3	0.101138
4	0.080224
5	0.072583
6	0.064553
7	0.056077
8	0.049875
9	0.044869
10	0.041029

The following table is used for all years after the first ten years of employment.

Probability of Decrement Due to Termination Based on Years from Normal Retirement

Years from NR	Male/Female	Years from NR	Male/Female
1	0.016910	**17**	0.026005
2	0.018788	**18**	0.026231
3	0.019981	**19**	0.026448
4	0.020874	**20**	0.026654
5	0.021593	**21**	0.026853
6	0.022200	**22**	0.027043
7	0.022726	**23**	0.027226
8	0.023191	**24**	0.027403
9	0.023610	**25**	0.027573
10	0.023991	**26**	0.027738
11	0.024341	**27**	0.027898
12	0.024664	**28**	0.028052
13	0.024966	**29**	0.028202
14	0.025249	**30**	0.028348
15	0.025515	**31**	0.028489
16	0.025766	**32**	0.028627

c. Rates of Disability Retirement

The disability retirement rates for members once they reach the Rule of 80 but not eligible for unreduced retirement are adjusted by adding an additional 1%.

	Probability of Decrement Due to Disability	
	For Service >= 10	For Service < 10
Age	Male/Female	Male/Female
20	0.000149	0.000006
30	0.000249	0.000010
40	0.000332	0.000013
50	0.001692	0.000068
60	0.005945	0.000238

d. Rates of Retirement

Age	Normal Retirement		Age	Early Retirement
	Male	Female		Male/Female
50	0.1100	0.1060	**45**	0.0060
51	0.1100	0.1060	**46**	0.0060
52	0.1100	0.1140	**47**	0.0060
53	0.1100	0.1220	**48**	0.0060
54	0.1100	0.1300	**49**	0.0060
55	0.1100	0.1380	**50**	0.0060
56	0.1200	0.1460	**51**	0.0060
57	0.1300	0.1540	**52**	0.0060
58	0.1400	0.1620	**53**	0.0060
59	0.1500	0.1700	**54**	0.0060
60	0.1500	0.1780	**55**	0.0060
61	0.1600	0.1860	**56**	0.0060
62	0.1700	0.1940	**57**	0.0060
63	0.1800	0.2020	**58**	0.0060
64	0.1900	0.2100	**59**	0.0060
65-69	0.2300	0.2500	**60**	0.0100
70-74	0.2500	0.2500	**61**	0.0200
75+	1.0000	1.0000	**62**	0.0300
			63	0.0400
			64	0.0500

For members hired after August 31, 2007 and who are vested as of August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 60 are increased 10% for

each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58 then the probability of retirement at age 60 is 120% of the rate shown above).

For members hired after August 31, 2007 and who are not vested as of August 31, 2014, or, for members hired after August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 62 are increased 10% for each year the member is beyond the Rule of 80 (i.e. if the member reached the Rule of 80 at age 58 then the probability of retirement at age 62 is 140% of the rate shown above).

Members who participated in DROP but are still active employees are assumed to retire immediately.

3. Rates of Salary Increase

Inflation rate of 2.30%, plus productivity component of 0.90%, plus step-rate/promotional component as shown:

Years of Service	Merit, Promotion, Longevity	General	Total
1	6.00%	3.20%	9.20%
2	2.85	3.20	6.05
3	2.15	3.20	5.35
4	1.85	3.20	5.05
5	1.60	3.20	4.80
6	1.45	3.20	4.65
7	1.35	3.20	4.55
8	1.25	3.20	4.45
9	1.20	3.20	4.40
10	1.10	3.20	4.30
11	1.05	3.20	4.25
12	1.00	3.20	4.20
13	0.95	3.20	4.15
14	0.85	3.20	4.05
15	0.70	3.20	3.90
16	0.70	3.20	3.90
17	0.60	3.20	3.80
18	0.55	3.20	3.75
19	0.50	3.20	3.70
20	0.40	3.20	3.60
21	0.35	3.20	3.55
22	0.30	3.20	3.50
23	0.25	3.20	3.45
24	0.20	3.20	3.40
25 & up	0.00	3.20	3.20

APPENDIX 2 (Continued)

4. Post-retirement Mortality: The 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by Scale UMP 2021, but with immediate convergence, to account for future mortality improvements. These tables are developed based on the experience in the actuarial investigation as of August 31, 2021. Below are the samples rates for 2025 and 2055.

