

December 2025

TRUSTEES

TRS Board of Trustees Meeting



**Teacher Retirement System of
Texas**

4655 Mueller Blvd.
Austin, Texas 78723

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES**

AGENDA

December 4, 2025 – 9:00 a.m.

December 5, 2025 – 9:00 a.m.

*All or part of the December 4 - 5, 2025 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum physically present at the following location, which will be open to the public during the open portions of the meeting: **4655 Mueller Blvd, 2nd Floor, Boardroom.***

Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to publiccomment@trs.texas.gov identifying the name of the speaker and topic, no later than 5:00 pm on December 4, 2025.

The open portions of the Board meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the Board meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

NOTE: The Board may take up any item posted on the agenda during its meeting on December 4 - 5, 2025 beginning at the time and place specified on this agenda.

1. Call roll of Board members.
2. Consider the following administrative matters including approval of the September 2025 proposed meeting minutes– Robert H. Walls, Jr.
3. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
 - A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative personnel matters, and notifications of contract renewals.
 - B. Board operational matters, including a review of draft agendas for upcoming meetings.
 - C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.
4. Receive TRS Ombudsman's Report – Lori LaBrie.
5. Receive the annual evaluation of Gabriel, Roeder, Smith & Co. as the provider of pension actuarial and consulting services – Janice Ehlert.

6. Receive an update on the TEAM Program – Jennifer Whitman, Billy Lowe and Adam Fambrough.

NOTE: *The Board meeting likely will recess after the last item above and will resume December 5, 2025, Friday morning, to take up items listed below.*

7. Provide an opportunity for public comment – Robert H. Walls, Jr.
8. Receive the report of the Benefits Committee on its December 4, 2025 meeting and consider the following:
 - A. Acceptance of the Medical Board Meeting minutes for the September 2025 meeting;
 - B. Approval of the Benefit Payments for September through November 2025;
 - C. Consider the appointment of members to the Active School Administrator positions on the RAC.
9. Receive the report of the Investment Management Committee on its December 4, 2025 meeting – Committee Chair.
10. Receive the report of the Governance Committee on its December 4, 2025 meeting and consider adoption of the following: – Committee Chair
 - A. Proposed amendments to the Inactive Accounts Policy;
 - B. Proposed amendments to the Commission Credits Policy;
 - C. Proposed amendments to the Securities Lending Policy;
 - D. Proposed amendments to the Proxy Voting Policy;
 - E. Proposed amendments to the Designation of Key Employees;
 - F. Proposed amendments to the Employee Ethics Policy;
 - G. Proposed amendments to the Board of Trustees Ethics Policy and Position Description;
 - H. Proposed amendments to TRS Rules in Chapter 27 and Chapter 29 of Title 34, Part 3 of the Texas Administrative Code:
 - i. § 27.6 – Reinstatement of an Account
 - ii. § 29.9 – Survivor Benefits
 - iii. § 29.56 – Minimum Distribution Requirements
 - I. Proposed amendments to TRS Rules in Chapters 25, 31, and 41 of Title 34, Part 3 of the Texas Administrative:
 - i. § 25.21 – Compensation Subject to Deposit and Credit
 - ii. § 31.3 – Return-to-work Employer Pension Surcharge
 - iii. § 41.4 – Employer Health Benefit Surcharge
11. Receive the report of the Budget Committee on its December 4, 2025 meeting – Committee Chair.
12. Receive the report of the Audit, Compliance, and Ethics Committee on its December 4, 2025 meeting – Committee Chair:

13. Receive the Deputy Director's Update including considering the Procurement and Contracting Report– Caasi Lamb.
14. Receive the TRS Pension Trust Fund Actuarial Valuation for the fiscal year ending August 31, 2025 – Joe Newton, Gabriel, Roeder, Smith & Co.
15. Receive the TRS-Care Actuarial Valuation and Other Post-Employment Benefits (OPEB) reports for the fiscal year ending August 31, 2025 – Joe Newton, Gabriel, Roeder, Smith & Co.
16. Receive an overview of the upcoming TRS of Texas Experience Study – Joe Newton, Gabriel, Roeder, Smith & Co.
17. Receive an update regarding the Pension Design and Firefighters' Studies – Caasi Lamb.
18. Discuss and consider the selection and engagement process for the Board Investment Consultant, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Heather Traeger.
19. Receive Quarterly Data Governance and Information Security Update – Frank Williams.
20. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, beneficiary benefits, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger and J.R. Morgan.

The Board may convene in Executive Session under the following, but not limited to:

- a.* Texas Government Code, Section 551.071: Consultation with Attorney;
- b.* Texas Government Code, Section 551.072: Deliberation Regarding Real Property;
- c.* Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Audit Executive, Chief Investment Officer and Ombudsman.
- d.* Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
- e.* Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits; or
- f.* Texas Government Code, Section 825.115: Applicability of Certain Laws;

- g. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

TAB 3



Executive Director Report

Presentation Date: December 4, 2025

Presented By:
Brian Guthrie



Topics for Discussion

General Updates

Contract Renewal Updates

Upcoming Board Meeting Agendas

Special Honors and Acknowledgements





General Updates



Upcoming Conferences and Meetings:

- January 13, 2026: TRS EC Strategic Planning Session
- February 10, 2026: TRS/ERS Emerging Manager Conference, Virtual
- February 28 – March 2, 2026: NCTR/NASRA Winter Meeting, Washington D.C.

Past Meetings and Updates:

- September 24 – 26, 2025: NCPERS Public Pension HR Summit, Philadelphia, PA
- October 4 - 7, 2025: NCTR 103rd Annual Conference, Salt Lake City, UT
- October 23, 2025: TRS SPN, New York, NY
- October 25 – 26, 2025: NCPERS Accredited Fiduciary (NAF) Program, Ft. Lauderdale, FL
- November 13, 2025: TRS EC Workshop



Executive Director's Contract Renewal Notices



Notice of Board Contracts expiring with ED Authorization to Renew:

- Mercer, One-year renewal





Upcoming Board Meeting Agendas



February 12- 13, 2026

- Medical administrator contract selection
- AI & TRS Workforce
- Pension Design Studies Update
- Experience Study
- Ombuds Annual Report
- Regional Office Update
- Performance Pay Plan Review by Mercer
- Information Security Update



Upcoming Board Meeting Agendas



April 30, 2026

Benefits Committee

- Operational Updates
- Approval of Benefits
- Medical Board Minutes

Investment Management Committee

- CIO Update
- 4th Quarter Performance Review
- Annual Review of Public Mkts

Budget Committee

- FY2026 mid-year and FTE Report
- Review LAR

Governance Committee

- Funding Policy Review
- TRS Rule Review
- Update Strategic Plan (if needed)

ACE Committee

- Internal Audit and Compliance Reports

May 1, 2026

Committee Reports

ED Report

Experience Study

Pension Design Study Update

Deputy Director Report

Information Security Update

Litigation Update



Special Honors and Acknowledgements

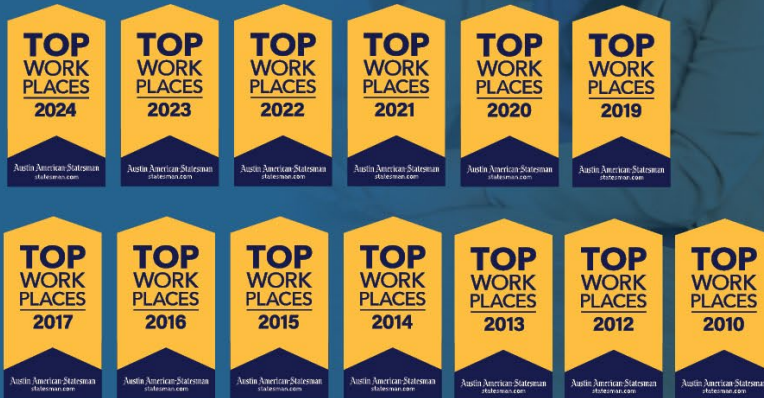




Special Honors and Acknowledgements: TRS 2025 Top Workplace



THANKS to our employees for taking us to the TOP again!



**START YOUR TOP
WORKPLACE CAREER:**





Special Honors and Acknowledgements: Golden Apple Awards



Morgan B.



Ashley C.



Leo F.



Pat K.



Roy K.



Maya Q.



Addison R.



Dena R.



Jonathan S.



Liz S.



David W.

Not Pictured: Chris Cowan and Muraliram Narasimhan



Special Honors and Acknowledgements: Executive Director's Awards



**Executive Director's
AWARDS**

TRIS Shining Example
Team Excellence



Happy Holidays





Appendix



APPENDIX: Shining Example Award



Shining Example Award

Winners:

- Finance Accounting and Reporting Team
- IMD Operations Team
- EDM Platform Team
- Learning and Development Team

Other Nominees

- 89th Texas Legislative Regular Session-L&C/Government Affairs – Honorable Mention
- Benefit Accounting Reporting Team
- Budget Team
- Employment After Retirement Team
- Health Insurance Line of Business (HILOB) Team – Honorable Mention
- IMD Talent Development Team
- IT Business Management Team
- IT CORE Platform Team
- Safety and Security
- TRS-ActiveCare Operations Team



TRS Shining Example
Team Excellence
in Customer Service



APPENDIX: ED's Award of Excellence



Executive Director's Award of Excellence

Winner:

Multi-year Headquarters Relocation Cross Functional Team

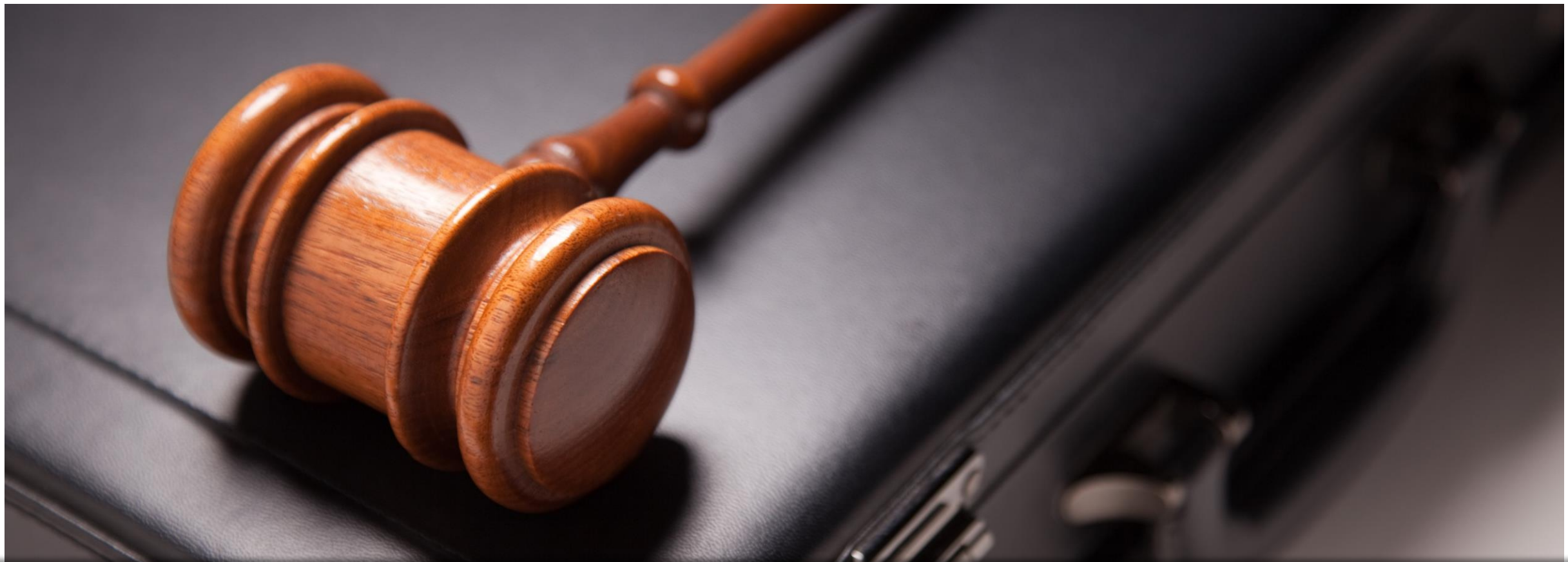
- **Agency Administration** (Facilities Management, Records and Document Services, EPM, Safety and Security, Program Coordinators); **Organizational Excellence** (OCM and Operations); **Communications; Information Technology; Finance; Procurement and Contracts; Legal and Compliance**

Other Nominees

- AI Strategy Team including M365 Copilot Project Team
- Delivering Historic Benefits: Standing up Dental and Vision Coverage for TRS Retirees
- Alpha/Bravo Move Team
- **Dental and Vision Insurance Implementation Project – Honorable Mention**
- Internet Service Provider (ISP) Replacement Project
- IT Division (IT Enterprise Technology Services, IT Business Relationship Management, and IT PMO teams)
- Organizational Excellence Team-Employee Appreciation Day
- **Website Redesign Project Team – Honorable Mention**
- P&C/L&C Procurement Efficiencies Team
- System Restructure and Lifecycle Management (SRLM) Project Team
- SFTP High Availability Project
- TRS ActiveCare CRM Phase 1
- TRS ServiceNow Agile Transformation Project



TAB 4



Ombuds Quarterly Report

Presentation: Dec. 4, 2025

Presented By:
Lori LaBrie



Ombuds Communications (Jan – Oct 2025)



Ombuds
Emails

385



Ombuds
Phoneline

123



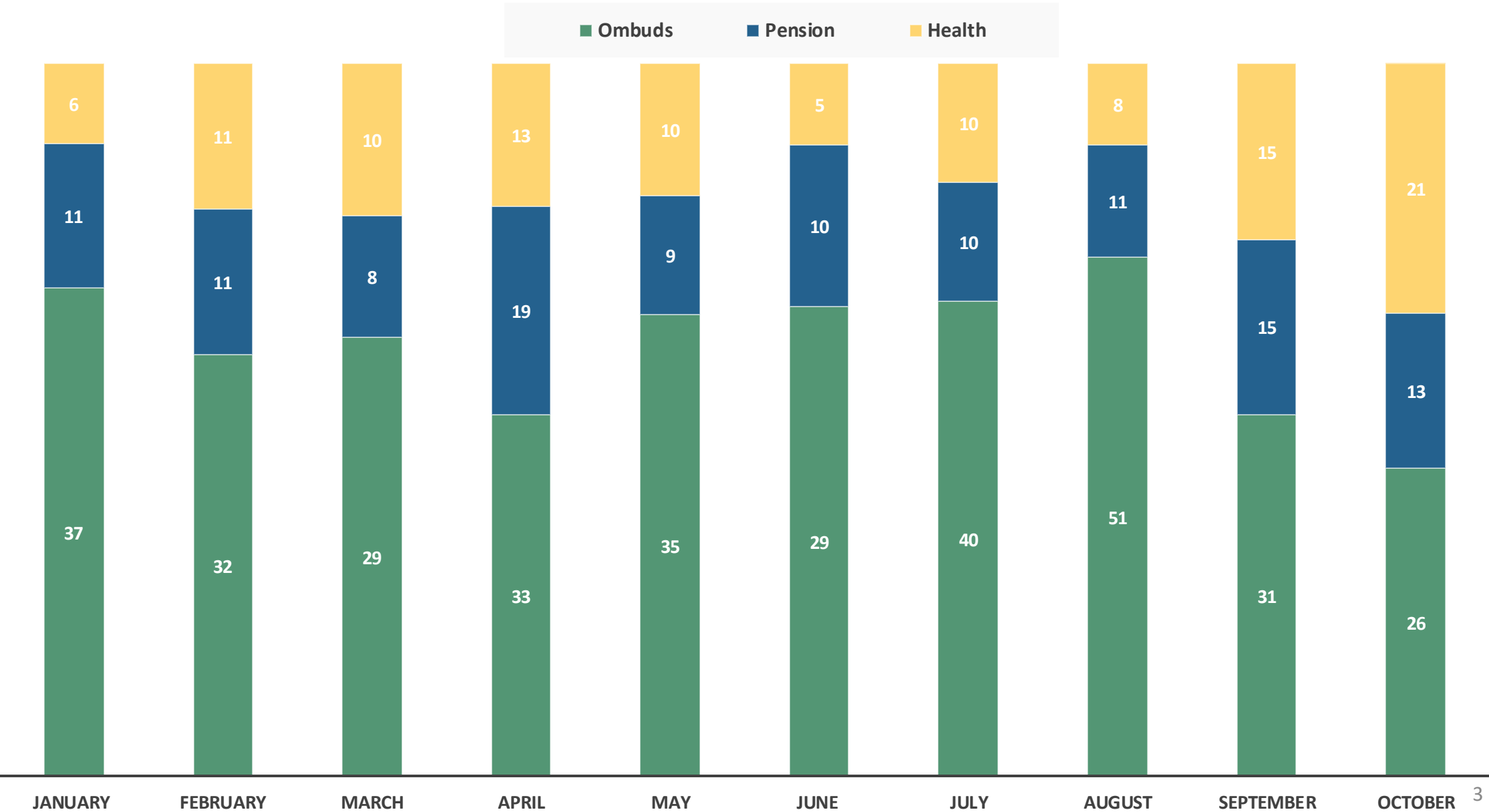
Compact with
Texans

61

Total Ombuds Communications: 569



Servicing Departments Workload Volume & Collaboration Trends





Social Media Comments on Large-Scale Agency Issues (“Hot Topics”)

January 2025	February 2025	March 2025	April 2025	May 2025	June 2025	July 2025	August 2025	September 2025	October 2025
Social Security (80)	Health Care (29)	Social Security (164)	Social Security (43)	Health Care (8)	Health Care (10)	Health Care (32)	Health Care (32)	Health Care (19)	Health Care (29)
Miscellaneous (39)	Beneficiary (22)	Health Care (22)	COLA (14)	Beneficiary (7)	Investments (10)	Employment after Retirement (EAR) (4)	Retirement* (7)	Beneficiary (27)	MyTRS** (11)
Health Care (30)	Political (11)	Political (19)	Health Care (13)	COLA (5)	Social Security (3)	Careers (6)	Investments (22)	Investments (14)	COLA (15)

* Comments about retirement sessions and member-related questions

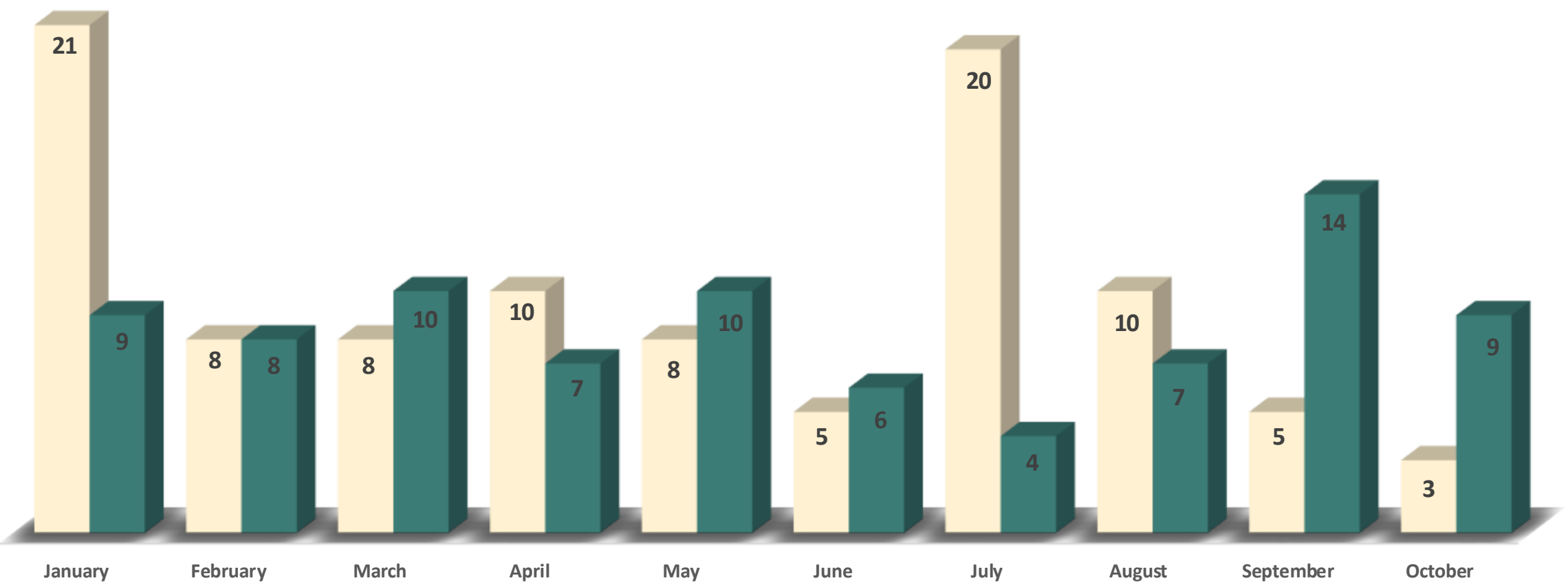
** Members requesting assistance with changing information in their accounts



Point-in-Time Complaints (Individual)



2024 2025

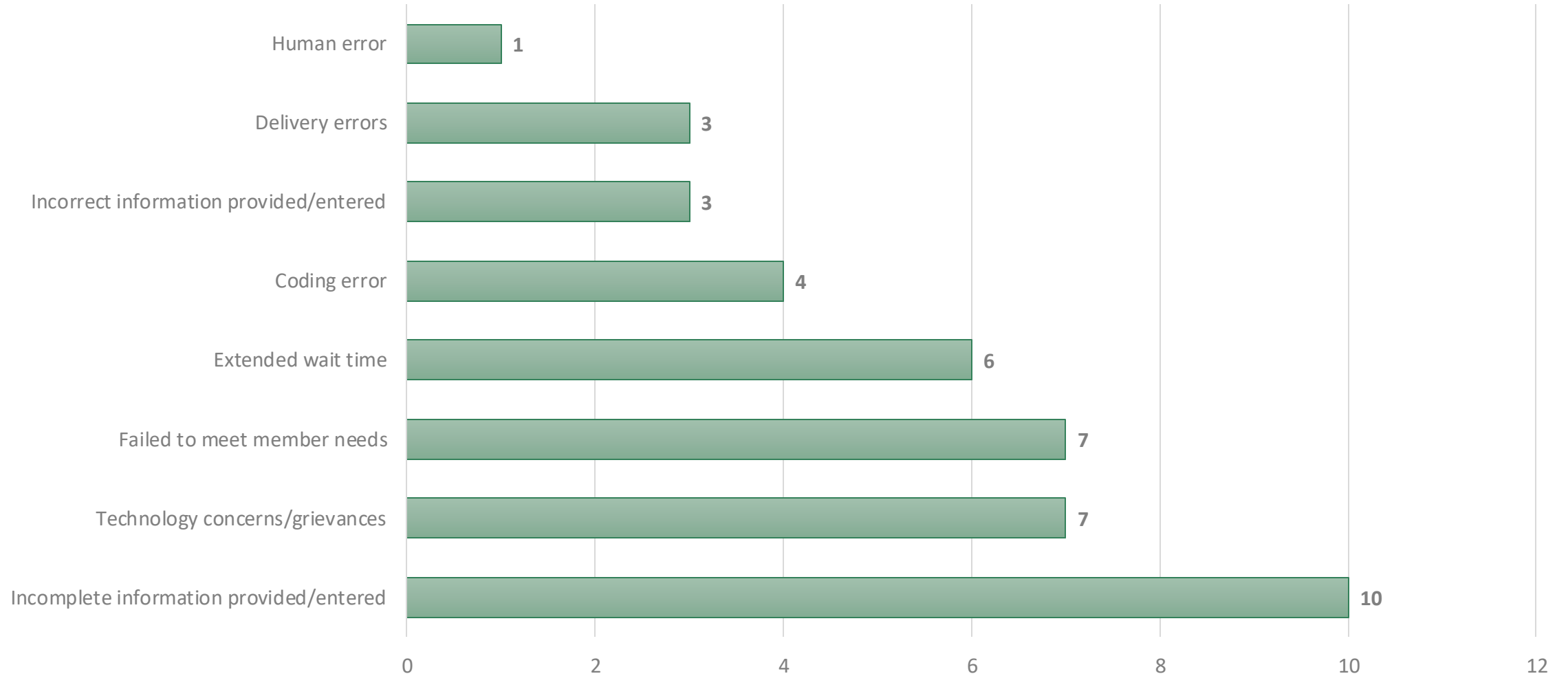


Point-in-Time Complaints Received:
January – October 2025 – 84 January – October 2024 – 98 Outstanding: 0



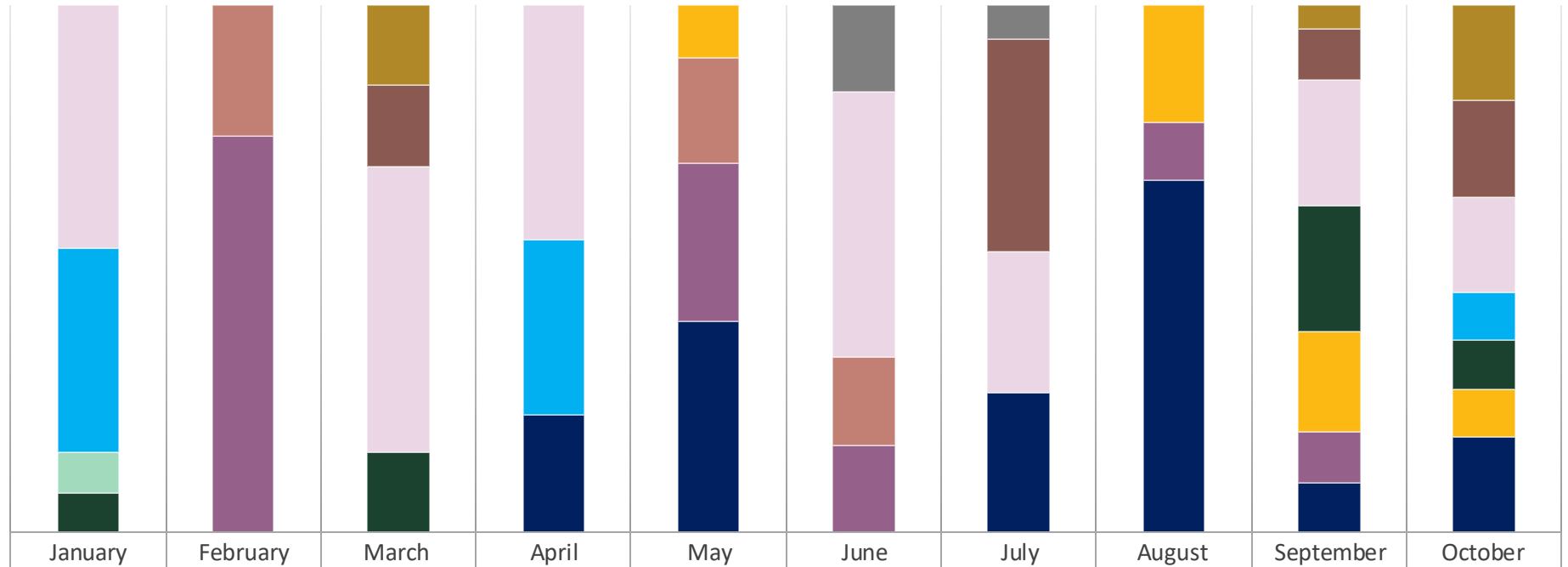
Point-in-Time Complaints by Category

Aug – Oct 2025





Point-in Time Complaint Category Trends



■ Inappropriate responses from TRS employees						1	1			
■ Delivery errors			2						1	2
■ Coding error			2				6		2	2
■ Failed to meet member needs	6		7	4		3	4		5	2
■ Human error	5			3						1
■ Failure to respond	1									
■ Extended wait time	1		2						5	1
■ Technology concerns/grievances					1			2	4	1
■ Timeliness of response		2			2	1				
■ Incorrect information provided/entered		6			3	1		1	2	
■ Incomplete information provided				2	4		4	6	2	2



Outreach & Engagement Activities: Fall 2025



SEPTEMBER

- 9/3: TRS-Care Dental and Vision– All TRS Retirees (Virtual)
- 9/4: TRS-Care Standard (Under 65) (Virtual)
- 9/10: Health Fair, Mesquite, TX
- 9/26: TRS-Care Medicare Advantage (65+ or with Disability) (Virtual)
- 9/30: Health Fair, Abilene, TX

Estimated 1,661 Attendees

OCTOBER

- 10/9: Health Fair, San Antonio, TX
- 10/13: Fall RAC Meeting
- 10/15: TRTA District 5, Beaumont, TX
- 10/21: TRTA District 11, White Settlement, TX
- 10/23 & 29: Reporting Employer Active Member Resource Outreach

Estimated 528 Attendees

NOVEMBER

- 11/10 & 11/12 Benefits Quality Assurance Training
- 11/14 TRTA District 1, Weslaco, TX

Estimated 125 Attendees



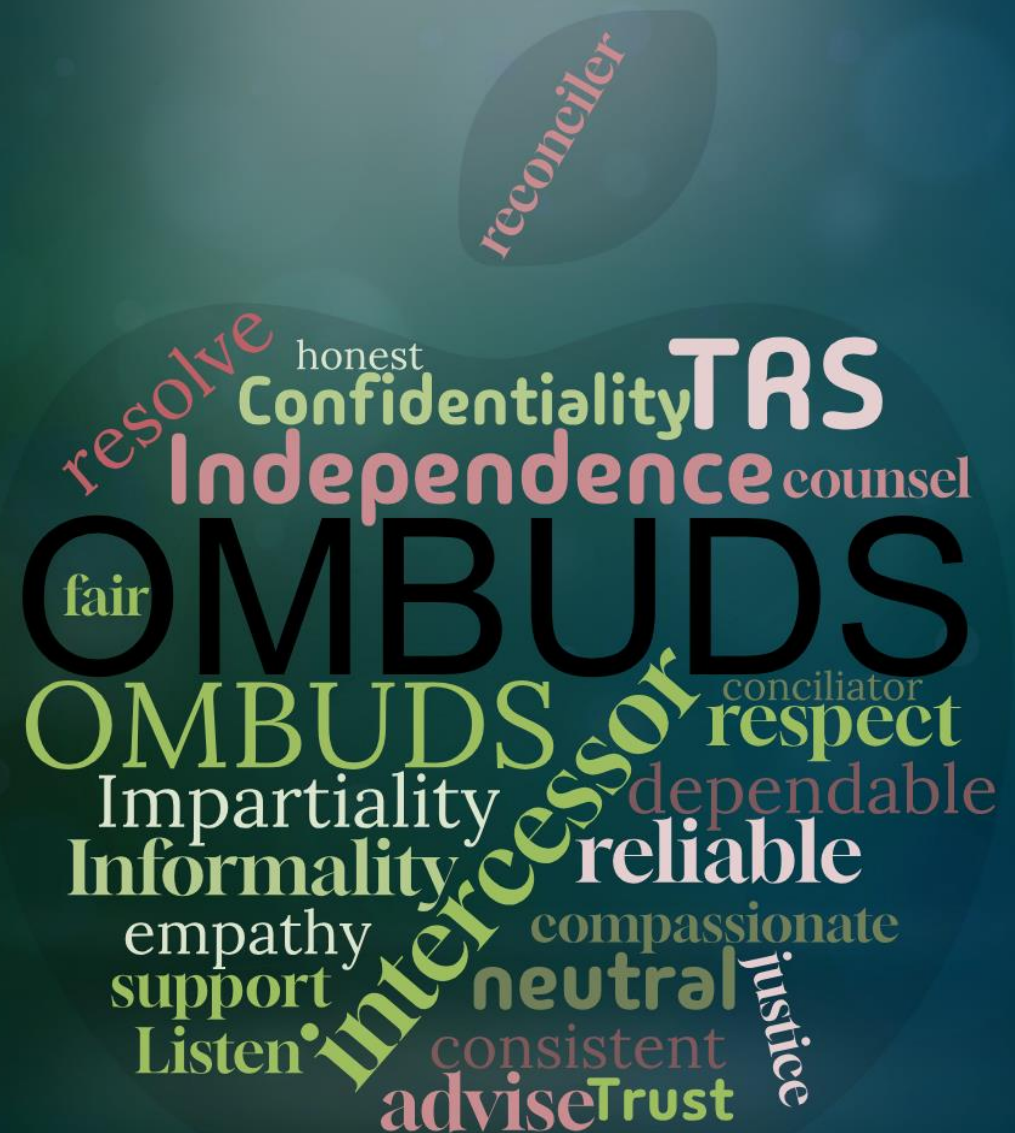
Ombuds Contact Info:

Direct Phoneline: 833.873.2331

Email: Ombuds@trs.texas.gov

Intake Form:

<https://www.trs.texas.gov/Pages/ombuds.aspx>



TAB 5



Memorandum

DATE: November 17, 2025

TO: TRS Board of Trustees

CC: Caasi Lamb, Deputy Director; Barbie Pearson, Chief Benefit Officer

FROM: Janice Ehlert, Manager, Pension Policy & Analytics

Through: Brian Guthrie, Executive Director

RE: Evaluation of Gabriel, Roeder, Smith & Company Pension Fund
Actuarial Services for Fiscal Year 2025

Requirement

Texas Government Code Section 825.206 (c) requires, “The board of trustees annually shall evaluate the performance of the actuary during the previous year.” This meeting serves as that evaluation.

Summary of Work Performed

During fiscal year 2025, Gabriel, Roeder, Smith & Company (GRS) provided timely professional advice and technical support for pension-related matters to TRS staff.

Services included:

- Preparing and presenting the annual Actuarial Valuation Report to the Board, legislative staff, and associations;
- Preparing GASB/ACFR Pension and OPEB reporting;
- Preparing numerous Actuarial Impact statements for the 89th Texas Legislative Session;
- Updating factor tables used to calculate benefits and mortality rates;
- Aiding TRS in various legislative studies.

Assessment of Performance

Over the past year, GRS completed the 2025 Actuarial Valuation and the GASB-required ACFR reporting schedules. The Peace Officer study was completed in December 2024. GRS is working with TRS to complete the new pension benefit design and firefighters studies. Both will be completed in fiscal year 2026.

GRS actuaries and consultants were responsive and made themselves available for meetings and conference calls on short notice. They met all contractual requirements including timelines and deliverables, even when turn-around times were short and squeezed from both ends. GRS' experience in the industry and their in-depth knowledge of TRS has proven valuable in:

- understanding the actuarial profile of the System;
- identifying workforce and demographic trends; and
- providing the impacts of proposed benefit changes.

Finally, GRS staff are skilled in presenting and can clearly convey difficult actuarial concepts.

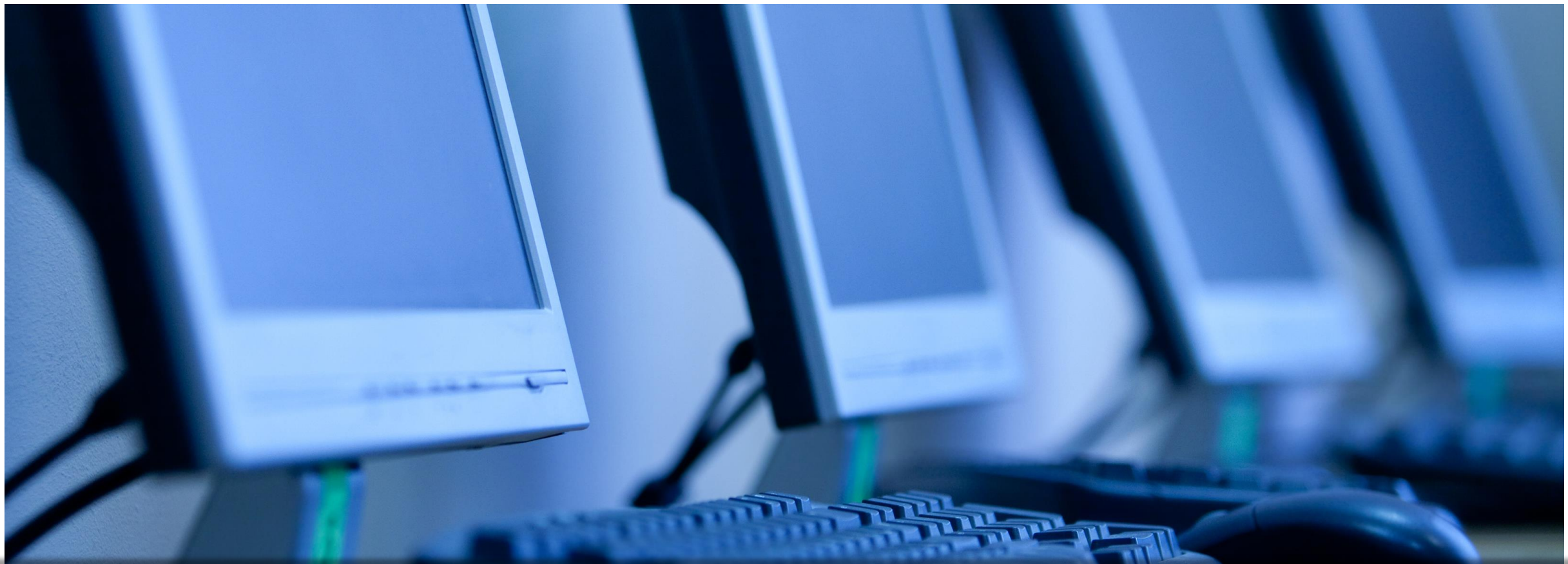
TRS surveyed 18 staff about GRS' performance this year. With a 100% response rate, these 18 staff represent a cross-section of the agency and include: Executive, Government Affairs, Pension Services, Information Technology, Legal & Compliance, IMD, and Finance. Staff responded favorably when asked if GRS completed the following:

- Met contract performance requirements (which include all mandated reporting).
- Presentations were clear and informative.
- Provided relevant information with sufficient detail to help me carry out my duties.
- Responded to my questions.
- Provided timely, complete, relevant, and reliable information that assisted me in decision-making.