	2025 Mortality Rates			2055 Mortality Rates	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
40	0.000579	0.000397	**40**	0.000385	0.000264
50	0.001688	0.001038	**50**	0.001123	0.000690
60	0.005729	0.004036	**60**	0.003811	0.002684
70	0.012600	0.008055	**70**	0.008651	0.005531
80	0.042374	0.029230	**80**	0.030408	0.020976
90	0.153075	0.112799	**90**	0.126638	0.093318
100	0.375530	0.313246	**100**	0.343162	0.286246
110	0.557926	0.506595	**110**	0.541428	0.491615
120	1.000000	1.000000	**120**	1.000000	1.000000

For disabled retirees, a three-year set forward of the above tables are used, with minimum mortality rates of 0.0200 for female and 0.0400 for male, respectively.

	2025 Mortality Rates			2055 Mortality Rates	
Age	**Male**	**Female**	**Age**	**Male**	**Female**
40	0.040000	0.020000	**40**	0.040000	0.020000
50	0.040000	0.020000	**50**	0.040000	0.020000
60	0.040000	0.020000	**60**	0.040000	0.020000
70	0.040000	0.020000	**70**	0.040000	0.020000
80	0.061823	0.045260	**80**	0.046288	0.033887
90	0.208491	0.153762	**90**	0.179924	0.132694
100	0.468189	0.410353	**100**	0.435627	0.381813
110	0.559267	0.507813	**110**	0.552595	0.501754
120	1.000000	1.000000	**120**	1.000000	1.000000

CLASSIFICATION OF WHO ARE ACTIVE MEMBERS:

Members who contributed during the just-completed plan year and earned a year of service but did not retire before August 31 are considered active.

ACTIVE MEMBER SALARIES:

The valuation data provides the actual salary for the last fiscal year and the member's final average salary as of the valuation date. The member's salary is projected forward to the year following the valuation date using the salary scale assumption, and the final average salary is set as a minimum when determining future annuity values.

HANDLING OF SPECIFIC RETIREE DATA WITH MISSING INFORMATION:

Due to the timing of creating the snapshot of the valuation census data files, there are some members who retire with a September retirement date and thus should be active as of August 31, but because they have already been processed in the data system as a retiree, much of their active data elements are not in the active file. To create a liability for these members, we pull the census data from their active data record the previous year and update the service, account balance, etc. with expected data and add them to the active census file. The approach to creating a record for them does not have a meaningful impact to the valuation results, but there are enough of them that giving them a $0 liability would have a meaningful impact.

HANDLING OF ACTIVE DATA WITH MISSING INFORMATION:

There are records provided by TRS that have missing gender and/or missing date of births. While there are very few with no impact to the overall valuation results, these records are handled as follows:

1. 80% of records with missing gender are assumed to be female. The overall male/female ratio of the active membership is used to set this assumption.

2. Records with missing dates of birth are assigned a date of birth that produces an entry age equal to the average entry age for the overall active population, based on the member's actual service.

3. Active and inactive members with ages above age 74 are included in the valuation but valued as if they were age 74.

PROJECTED PAYROLL FOR CONTRIBUTIONS:

The aggregate projected payroll for the fiscal year following the valuation date is calculated by increasing the actual payroll paid during the previous fiscal year by the payroll growth rate. Detail on this calculation is in Table 3b. For this 2025 valuation this is also increased for additional payrolls provided through HB 2 in the 2025 legislative session.

PAYROLL GROWTH FOR FUNDING OF UNFUNDED ACTUARIAL ACCRUED LIABILITY:

The total general wage increase assumption of 2.90% is made up of an inflation rate of 2.30% plus a 0.60% real wage growth. This value is also used to increase the wages for each annual cohort of new entrants in an open group projection based on the current demographics and the current assumptions. This is also our underlying payroll growth assumption with the following modifications. To reflect additional appropriations from HB 2 of the 89th Texas Legislature, payroll is projected to increase based on the trends produced by the

current census data, the current assumptions, and the additional appropriations. A full projection of the underlying payroll is on Table 5b.

BENEFIT ELECTION OF VESTED TERMINATING MEMBERS:

In determining the liabilities developed for future terminating vested members, it is assumed that the member elects either a refund or a deferred vested benefit, whichever is more valuable. The deferred benefit is assumed to commence at the earliest age the member is eligible for unreduced retirement.

ELECTION RATES FOR ACTIVE MEMBER DEATH BENEFITS:

If the member was eligible for retirement at the time of death, it is assumed that the beneficiary will elect the option 1 death benefit. Otherwise, it is assumed the value of the member's lump sum cash value will be the greater of two times their account balance or the minimum of $80,000 or two times their salary at the time of death.