GRS was evaluated on a scale of meets or does not meet expectations. Overall, the TRS staff performance evaluation concluded that GRS met expectations.

The current contract with GRS expires on December 31, 2025. In July, the Board selected GRS to serve as the actuary for TRS through December 31, 2030. As of November 3, both parties have signed the contract, and GRS will be the actuary for the next four years.

TAB 6



IT/TEAM

Presentation Date: December 4, 2025

Presented By:

Chris Cutler, Adam Fambrough, Billy Lowe, Jennifer Whitman

TEAM – WHERE WE ARE NOW

Annuity Payroll, Benefit Account Adjustment & Tax Reporting (PBT)

PBT RELEASE STATUS:



Workstream Status



Development & Testing



End-to-End Testing (Complete)



Parallel Payroll Testing



Change Management



Data Migration



Data Reconciliation



General Ledger Testing



Regression Testing



User Acceptance Testing

LEGEND



ON SCHEDULE



NOT STARTED



CAUTION, ISSUE BEING WORKED

TESTING TYPE

% COMPLETE

General Ledger Testing

98.5%

Parallel Payroll Testing

99.9972%

Regression Testing by IT

100%

KEY STATUS UPDATES

Achievements

- 8/31/2025 - 9/4/2025 - Dry Run Cutover #2
- 9/17/2025 - UAT Survey #2 distributed
- 10/31/2025 - 11/3/2025 - Dry Run Cutover #3

Key Goals Upcoming

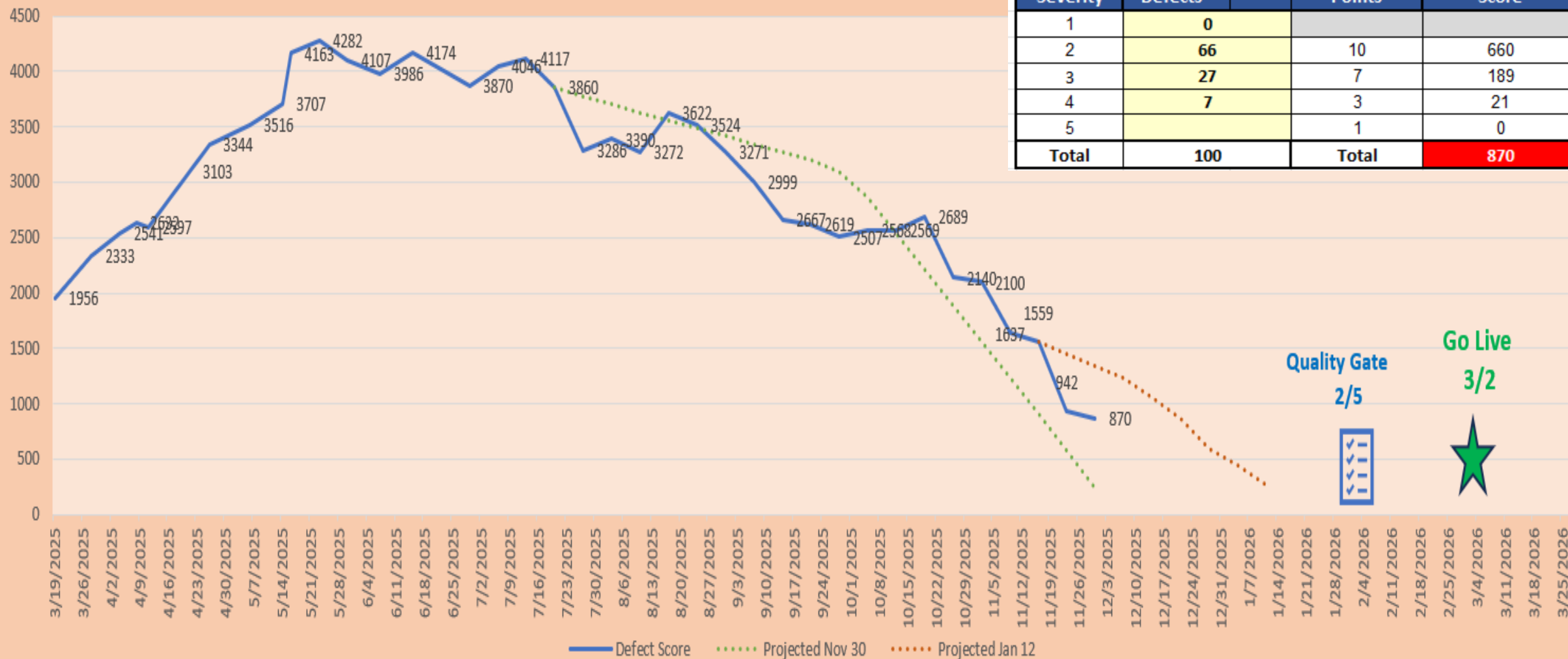
- 12/03/2025 – 12/05/2025 - PBT Dry Run 4
- 12/11/2025 – User Acceptance Testing END
- 01/06/2026 – 01/07/2026 - PBT Dry Run 5
- 02/05/2026 - PBT UAT Exit Quality Gate



PBT Quality Score

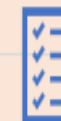


PBT Defect Score Trend



Severity	Count of Defects*		Points	Score
1	0			
2	66		10	660
3	27		7	189
4	7		3	21
5			1	0
Total	100		Total	870

Quality Gate
2/5



Go Live
3/2

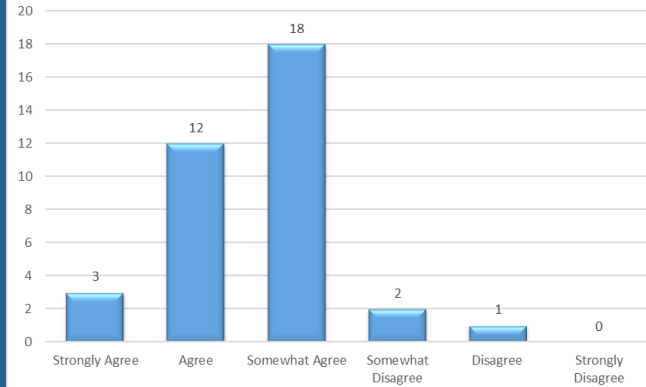




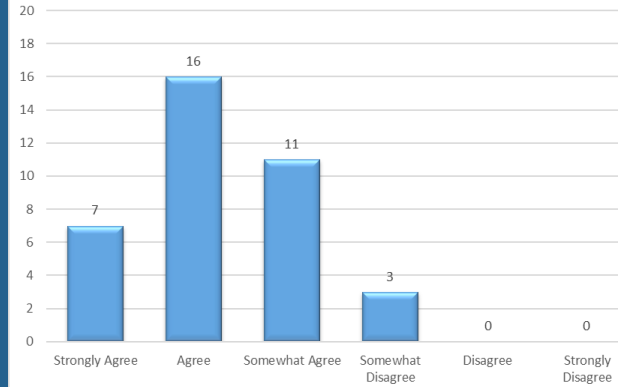
User Acceptance Testing Survey

Survey 1

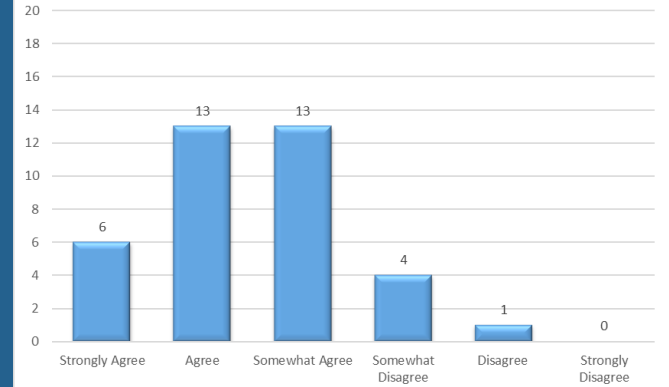
Q1: I am confident that the quality of the new TRUST functionality for PBT will be acceptable at go-live.



Q2: The UAT process is going well.

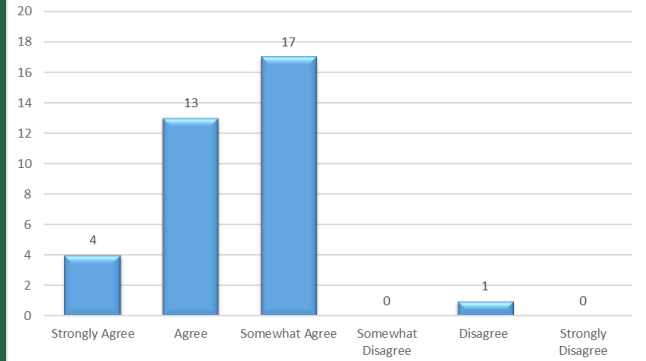


Q3: I think it is best to continue with go-live plans as scheduled.

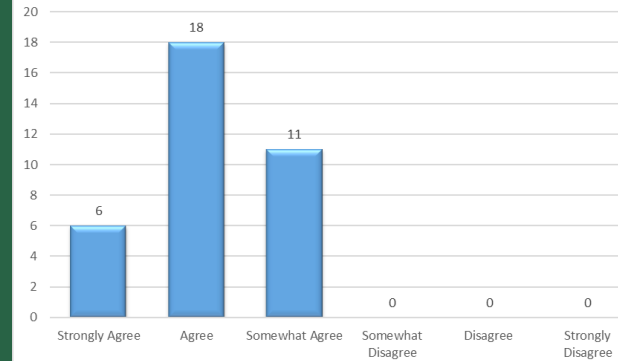


Survey 2

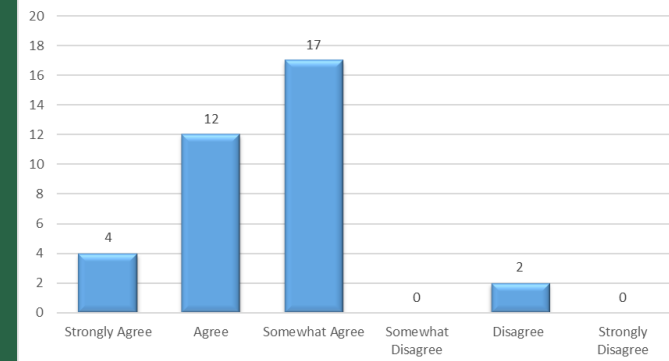
Q1: I am confident that the quality of the new TRUST functionality for PBT will be acceptable at go-live.



Q2: The UAT process is going well.



Q3: I think it is best to continue with go-live plans as scheduled.





Deputy Director Report

Presentation Date: December 5, 2025

Presented By: **Caasi Lamb**



Topics for Discussion

Quarterly Contract Report



Quarterly Contract Report – Q1 FY 26



Solicitations and Contracts with a Value of \$1 Million or More per Year

Type	Q1	Q2	Q3	Q4	Total
New Executed Contracts	1				1
New Executed Health Contracts	0				0
New FY 25 Solicitations	0				0
New FY 25 Health Solicitations	0				0

BOARD PROCUREMENT POLICY

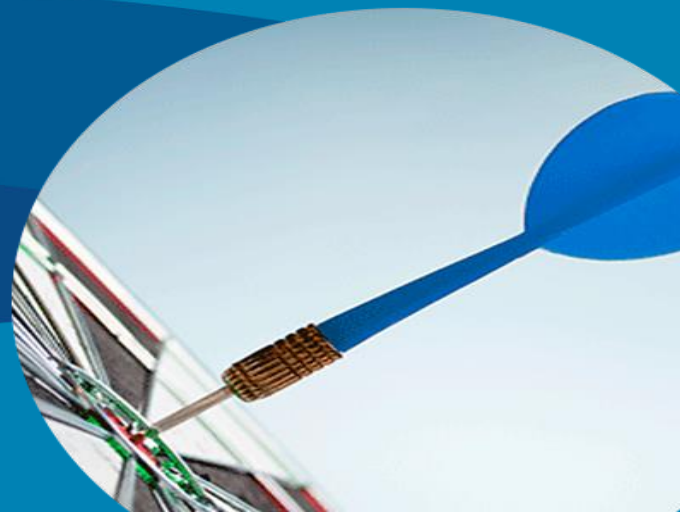
*For those contracts that are to be brought to the Board for approval solely because they exceed an estimated value of \$1 million or more per year, **TRS staff will present a report to the Board at each quarterly meeting** summarizing the key information for the proposed procurement. The Board may **accept** the report in its entirety or identify specific procurements for additional discussion or direct selection or approval by the Board.*

TAB 14



Teacher Retirement System of Texas

Actuarial Valuation as of
August 31, 2025



Actuarial Valuation

- Prepared as of August 31, 2025 using member data, financial data, benefit and contribution provisions, actuarial assumptions and methods as of that date
- A “health checkup” for TRS Pension Fund:
 - Explain changes in actuarial condition
 - Determine adequacy of current statutory contributions
 - Track changes over time
 - Warn about possible future issues
 - Provide other information for reporting
 - Annual Comprehensive Financial Report
 - Accounting results provided under separate report

89th Legislative Session

- Based on assumptions incorporated into the valuation process and on information provided by the LBB, we estimate an increase of 8 years in the funding period
- As always, the actual impact will depend on how experience unfolds
 - How are the salary increases distributed?
 - Do these monies stack on top? Or potentially offset previous sources?
 - Is there an actual decline in active membership? Or just slower overall growth or no growth?

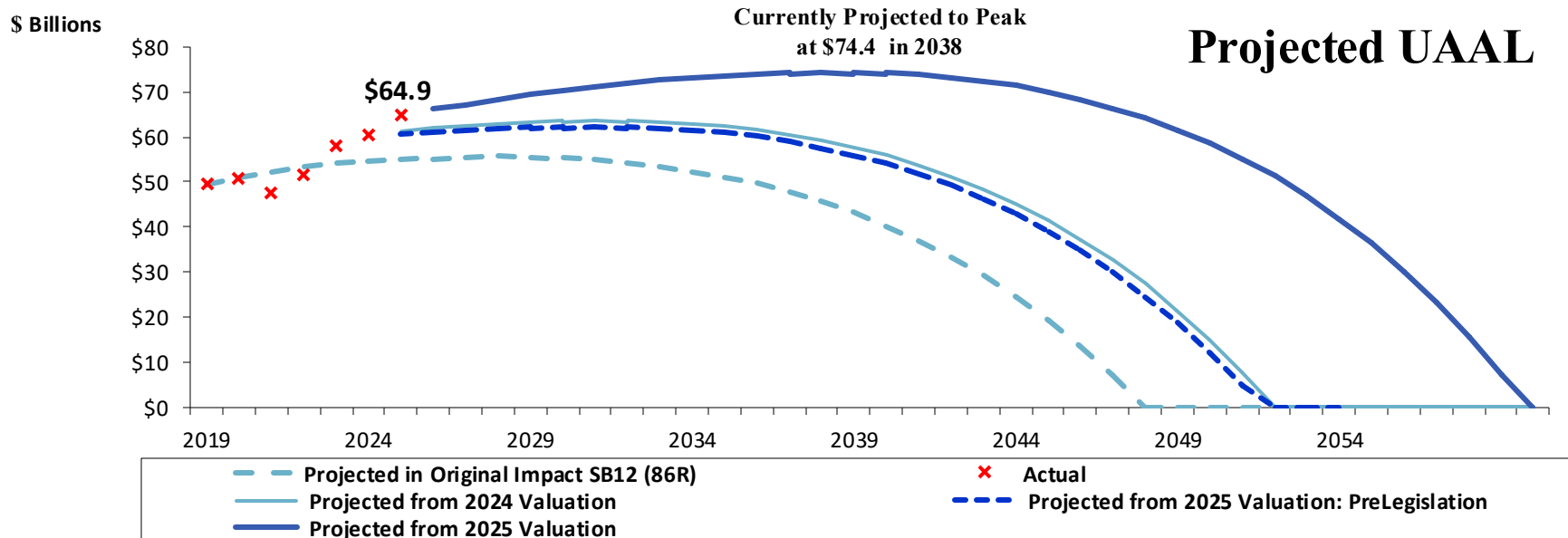
TRS Actuarial Results

	2022 Valuation	2023 Valuation	2024 Valuation	2025 Valuation Before Legislation	2025 Valuation After Legislation
Based on Smoothed Asset Value					
UAAL (\$ Billions)	\$51.7	\$57.9	\$60.6	\$60.0	\$64.9
Actuarial Funded Ratio	79.0%	77.5%	77.8%	78.9%	77.5%
Funding Period in Years*	26	29	28	27	35
Based on Market Value					
Funding Period in Years*	36	43	30	25	32

**Assumes current scheduled statutory contribution rates continue indefinitely*

- 9.8% market performance and higher than expected turnover produced actuarial gains for FY25
- These were more than offset by the legislative changes

The UAAL is projected to peak in 2038. This peak is more than 5 years into the future, so the conditions are expected to be met to request additional contributions per the Board's Funding Policy.

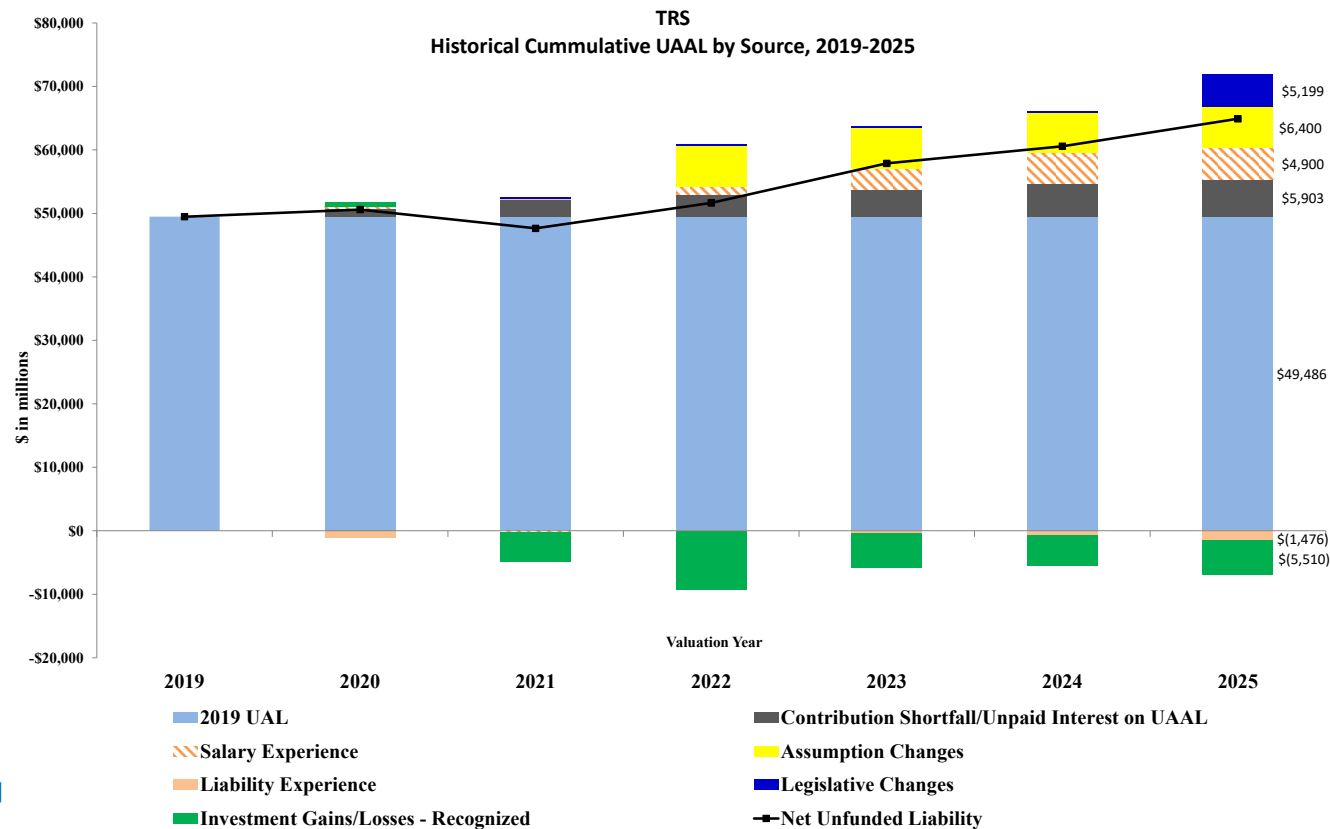


The above assumes all assumptions exactly met, including 7.0% annual investment returns projected from the smoothed assets

Assumes no changes to benefit policy

Assumes SB 12 (86R) contribution rates remains throughout projection period

The UAAL is larger than originally projected from 2019 due to the recent salary experience, the change to the investment return assumption in 2022 and impact from the 89th Texas Legislature. These items were offset by investment experience and actuarial gains from other sources.



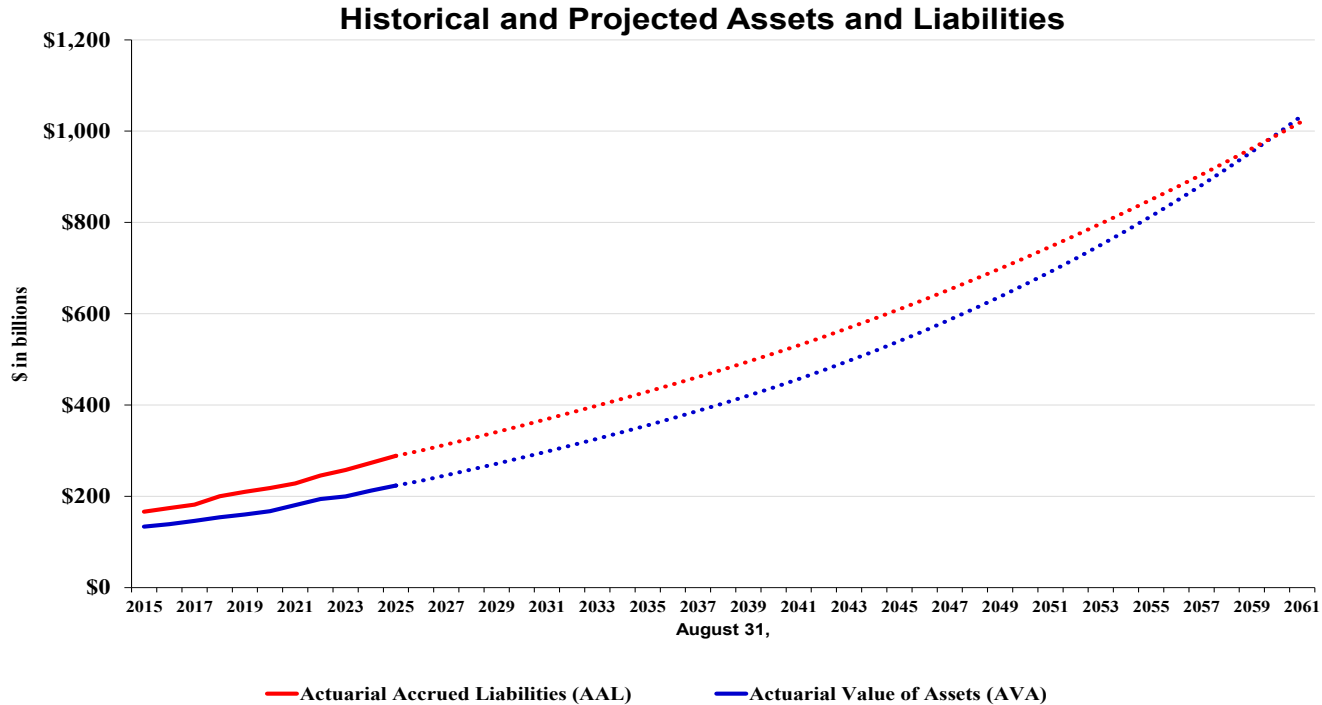
Similarly, experience alone would have accelerated the funding period compared to original projections

Change in Funding Period Since 2019

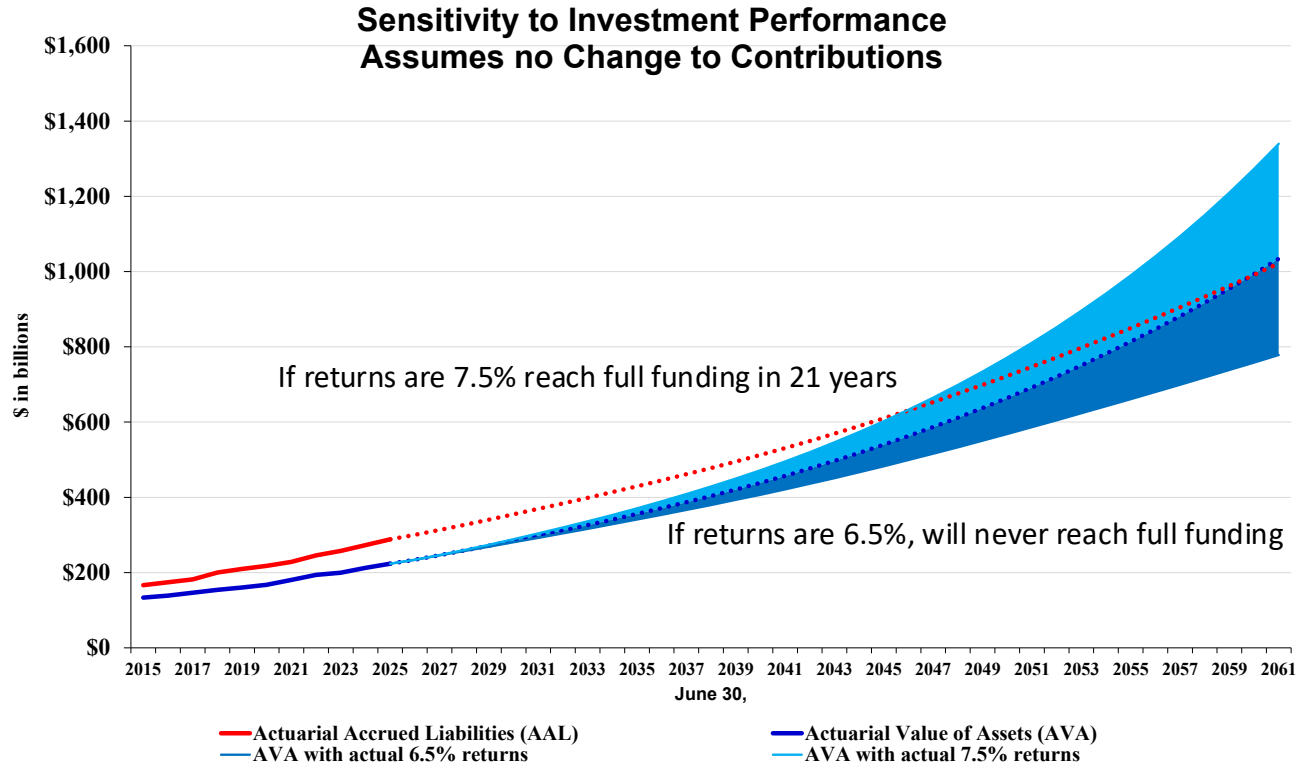
		Change	Net (Years)
Original SB 12 in 2019			29
Projected to 2025 (6 years from 2019 to 2025)		-6	23
Experience since 2019			
	Investment Performance	-3	
	Salary Experience	+3	
	Other Liabilities	-1	
	Population/Payroll	-3	
Net Experience		-4	19
Decrease to 7.0% Investment Return Assumption in 2022		+8	
89th Legislative Session		+8	
		+16	
Funding Period as of 2025			35

Assets are Projected to Meet Liabilities in 2060

This is 35 years from 2025 = Funding Period

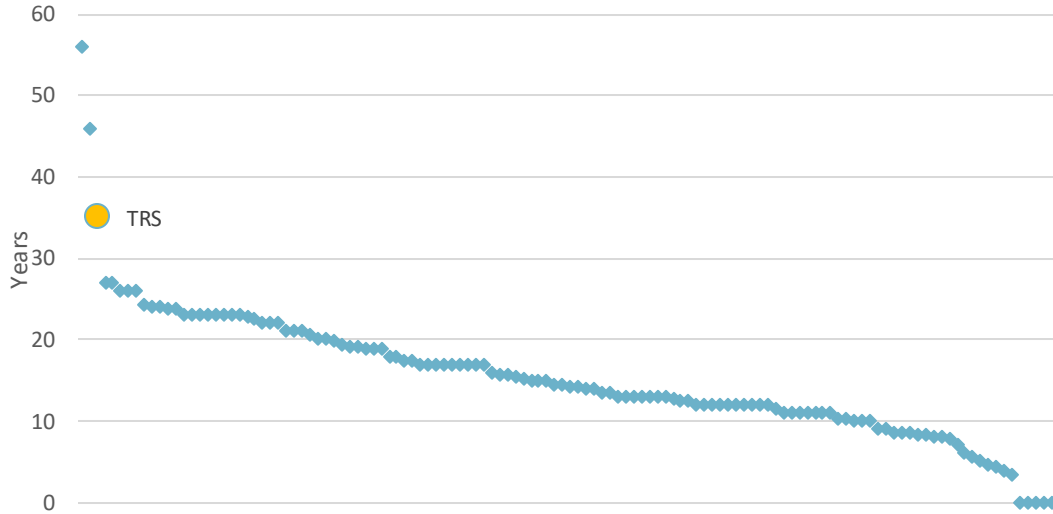


Actual Timeline will Depend on Actual Experience, Mainly Investment Performance



TRS' 35-year Funding Period Ranks 123rd Out of 125 Largest Asset Public Plans

NASRA Research: 2025 Distribution of Funding Periods



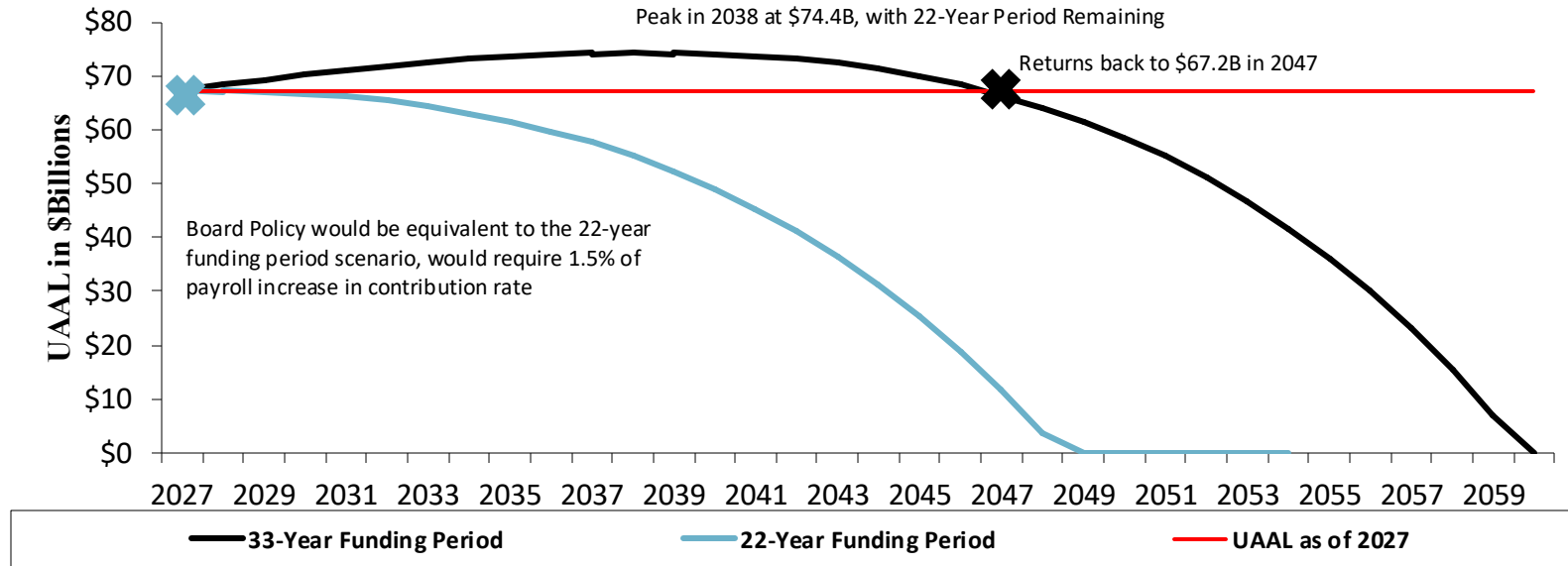
Largest 125 public retirement systems
Latest published funding period projected to 2025

- 94 of 125 plans have a funding period of 20 years or less
- Only 8 plans have a funding period greater than 25 years

Funding Period: Industry Best Practices

- Current 35-year funding period is no longer considered reasonable industry practice
- Current 30-year statutory definition of actuarially sound is also no longer considered reasonable industry practice
- Actuarial Standards of Practice
 - Reasonable contributions achieve positive amortization (a declining UAAL)
 - This would be at a 22-year funding period for TRS
- TRS Board Policy: Targets positive amortization
- Texas Pension Review Board:
 - Current limit is 30 years
 - Targeting 20 years as a maximum as of 2035
- Conference of Consulting Actuaries White Paper
 - Model Practice is 20 years, working toward full-funding with closed periods

UAAL Projection: A Closer Look at the Path



All scenarios start on 9/1/2027, which is the next time contribution rates can change

The above assumes all assumptions exactly met, including 7.0% annual investment returns

Assumes no changes to benefit policy

Assumes stated contribution rates (see next slide) remains throughout projection period

Impact of Board's Contribution Policy

Strategy	Payment Option Beginning FY2028	Projected Funding Period as of Aug 31, 2027	Estimated Additional FY 2028 Cost	Long-Term Interest Cost*	Interest Savings Compared to Status Quo
Status Quo	N/A	33	N/A	\$133B	N/A
Increase contribution rate to target 22-year funding period	1.5% of payroll	22	\$1.04B	\$70B	\$63B

*similar to a mortgage, the UAAL accrues interest at 7.0%. Making more contributions sooner lowers the interest paid over the long-term.

Funding Period Sensitivities

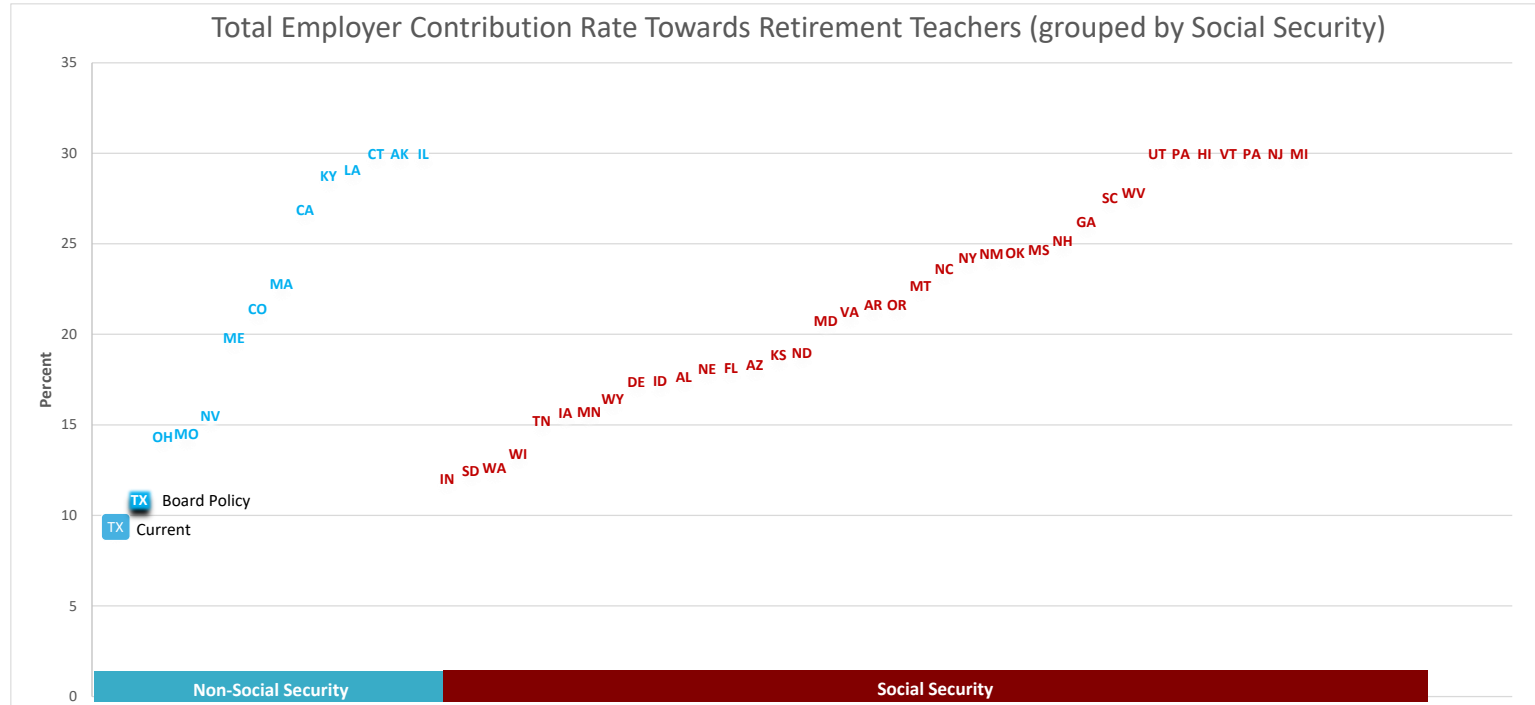
Assuming Current Contributions

Scenario	Reach Positive Amortization	Reach Full Funding
7.5% Actual Returns	4	21
7.0% Actual Returns	13	35
6.5% Actual Returns	Never	Never

Assuming Contributions Change Per Board Policy

Scenario	Reach Positive Amortization	Reach Full Funding
7.5% Actual Returns	3	17
7.0% Actual Returns	3	24
6.5% Actual Returns	24	48

Employer contributions toward retirement for Public Educators in Texas are the lowest compared nationally, even if contributions raised to Board Policy



Light blue states shown above do not participate in Social Security, maroon states shown do participate.