DECREMENT TIMING:

Retirement is assumed to occur at the end of the year. Termination from service is assumed to occur at the beginning of the year. All other decrements are assumed to occur mid-year.

BENEFIT ELECTION OPTIONS:

It is assumed that future healthy retirees will select the normal form of payment. For disabled members, 80% are assumed to select the normal form of payment and 20% to select the 100% joint and survivor option.

MARRIAGE ASSUMPTION:

While not implicitly used in the valuation, 100% of active members are assumed to be married when setting other benefit election and eligibility assumptions.

SURVIVOR BENEFITS

There are several different forms of payments that may be made to a Survivor (see page 52 of this report). We have assumed that the average survivor benefit will have a value of $12,000.

SPOUSAL AGE DIFFERENCE:

Husbands are assumed to be three years older than their wives.

ACTUARIAL VALUE OF ASSETS:

A. The actuarial value of assets is equal to the market value of assets less a five-year phase-in of the excess/(shortfall) between expected investment return and actual income. The actual calculation is based on the difference between actual market value and the expected actuarial value of assets each year and recognizes the cumulative excess return (or shortfall) over a minimum rate of 20% per year. Each year a base is set up to reflect this difference. If

the current year's base is of opposite sign to the deferred bases, then it is offset dollar for dollar against the deferred bases. Any remaining bases are then recognized over the remaining period for the base (5 less the number of years between the bases year and the valuation year). This is intended to ensure the smoothed value of assets will converge towards the market value in a reasonable amount of time.

B. Expected earnings are determined using the assumed investment return rate and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of investment expenses.

ACTUARIAL COST METHOD:

The Actuarial Valuation Report is used to determine the adequacy of the State contribution rate (established by Legislative appropriation) and employer contribution rate (established by statute) and to describe the current financial condition of TRS.

The Actuarial Valuation Report uses the Entry Age Normal actuarial cost method. Under this method, the first step is to determine the contribution rate (level as a percentage of pay) required to provide the benefits to each member, or the normal cost rate. The normal cost rate consists of two pieces: (i) the member's contribution rate, and (ii) the remaining portion of the normal cost rate which is the employer's normal cost rate. The total normal cost rate is based on the benefits payable to each individual active member.

The Unfunded Actuarial Accrued Liability (UAAL) is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution provided in excess of the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, and is calculated with the use of an open group projection that takes into account: (a) future earnings on the actuarial value of assets, net of investment-related expenses, will equal 7.00% per year, (b) there will be no changes in assumptions, (c) the payroll is assumed to grow as described above (d) active members who leave employment will be replaced by new entrants each year, and (e) State and employer contributions will remain the same percentage of payroll.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

USE OF CELLED DATA:

For valuation purposes, every record in the census is valued individually.

For Legislative purposes, the active valuation data is celled by benefit tier, gender, years of service, month and year of birth. The individual cell is valued using the sum of the salary and account balances of the

members in the cell. Every year we test this approach against using the individual records and the results are consistently less than 0.02% different in total present value of benefits.

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION (ADEC)

The ADEC is determined as the level percentage of payroll that will cover the Fund's normal cost and amortize the Fund's unfunded liabilities over the same funding period as disclosed in this report for the fixed rate contributions. However, if the fixed rate contributions produce a funding period in excess of 30 years then a 30-year amortization period is used.

REASONABLE ACTUARIALLY DETERMINED CONTRIBUTION (ADC) PER ASOP 4

The Reasonable ADC is the larger of the actual contribution rate being received or the minimum contribution rate needed to cover normal cost plus interest of the UAAL, thus eliminating negative amortization. The calculation is performed based on the next opportunity there is to change the contribution rate, which in this case would be September 1, 2027 following the 2027 legislative session.

NEW ENTRANT PROFILE

For the purposes of determining the funding period, an open group projection is used which replaces on a one-to-one basis each active member who leaves employment with an average new hire. The average new hire is determined based on a new entrant profile, which is created from the valuation data by determining the entry age and entry pay for anyone with eight or less years of service as of the valuation date, with salaries normalized to the valuation date.

A summary of the new entrant profile is shown in the table below, with 25.9% of the population being male. The salaries below would be applicable for the year preceding the valuation date. Future cohorts of new hires have starting salaries that are assumed to grow at the General Wage Inflation of 2.90% over the salaries of the previous year.