NASRA Public Funds Survey, Teacher Plans

Summary

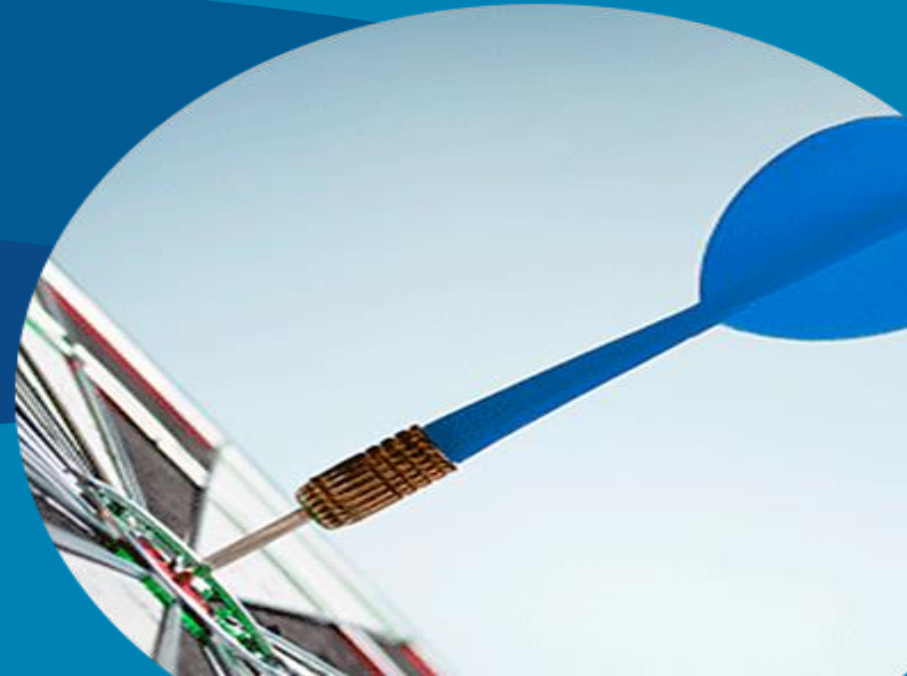
- The changes from the 2025 Texas Legislative Session have pushed the financial condition of TRS outside of reasonable actuarial practice
- The UAAL is expected to grow through 2038, 13 years following the valuation date
- Subsequently, since the projected UAAL does not begin to decline within 5 years, the Board Funding Policy would request a contribution rate increase to begin to reduce the UAAL
- It would take a 1.50% increase in the contribution rate to have a positive amortization in FY28 (first time contribution can increase)
 - Meets Reasonable Actuarially Determined Contribution under ASOP No.4 requirements
 - Decreases the years until full-funding from 35 to 24 years as of this valuation date and expected to save \$63B over the amortization horizon

TAB 15



TRS-Care OPEB

GASB 74 – 2025 Fiscal Year End



GASB 74 Overview

OPEB – Other Post Employment Benefits

- The TRS-Care valuation satisfies an accounting requirement
 - There is no requirement to prefund; most OPEB benefits are unfunded
 - Monitor trends: significant plan changes and cost management
- Employer reporting
 - Participating employers and the State are allocated shares of the overall OPEB liabilities and expense



August 31, 2025 Net OPEB Liability

- The GASB 74 Net OPEB Liability decreased by \$5.4 billion from 8/31/2024 to 8/31/2025, mainly because of the increase in the discount rate

Amounts in Billions

August 31,	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability	\$30.5	\$35.2	\$26.0	\$27.1	\$41.1	\$40.0	\$48.6	\$50.7
Plan Fiduciary Net Position	(5.6)	(4.8)	(3.9)	(3.1)	(2.5)	(2.0)	(1.3)	(0.8)
Net OPEB Liability	24.9	30.4	22.1	23.9	38.6	38.0	47.3	49.9
Net Benefit Payments	0.66	0.47	0.54	0.61	0.50	0.55	0.54	0.88
Discount Rate (GASB 74)	5.23%	3.87%	4.13%	3.91%	1.95%	2.33%	2.63%	3.69%

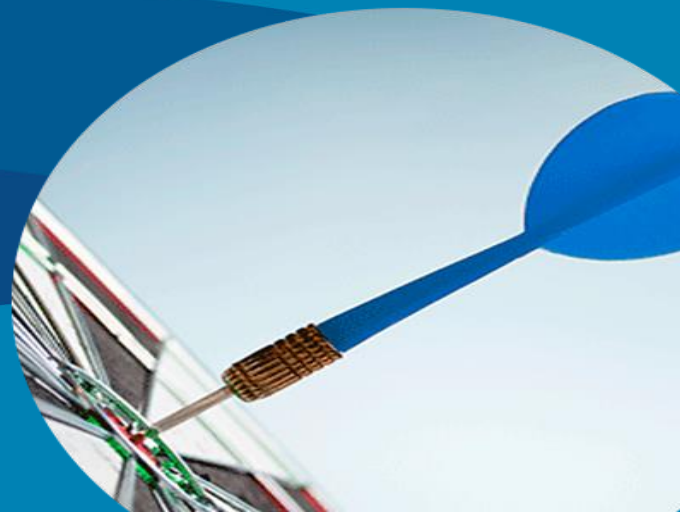


TAB 16



TRS of Texas Experience Study Kickoff

December 5, 2025



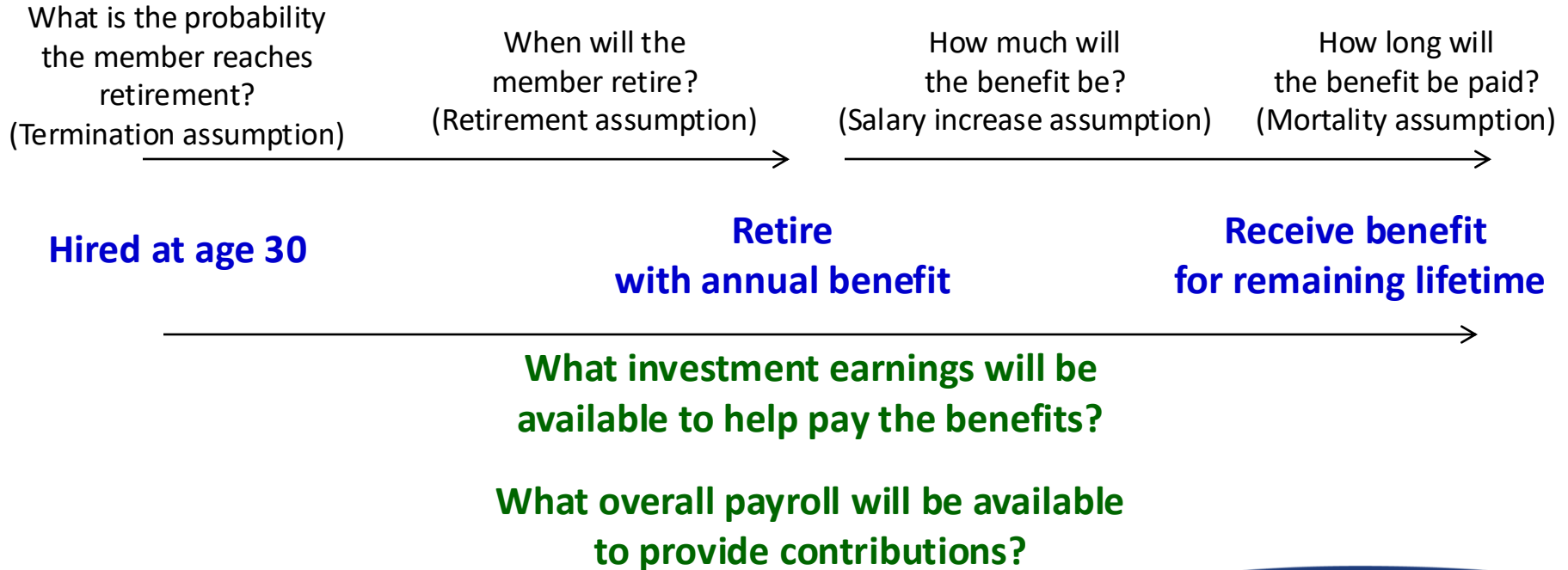
Agenda

- Purpose of Experience Study
- Some Initial Observations
- Investment Return Assumption Trends
- What to Expect in Report and Next Meeting

Purpose of Experience Study

- Assumptions should occasionally change to reflect
 - New information and changing knowledge
 - Changing patterns of retirements, terminations, mortality, etc.
- Experience study is a regularly scheduled review of the assumptions and methods
- General process for setting assumptions and methods
 - Actuary gathers data and performs the analysis
 - Actuary makes recommendations
 - Board considers actuary's recommendation and makes the final decision for the TRS valuations

Inside the Actuarial Valuation: Projecting the Liability for Each Member

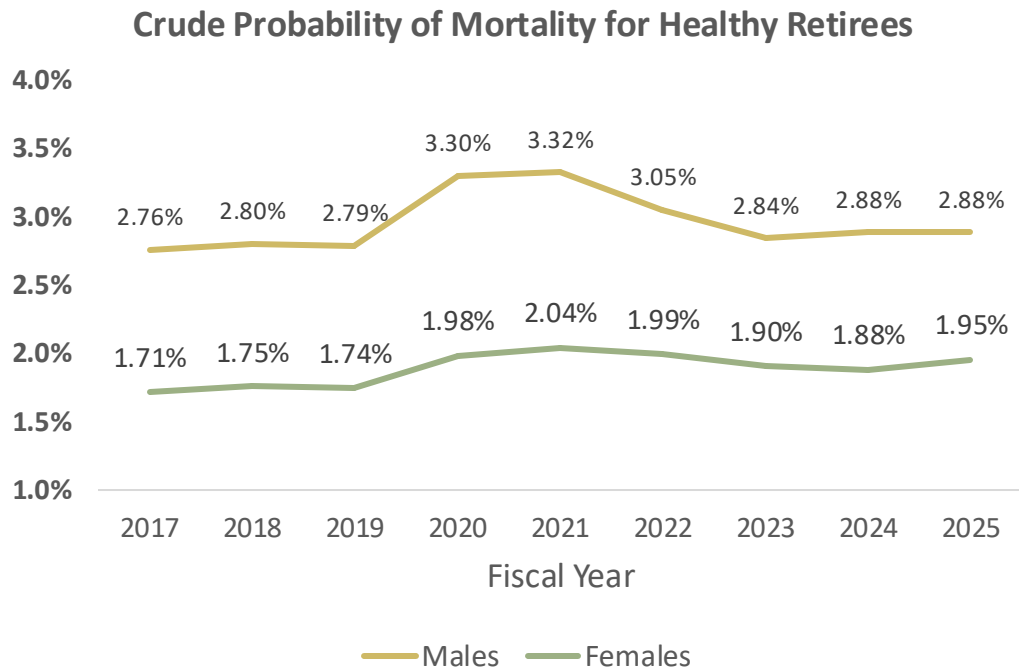


Types of Assumptions

Category 1	Category 2	Category 3	Category 4
Things you know	High correlation between recent data and future expectations	Less correlation between recent data and future expectations	Refined Guess
Benefit Provisions How contributions are received How service is earned Etc.	Current mortality Employee turnover Retirement patterns Disability incidence	Inflation Wage inflation Population Changes	Investment Return Future mortality improvement
Potential Risk: NA High impact if wrong	Potential Risk: Low	Potential Risk: Moderate, usually short-term	Potential Risk: High



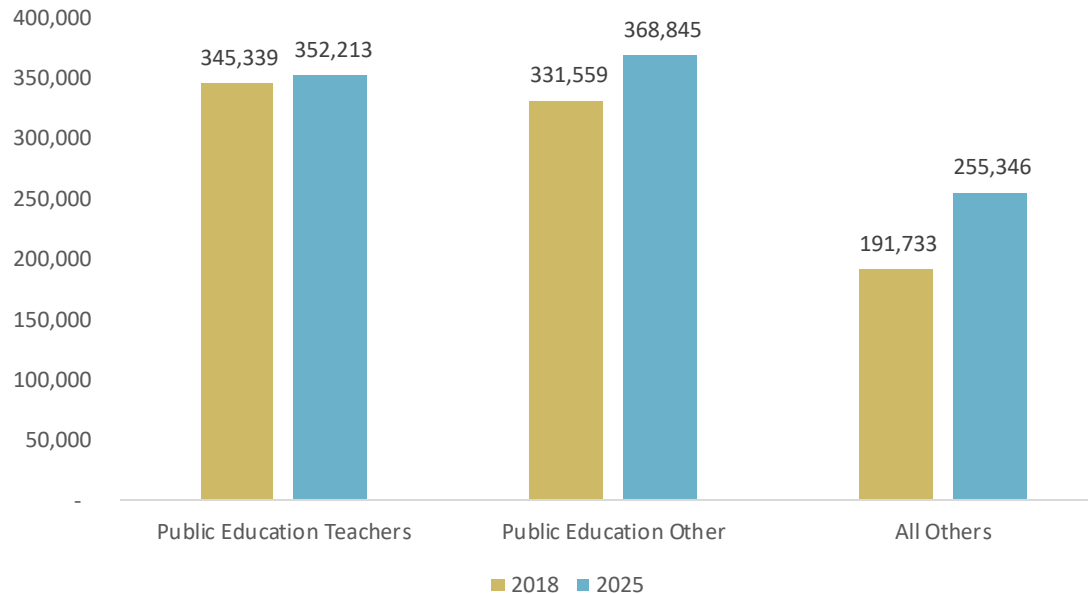
Appropriately Handling COVID in Assumptions



- Will either discount, or perhaps not use the COVID years
- If COVID years are removed, the other years fit the current mortality assumption very closely
- The average age of a TRS retiree has increased from 2017 to 2025
 - 1 year for males
 - 2 years for females
- So the drift higher from 2017 to 2025 would be expected

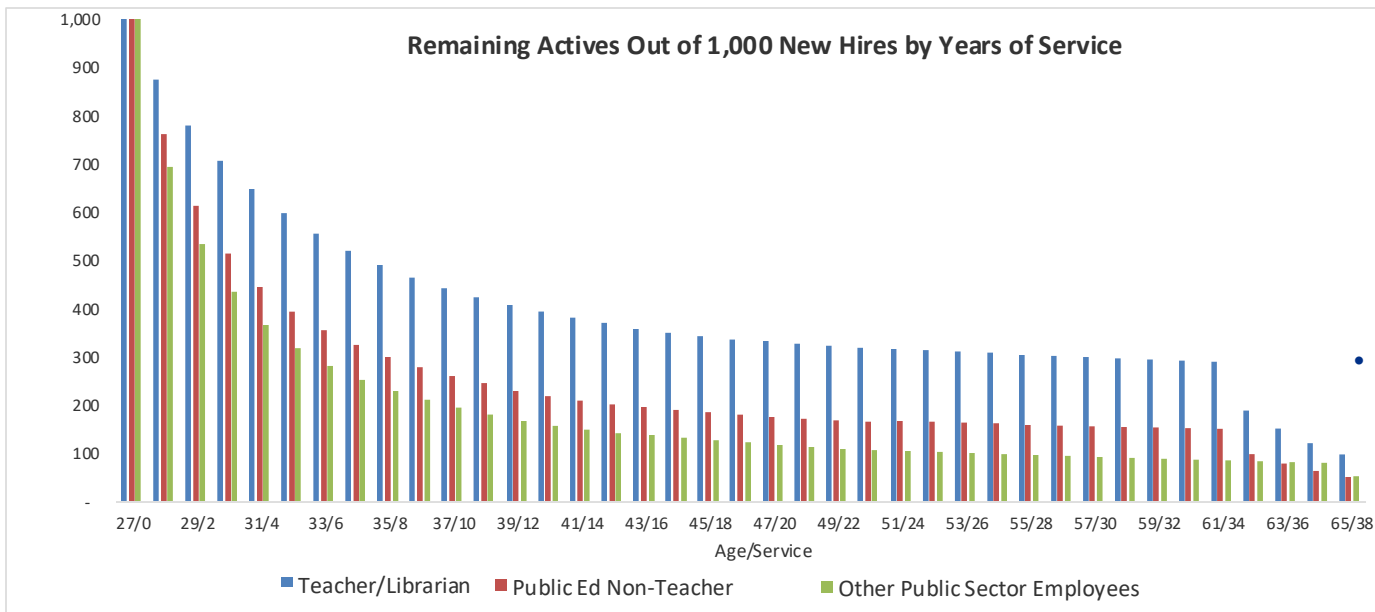
Shifts within TRS Demographics

Change in Active Counts 2018 to 2025



- Public education teachers have decreased from 40% to 35% of the TRS active population since 2018
- The growth in the non-teaching groups impacts the blended characteristics of TRS, which impact costs to provide a Defined Benefit program
 - Higher entry age increases costs
 - Higher turnover decreases costs
 - Lower female membership decreases costs
 - Non-teacher life expectancy decreases costs
 - Males tend to retire later, decreasing costs

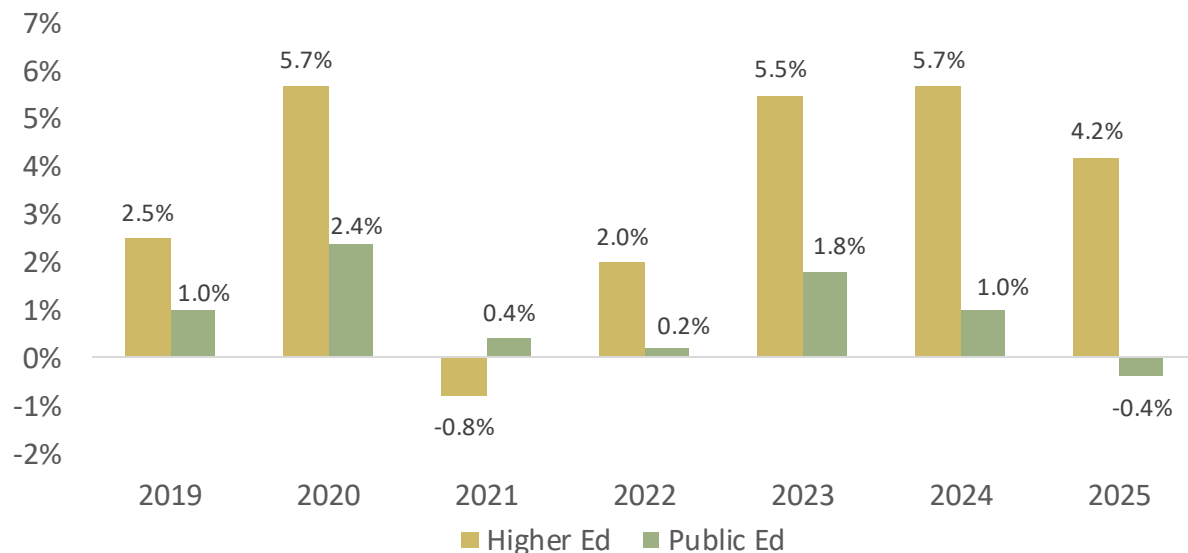
Tenure/Turnover



- Teachers are more career-oriented than other public sector employees
 - Approximately 30% of new teachers will remain employed at a TRS-covered employer until retirement
 - Over 50% of teachers who vest will remain until retirement
- Less than 10% of other newly hired public sector employees in Texas will remain employed in a pension covered service until retirement

In FY2025, active public education membership declined year over year for the first time since 2012

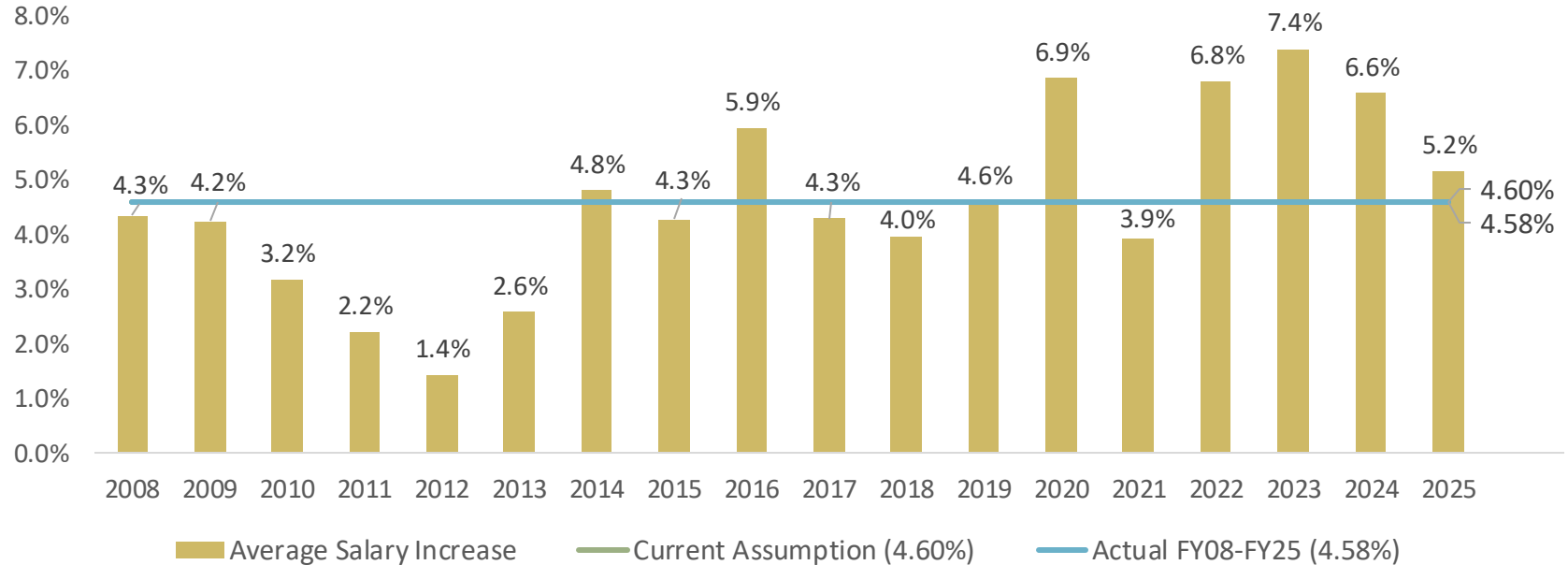
Growth in Active Membership by Employer Type



- Since 2018, higher education active membership has grown at 3.5% per year versus 0.9% per year for public education.

Salary increases since 2020 have outpaced assumptions, but assumptions should be based on a longer-term view

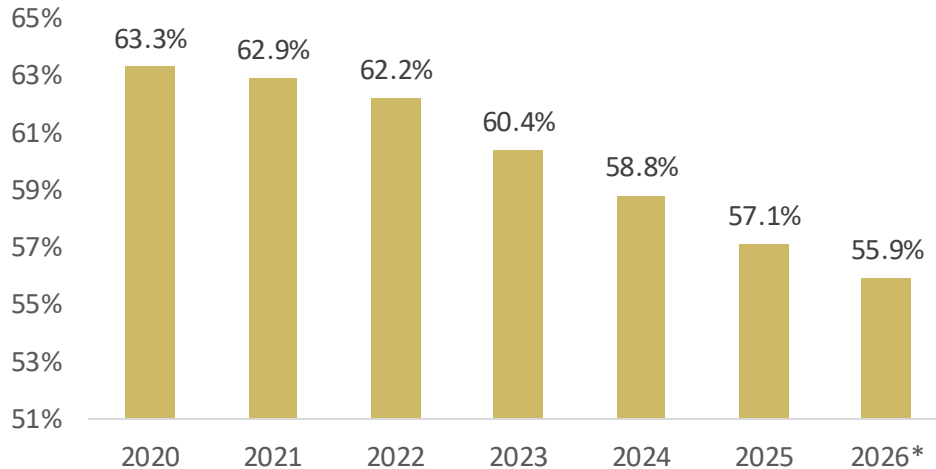
Average Salary Increase for Continuing Actives



Last Experience Study: Actual from FY12-FY21 was 3.75%

The portion of payroll eligible for the public education employer contribution is growing slower than total payroll

Portion of Payroll Eligible for 2% Public Education Employer Contribution

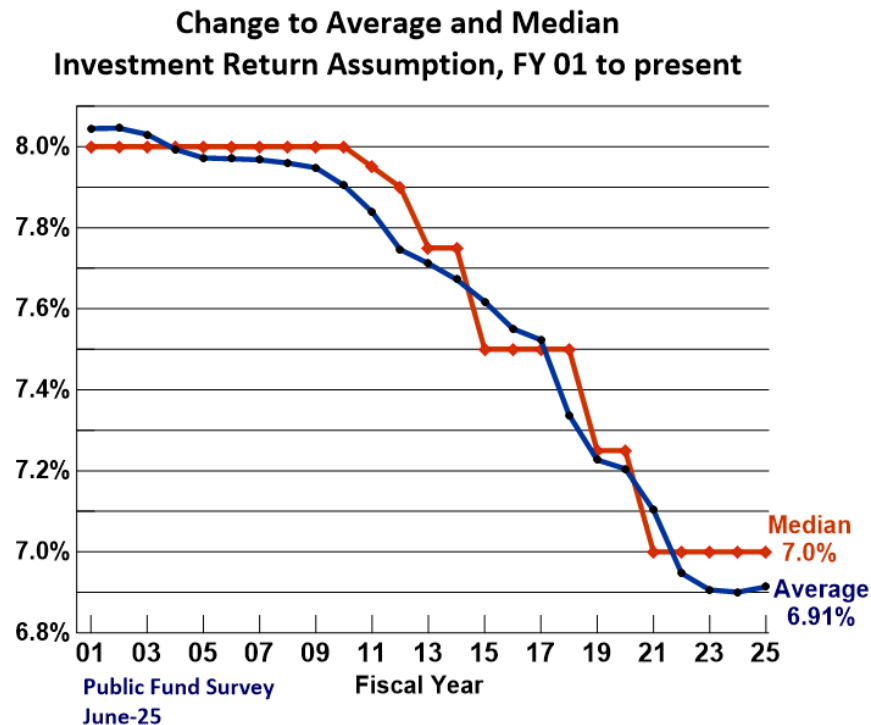


Total Blend Employer Contribution Rate						
9.52%	9.51%	9.49%	9.46%	9.43%	9.39%	9.37%

*Anticipated assuming constant population from 2025

- The 2% public education employer contribution only applies to public education salaries¹ up to the State Minimum Schedule.
- The dollar amounts of public education employer contributions has decreased from 1.26% of total payroll in 2020 to 1.12% in 2026.
- This payroll shift and its impact on the 2% contribution has increased the funding period by 2 years.

Investment Return Assumption – National Trends



Next Meeting

- The Board will receive the full report prior to the meeting
- We will present the detail of the findings, along with any more information the Board wants to see (if any)

TAB 17



Pension Benefit Design Studies

December 5, 2025

Caasi Lamb, Deputy Director & Joe Newton, GRS



Topics for Discussion

Pension Plan Design Study
Wildland Firefighter Study





Timeline



	FY Q4		FY Q1			FY Q2		FY Q3				FY Q4			FY Q1		FY Q2	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Pension Design Study			Board – Timeline					Board – Status Report				Board – Status Report			Statutory Deadline			
			Board – Status Report									Board – Status Report						
						Board – Status Report							Board – Status Report					
Firefighter Study		Board – Timeline						Board – Status Report				Board – Status Report				Statutory Deadline		
			Board – Status Report									Board – Status Report			Board – Status Report			
						Board – Status Report							Board – Status Report					
Experience Study								Board – Review & Education										
								Board – Preliminary Findings & Proposed Recommendations										
											Board – Adoption							
Actuarial Valuation							Stakeholders – Preview 2025 Report								Stakeholders – Preview 2026 Report			
							Board – Present 2025 Report											
																Board – Present 2026 Report		
Funding Policy				Board – Review							Board – Review			Board – Determine Contribution Rate Request				
																Board – Regular Policy Review		
LAR											Board – Review LAR							
																Board – Present LAR		



Pension Plan Design Study



2012

GAA (2011) Sec. 18.03

“Pension Plan Changes Study. Out of funds appropriated elsewhere in this Act, the Employees Retirement System and the Teacher Retirement System shall each individually report on the actuarial and fiscal impacts from potential changes to the state, university and school district pension plans as of August 31, 2011, including but not limited to: retirement eligibility; final average salary; benefit multiplier; and the creation of a hybrid plan that includes defined benefit and defined contribution features such as a two-part plan or a cash balance plan...”

SB 1458 (2013)

Increased Contribution Rates
Modified Benefits

2018

TRS updates 2012 study

SB 12 (2019)

Increased Contribution Rates

2024

HB 4141 (2023)

Peace Officer Study

HB 4029 (2025)*

Peace Officer bill

**Legislation did not pass*

2026

GAA (2025) Rider 21

“Pension Plan Design Study. Out of funds appropriated elsewhere in this Act, the Teacher Retirement System (TRS) shall produce a report that compares TRS’ current defined benefit plan with alternative benefit plan designs. The report shall consider workforce and demographic trends among TRS members and retirees and the actuarial and fiscal impacts of the alternative plan designs...”

HB 4945 (2025)

Wildland Firefighter Study



Pension Plan Design Study – Key Components



✓ Alternative Plan Structures

- ✓ Retirement Plan Type Continuum
- ✓ Examples
- ✓ Trade-offs
- ✓ Distribution of Teacher Plans

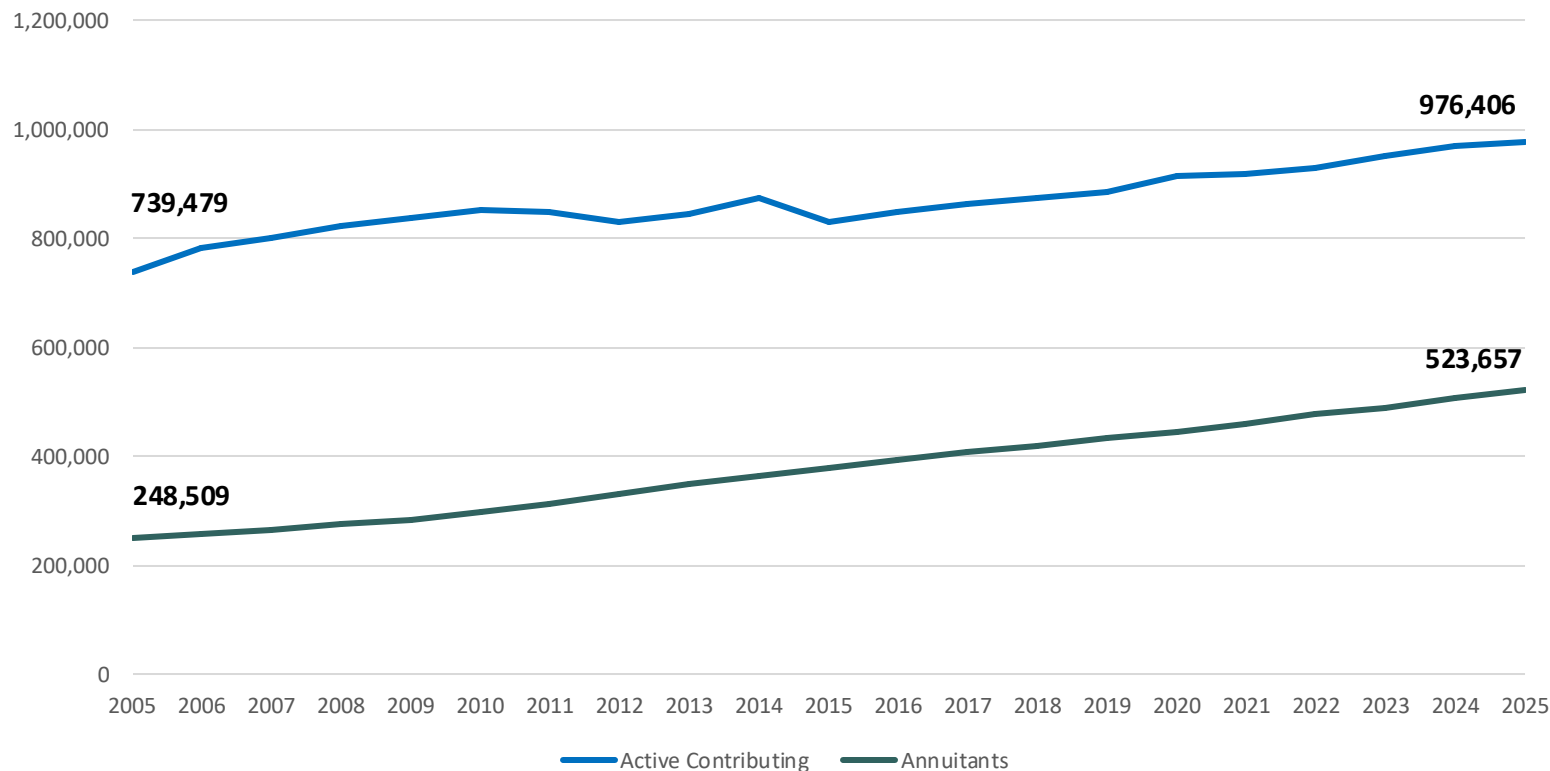
- Workforce & Demographic Trends
- Social Security
- Member & Retiree Plan Profiles
- Current Pension Plan Profile
- Assessing Pension Plan Health
- Considerations in Plan Design
- Benchmarking Research



Workforce and Demographic Trends – A Story of Growth



TRS Membership 2005-2025



- In the last 20 years, TRS Active Membership has grown 32%
- During that same period, TRS retirees have more than doubled at 111% growth

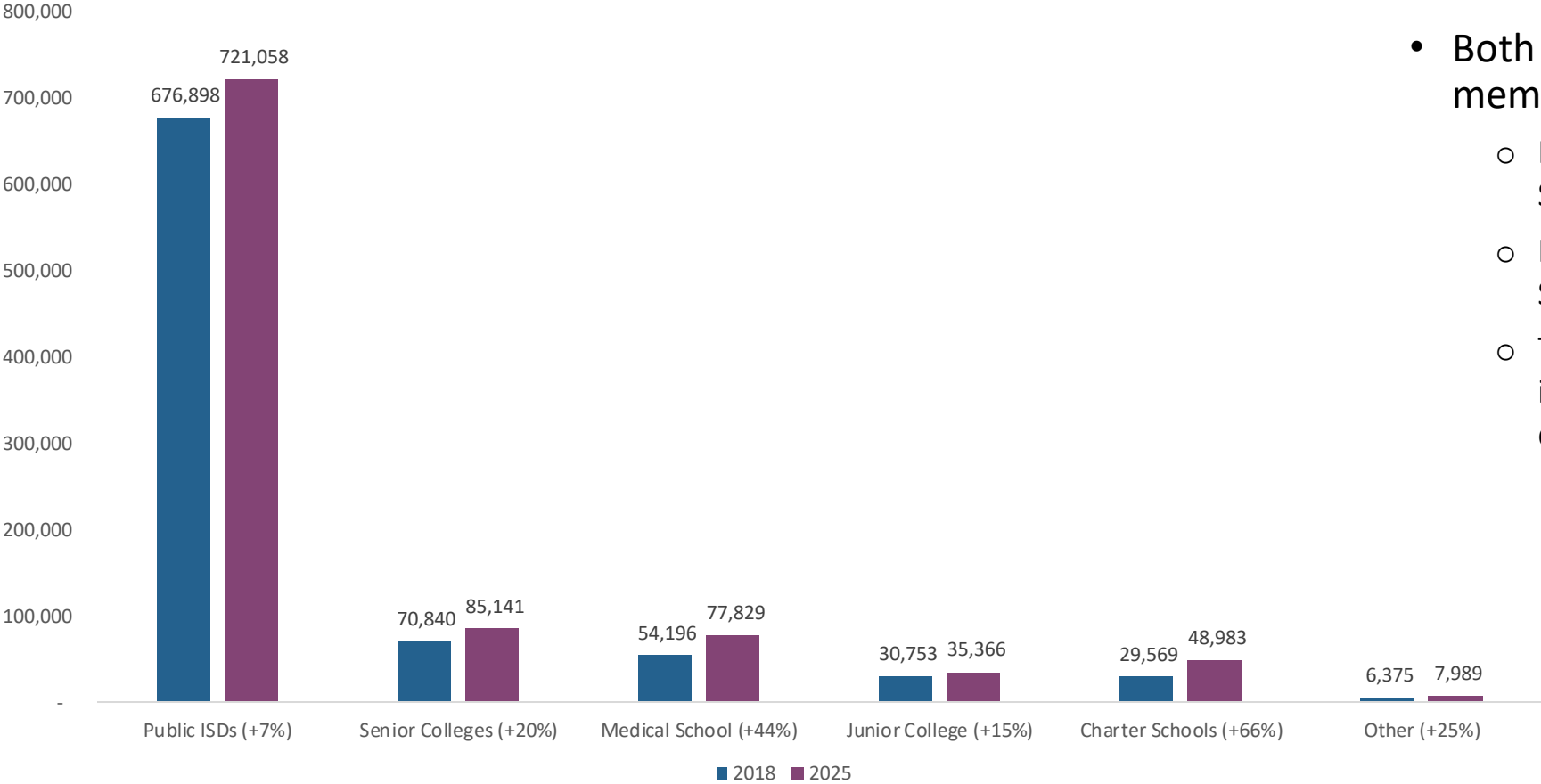
Source: Pension & Health Dashboard - TRS' Annual Comprehensive Financial Reports 2005-2025