New Entrant Profile as of August 31,2025		
Entry Age	# of Employees	Average Salary
15-19	982	$26,593
20-24	52,047	48,044
25-29	86,515	52,768
30-34	61,348	52,923
35-39	54,118	52,498
40-44	45,780	51,657
45-49	37,332	51,025
50-54	30,556	49,510
55-59	22,236	46,967
60-64	12,437	44,012
65-69	2,568	39,833
Total	**405,919**	**$50,888**

APPENDIX 2 (Continued)

CHANGES SINCE THE PRIOR VALUATION:

Assumptions for individual salary increases were changed to reflect legislation from the 89th Legislative Session.

GLOSSARY

DEFINITION OF ACTUARIAL TERMS

GLOSSARY

Definition of Actuarial Terms

H.B. 2206 as passed by the 1979 Legislature requires that any actuarial study of a public retirement system include "a complete definition of each actuarial term used in the study". In our report we have attempted to avoid the use of a multitude of complex actuarial terminology, but we realize that different users of our reports may have differing opinions as to what constitutes an "actuarial term". Accordingly, in keeping with the intent and the spirit of the law, we offer the following definitions of several terms contained in this report which might be considered actuarial in nature. Any qualified user of our report who believes that additional terms should be included is invited to communicate such terms either directly to us or through the Teacher Retirement System of Texas.

1. *Actuarial Accrued Liability* - for benefits payable in the future to present members, it will equal the present value of benefits payable in the future to them less the present value of future normal costs.

2. *Actuarial Assumptions* - assumptions as to future experience under the Fund. Current actuarial assumptions are detailed in Appendix 2 of the current annual valuation report. Assumptions include future fund earning rates, rates of future salary increases, and rates of death (both before and after retirement), disability, retirement, and withdrawal as well as overall payroll growth. Effective August 31, 1985, select and ultimate assumptions were adopted for retirement and withdrawal rates and the salary scale.

3. *Actuarial Experience Study* - a periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

4. *Actuarial Gain or Actuarial Loss* - a measure of the difference between actual experience and assumed experience of the Fund. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, actuarial liabilities emerge which may be the same as forecasted, or they may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

5. *Actuarial Liabilities* - the actuarially determined present value of future benefits to be provided by the Fund. There are separate actuarially determined present values for retired members and non-retired members (either active or inactive). When applied to active members, it takes into account benefits which will be earned through future service and future salary increases.

Glossary (Continued)

6. *Actuarial Value of Assets* - the value of present Fund assets for valuation purposes. Prior to August 31, 1985, this value was the same as the book value of assets. Beginning August 31, 1985, through August 31, 1993, this value was calculated under the "market over book adjusted asset valuation method." Beginning August 31, 1993, this value is calculated under a five-year phase-in of the excess (shortfall) between expected and actual income return on the market value of assets.

7. *Actuarially Determined* - values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

8. *Decrements* - those types of activities by members of the Fund which cause them no longer to be members, i.e., death, retirement, disability, and withdrawal. It is a general term referring to any or all of these membership terminating events.

9. *Defined Benefits* - in a retirement plan, benefits which are defined by a specific formula applied to specific member compensation and/or specific years of service. The amount of the benefit is not a function of contributions or actual earnings on those contributions.

10. *Defined Contributions* - in a retirement plan, periodic contributions to the plan which are defined as a specific percent of compensation.

11. *Funding Period* - the number of years in the future that will be required to fund (i.e., pay off or eliminate) the unfunded actuarial accrued liability, based on the actuarial assumptions and assuming no future actuarial gains or losses.

12. *Future Benefits* - benefits specified in the law which will become payable at some time in the future when the member satisfies the requirement to receive such benefits.

13. *Future Contributions* - contributions to be made by the member or the State in the future, as required by the law.

14. *Normal Cost* - the actuarial cost to fund the benefits provided by the Fund were the funding to begin at date of hire. It is expressed as a percent of pay and is equal to the present value at hire of all possible benefits of the Fund divided by the present value of anticipated future compensation to be received by the new member. In the aggregate, it must be less than the total future contribution to the Fund if the unfunded actuarial accrued liability is to be amortized. Otherwise there must be a funding surplus sufficient in size to offset any contribution rate shortfall.

15. *Present Value* - the actuarially determined lump sum value as of the valuation date of a series of payments to be made in the future, where the lump sum value is equal to the sum of the discounted value of each future payment. The discounted value of each payment is the product of (a) the amount of the payment, (b) the probability that the payment will be made (based on the current actuarial assumptions as to future experience), and (c) the time value of money (based on the current assumed interest rate).

Glossary (Continued)

16. *Unfunded Actuarial Accrued Liability* - that portion of the actuarial accrued liability (including the present value of benefits presently being paid to retired members) that exceeds the value of current actuarial assets. A funding surplus exists if the actuarial accrued liability is less than the actuarial assets.