Change in TRS Membership



Change in Active Members 2018 to 2025

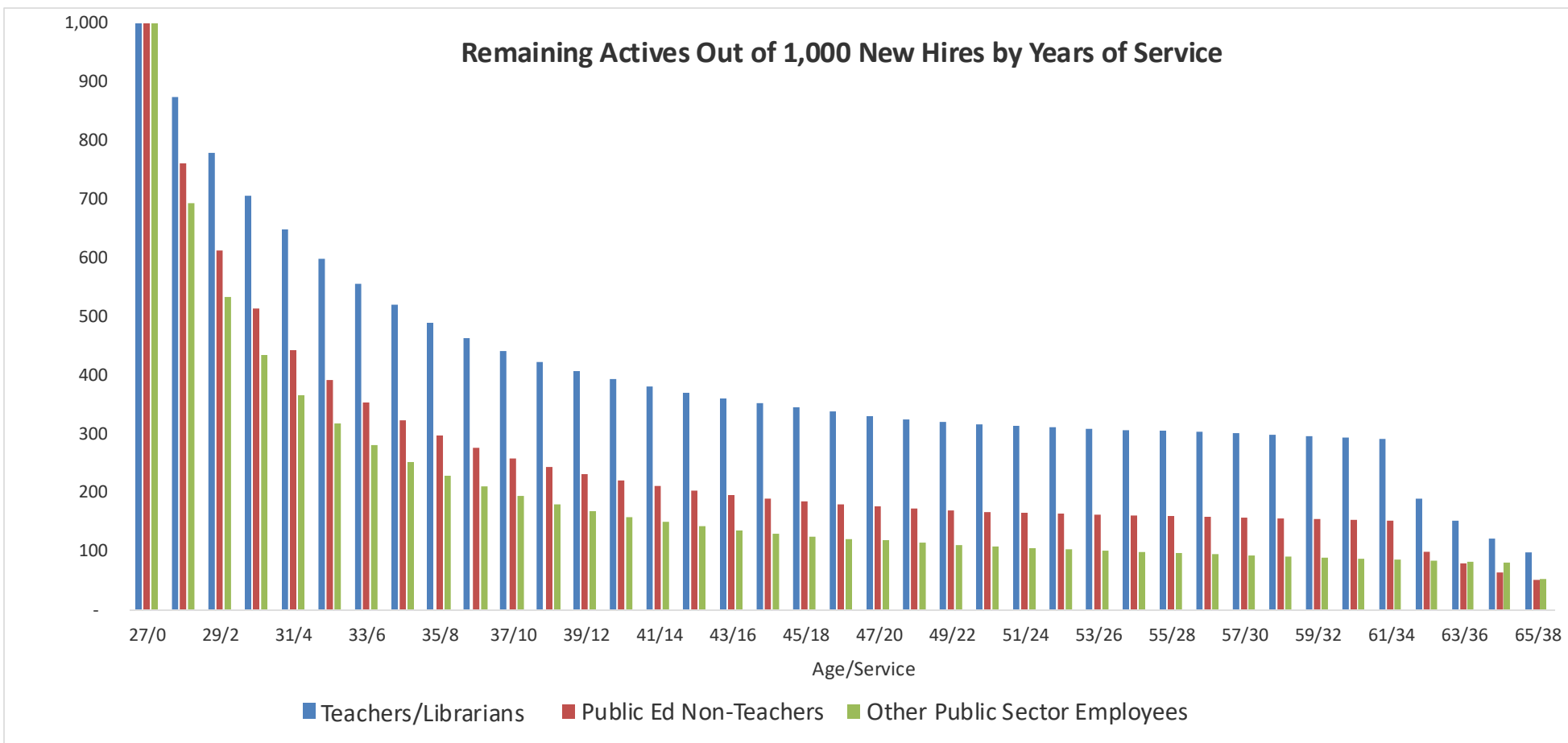


- Both public and higher education membership has grown since 2018
 - Public Education 9% (ISDs & Charter Schools)
 - Higher Education 27% (Junior Colleges, Senior Colleges, Medical Schools)
 - TRUST data system was implemented in 2018 and provides the most reliable data for employer and position codes

Source: Annual TRS Actuarial Census Data 2018 and 2025



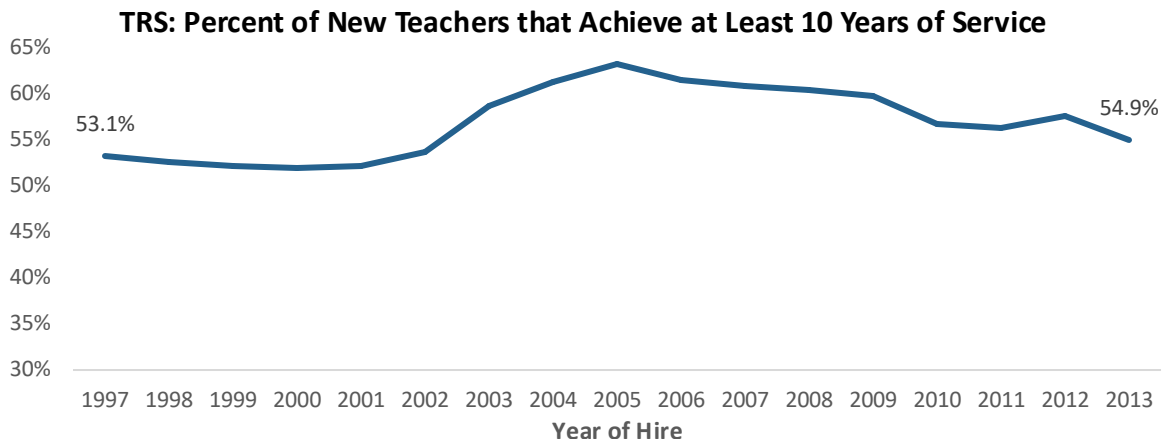
Public Employment: Years of Service



- Teachers are more career-oriented than other public sector employees
 - More than 30% of new teachers will remain employed at a TRS-covered employer until retirement
 - Over 50% of teachers who vest will remain until retirement
- Less than 10% of other newly hired public sector employees in Texas will remain employed in a pension covered service until retirement

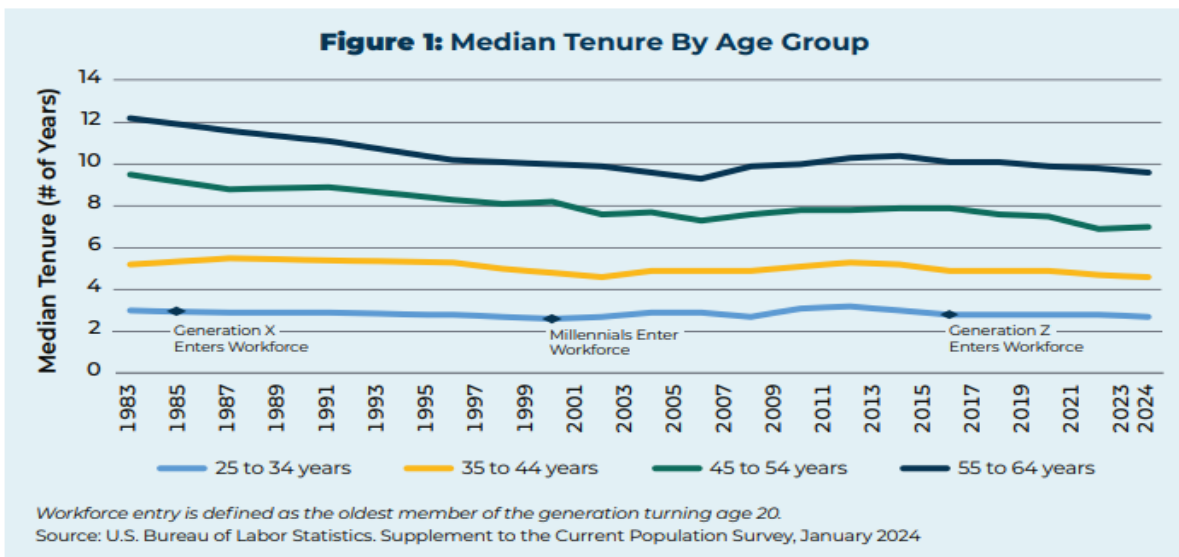


Texas Teacher Turnover Remains Steady



Source: GRS

- Over the long-term, TRS teacher tenure has stayed steady. It can fluctuate due to economic circumstance, like in 2004-2006 when the tech bubble occurred
- This is consistent with national data, which shows tenure is related to youth and economic circumstances more than generational changes



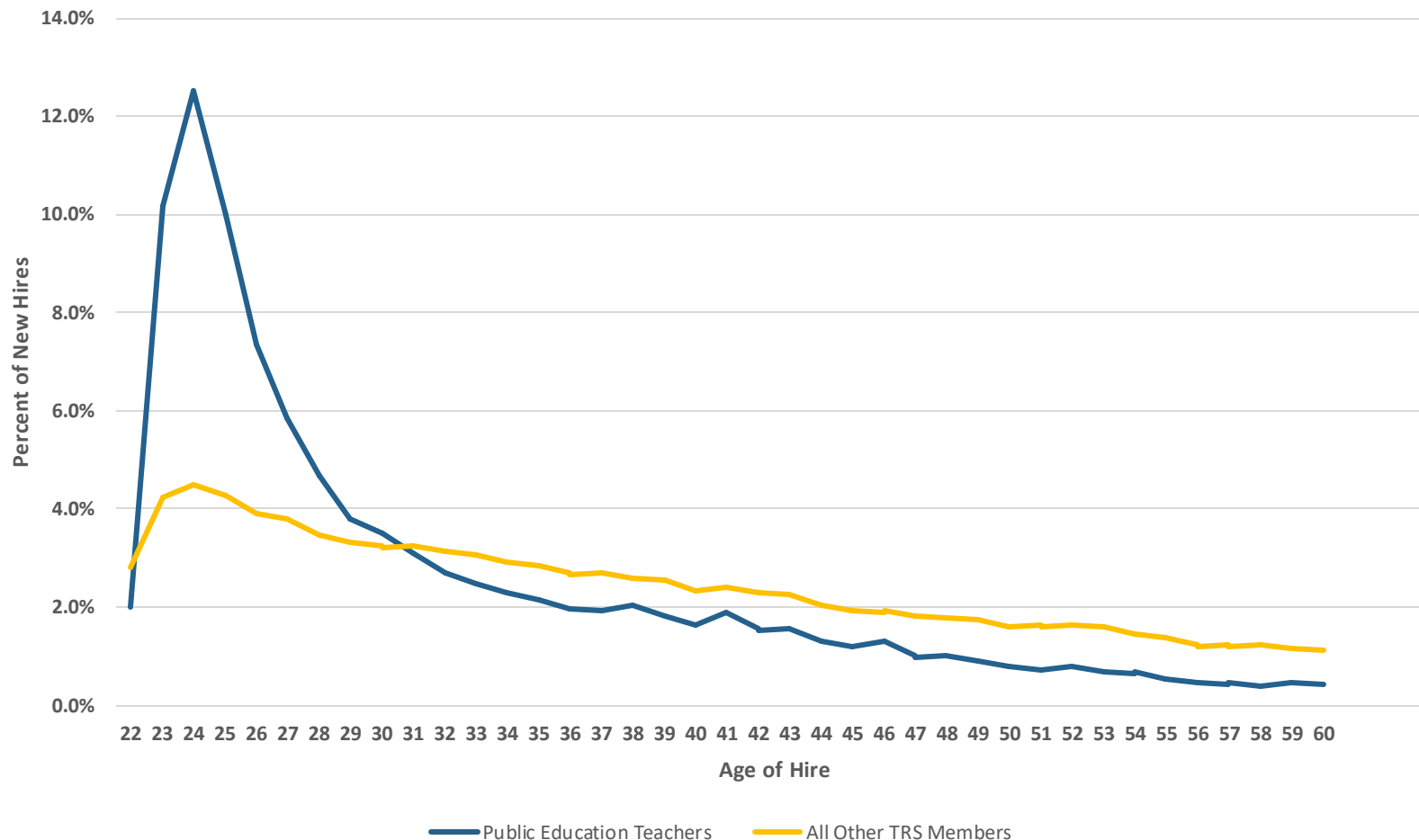
Source: NIRS 2025 report: Debunking the Job-Hopping Myth: A Data-Driven Look at Tenure and Turnover Among Younger Workers



Teachers Join TRS Younger than Most Professions



Distribution of New Hires

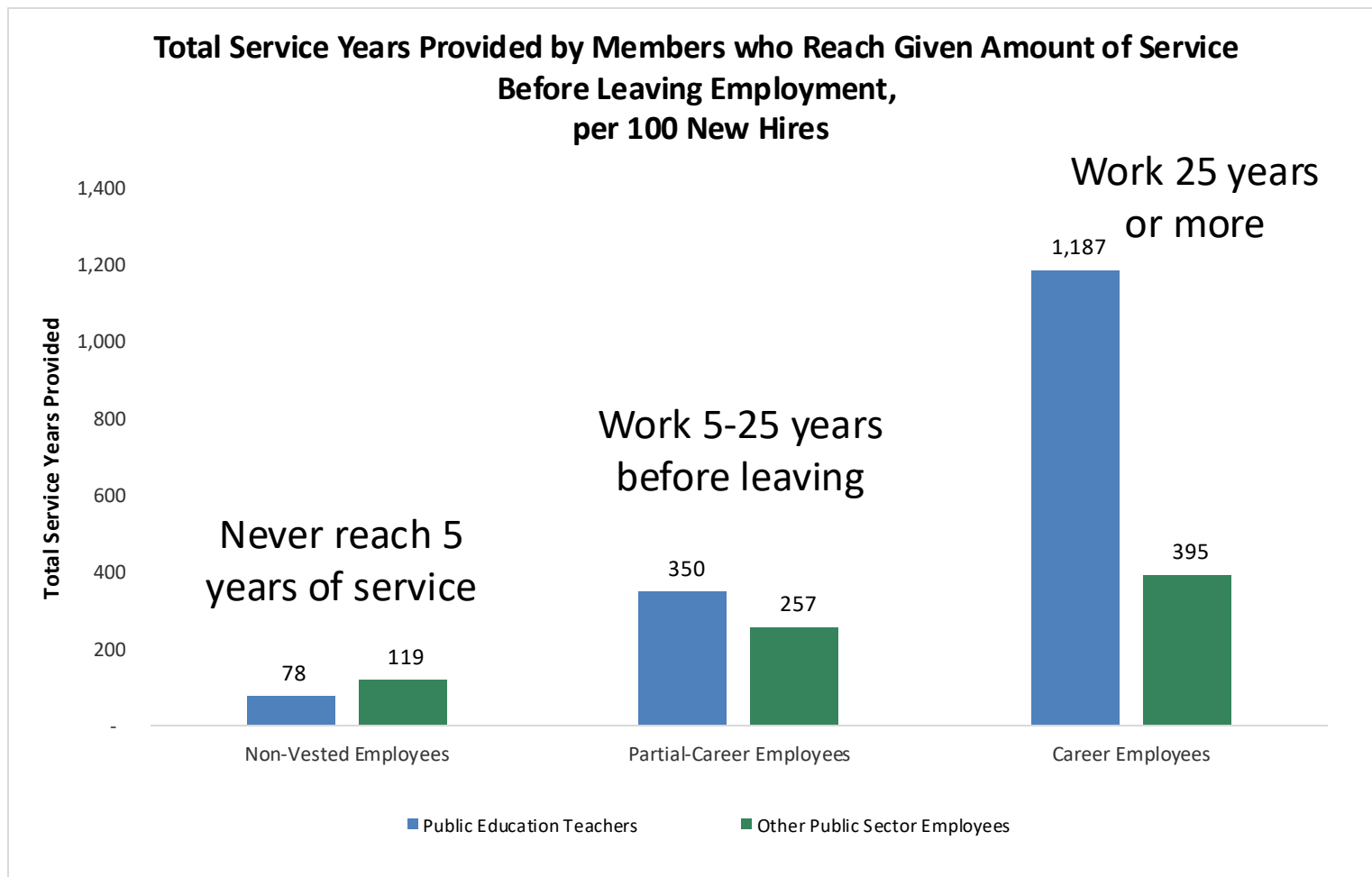


Source: GRS

- Teachers join the profession younger, with 60% of new teacher hires under age 30
 - Median age is 27
- Only 33% of other TRS members are hired before age 30
 - Median age is 36
- Subsidized early retirement provisions, like the Rule of 80, will be more costly to provide to teachers because more of them will reach higher service levels at earlier ages



More Years and More Experience



- Teachers are hired younger, have lower turnover, and longer careers
- Teachers provide more high experience service years than other groups
- “Teaching experience is positively associated with student achievement gains throughout a teacher’s career.”

Meta-analysis of 28 studies by the Learning Policy Institute

Source: GRS



Social Security Participation



Employer Type	# Entities	# Employees
Public Education	1,216	1,090,654
ISDs	1,019	1,017,133
Charter Schools	197	73,521
Higher Education	108	250,098
Junior/Community Colleges	50	50,155
Universities	49	108,059
Medical Schools	9	91,884
Other	22	9,099
Education Service Centers	20	7,795
Special Districts	2	1,304
TRS	1	1,329
TOTAL	1,347	1,351,180

- TRS surveyed employers on Social Security participation
- 1,341 employers responded (99.5%)
 - 6 charter schools did not respond; assumed do not participate in Social Security

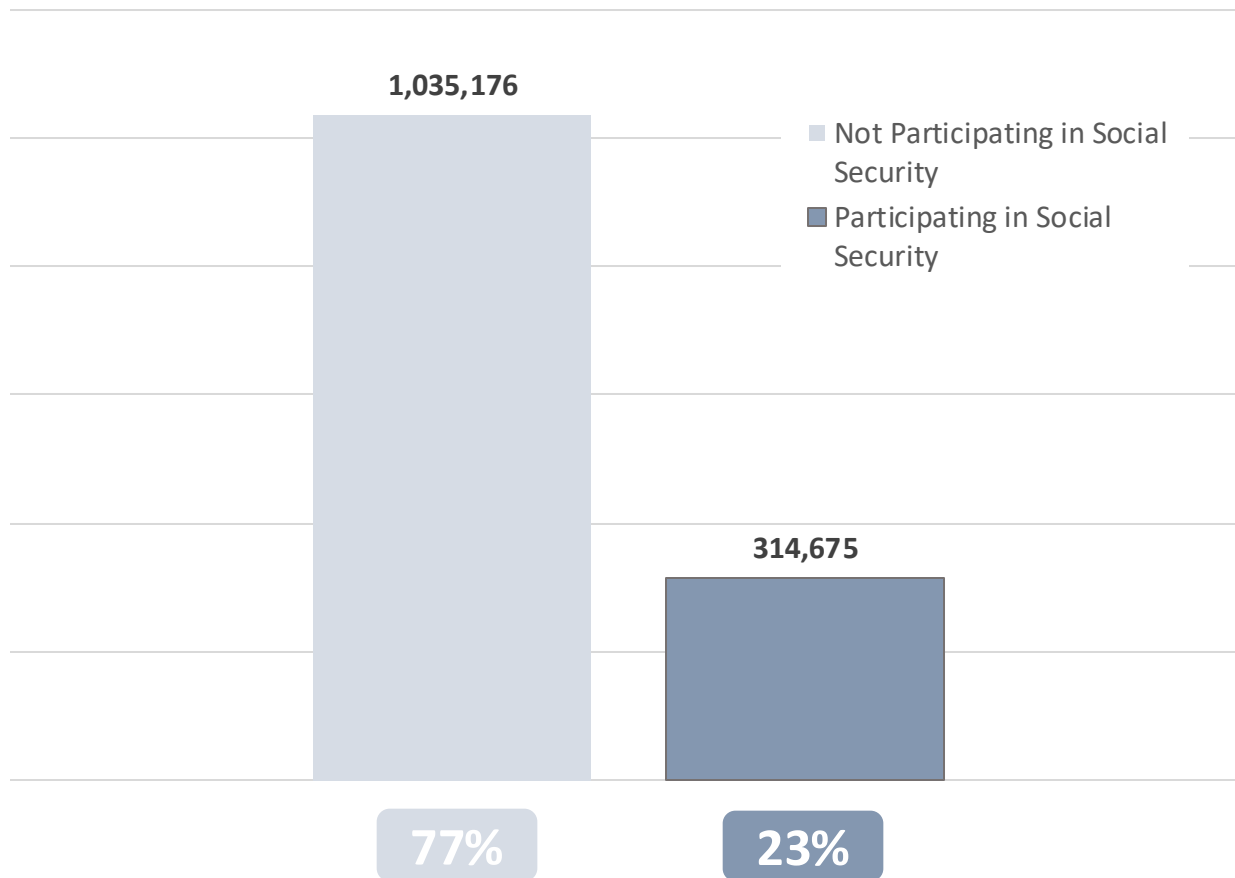
Source: TRS Survey of Employers (Aug-Sept 2025)



Social Security Participation – TRS MEMBERS



Social Security Participation for TRS Members



- 77% of all TRS members do not participate in Social Security
- 23% of TRS members participate in Social Security

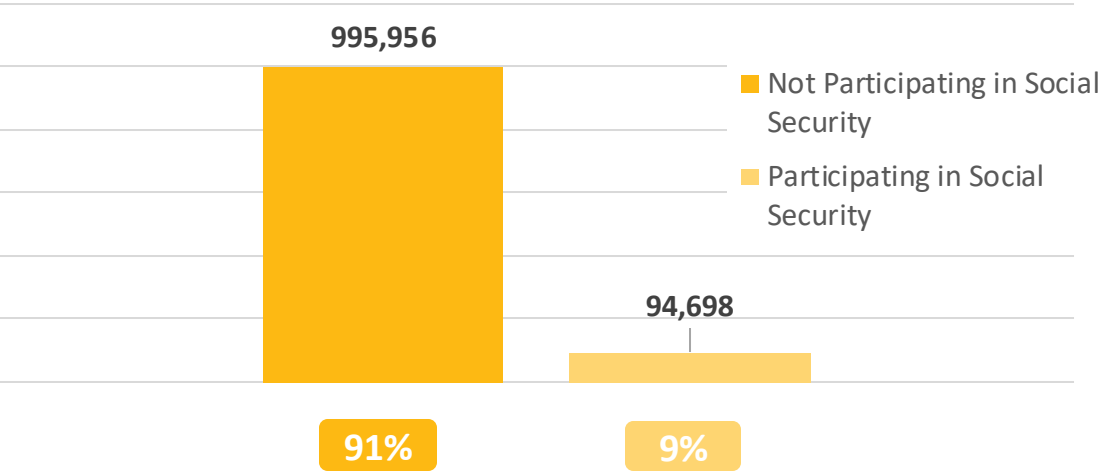
Source: TRS Survey of Employers (Aug-Sept 2025)



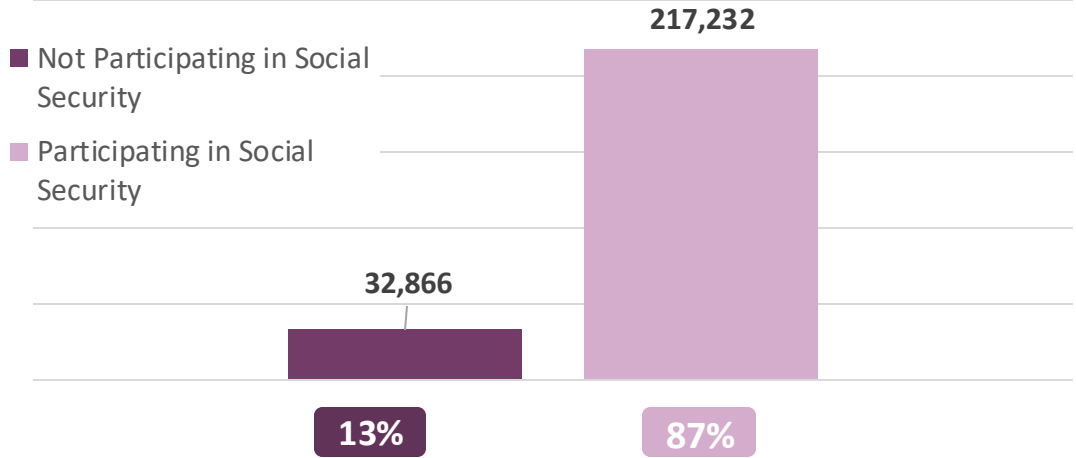
Social Security Participation – TRS MEMBERS



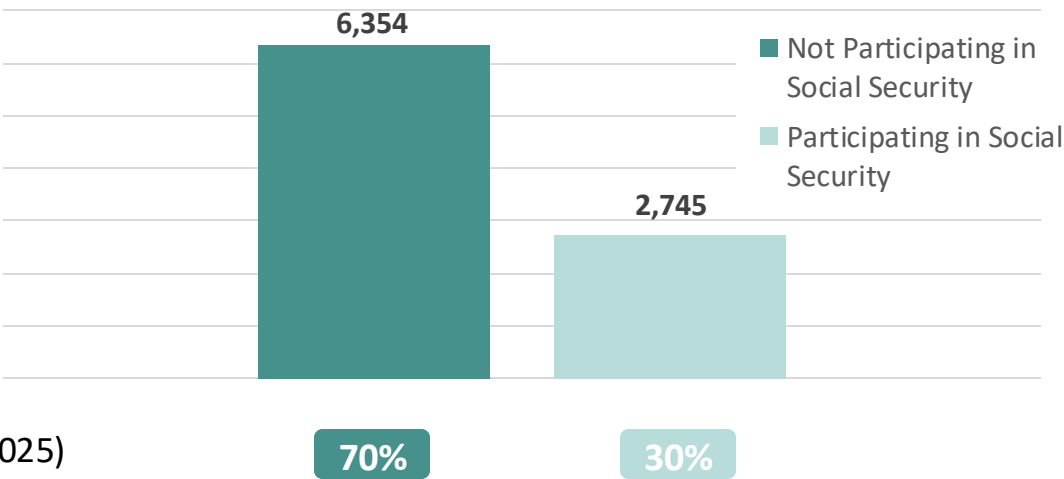
Public Education Members



Higher Education Members



Other Members



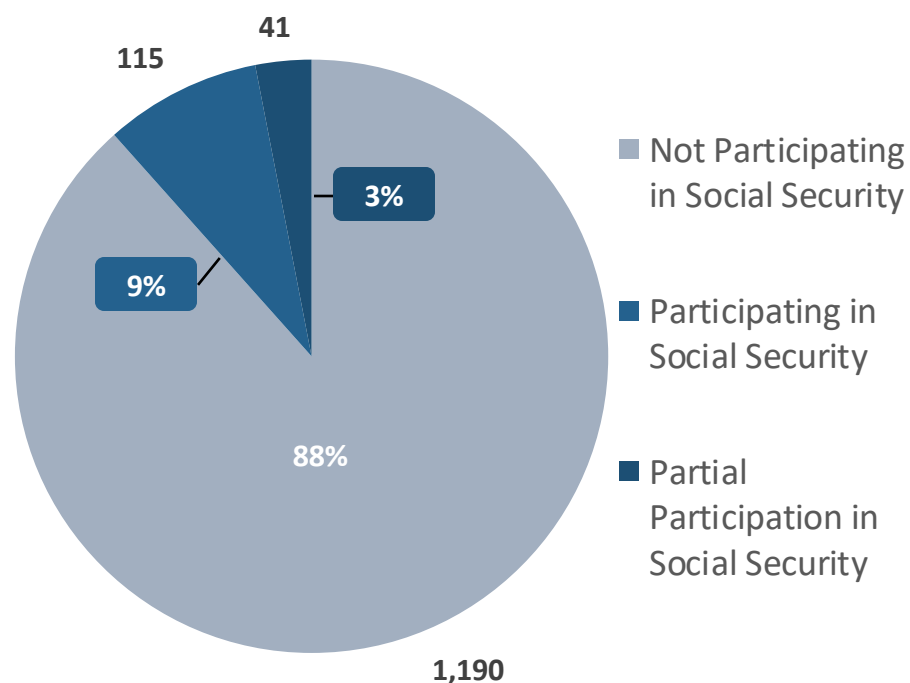
Source: TRS Survey of Employers (Aug-Sept 2025)



Social Security Participation – TRS EMPLOYERS



Social Security Participation for TRS Employers



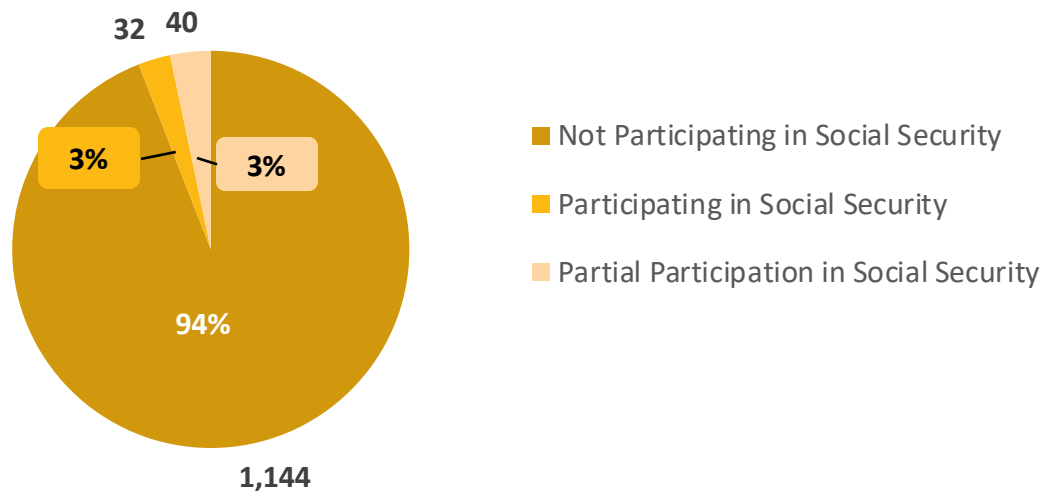
- 88% of TRS covered employers do not participate in Social Security
- Of the remaining 12%:
 - 9% participate
 - 3% *partially* participate by covering specific positions



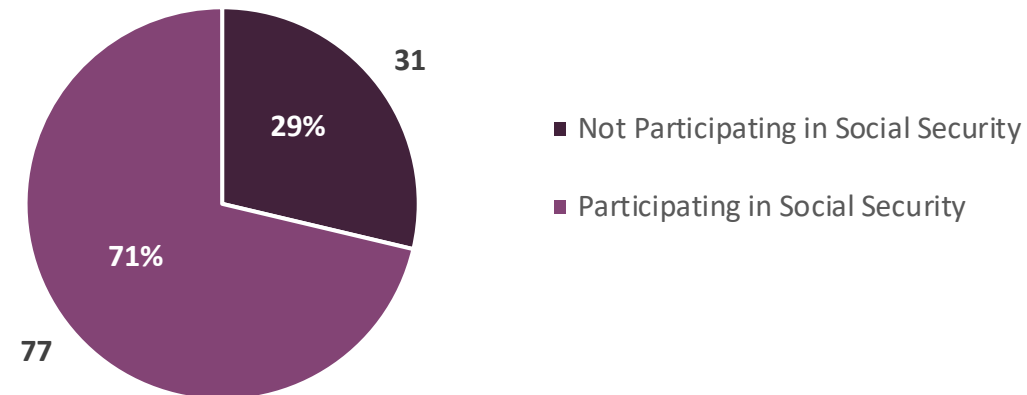
Social Security Participation – TRS EMPLOYERS



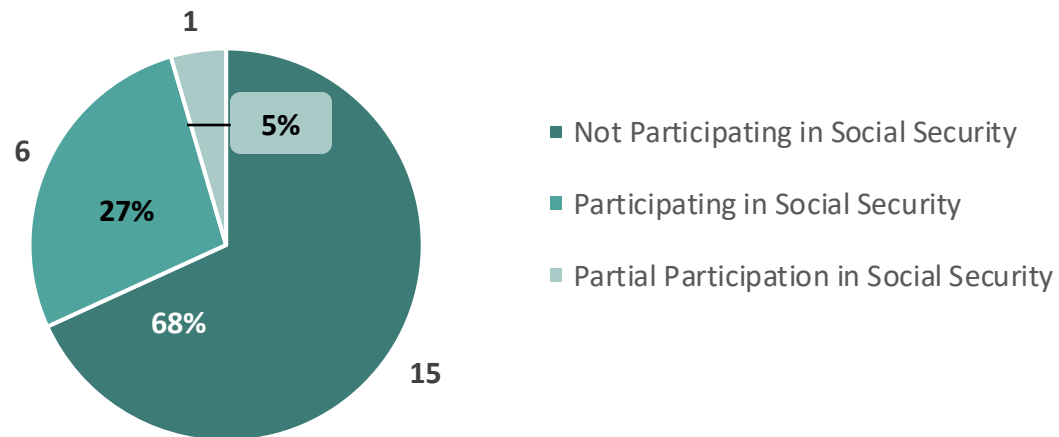
Public Education Employers



Higher Education Employers



Other Employers



Source: TRS Survey of Employers (Aug-Sept 2025)



How to Participate in Social Security



- The Employees Retirement System of Texas (ERS) is the Social Security Administrator for Texas
- This office conducts the referendums for providing coverage for current and future positions upon request by political subdivisions
- Referendums may be either majority or divided
 - Majority vote – if a majority of all the eligible members vote in favor of coverage, all current and future employees in positions under the retirement system will be covered
 - Divided vote – only those employees who vote "yes" and all future employees who become members of the retirement system will be covered. Members who vote "no" are not covered as long as they maintain continuous employment in a position within the same public retirement system coverage group

Source: [ERS Section 218](#) and [Social Security Administration Section 218 Agreements](#)



Social Security Participation – State Retirement Plans

Pensions With Social Security		Pensions Without Social Security
Arizona State Retirement System	North Carolina Teachers and State Employees Retirement System	Alaska Teachers Retirement System
Arkansas Teachers Retirement System	North Dakota Teachers Fund for Retirement	California Teachers Retirement System
Delaware Public Employees' Retirement System	Oklahoma Teachers Retirement System	Colorado Public Employees Retirement Association
Employees Retirement System of Rhode Island	Oregon Public Employees Retirement System	Connecticut Teacher Retirement Board
Employees' Retirement System of the State of Hawaii	Pennsylvania Public School Employees Retirement System	Maine Public Employees Retirement System
Florida Retirement System	Public Employees Retirement System of Idaho	Massachusetts Teachers Retirement System
Georgia Teachers Retirement System	Public Employees Retirement System of Mississippi	Nevada Public Employees Retirement System
Indiana Public Retirement System	Retirement Systems of Alabama	Public School & Education Employee Retirement Systems of Missouri
Iowa Public Employees Retirement System	South Carolina Retirement System	State Teachers Retirement System of Ohio
Kansas Public Employees Retirement System	South Dakota Retirement System	Teacher Retirement System of the State of Illinois
Maryland State Retirement and Pension System	Tennessee Consolidated Retirement System	Teacher Retirement System of Texas
Michigan Public School Employees Retirement System	Utah Retirement Systems	Teachers Retirement System of Kentucky
Minnesota Teachers Retirement Association	Vermont State Teachers Retirement System	Teachers Retirement System of Louisiana
Montana Teachers Retirement System	Virginia Retirement System	
Nebraska Public Employees Retirement System	Washington State Department of Retirement Systems	
New Hampshire Retirement System	West Virginia Consolidated Public Retirement Board	
New Jersey Division of Pension & Benefits	Wisconsin Retirement System	
New Mexico Educational Retirement Board	Wyoming Retirement System	
New York State Teachers Retirement System		

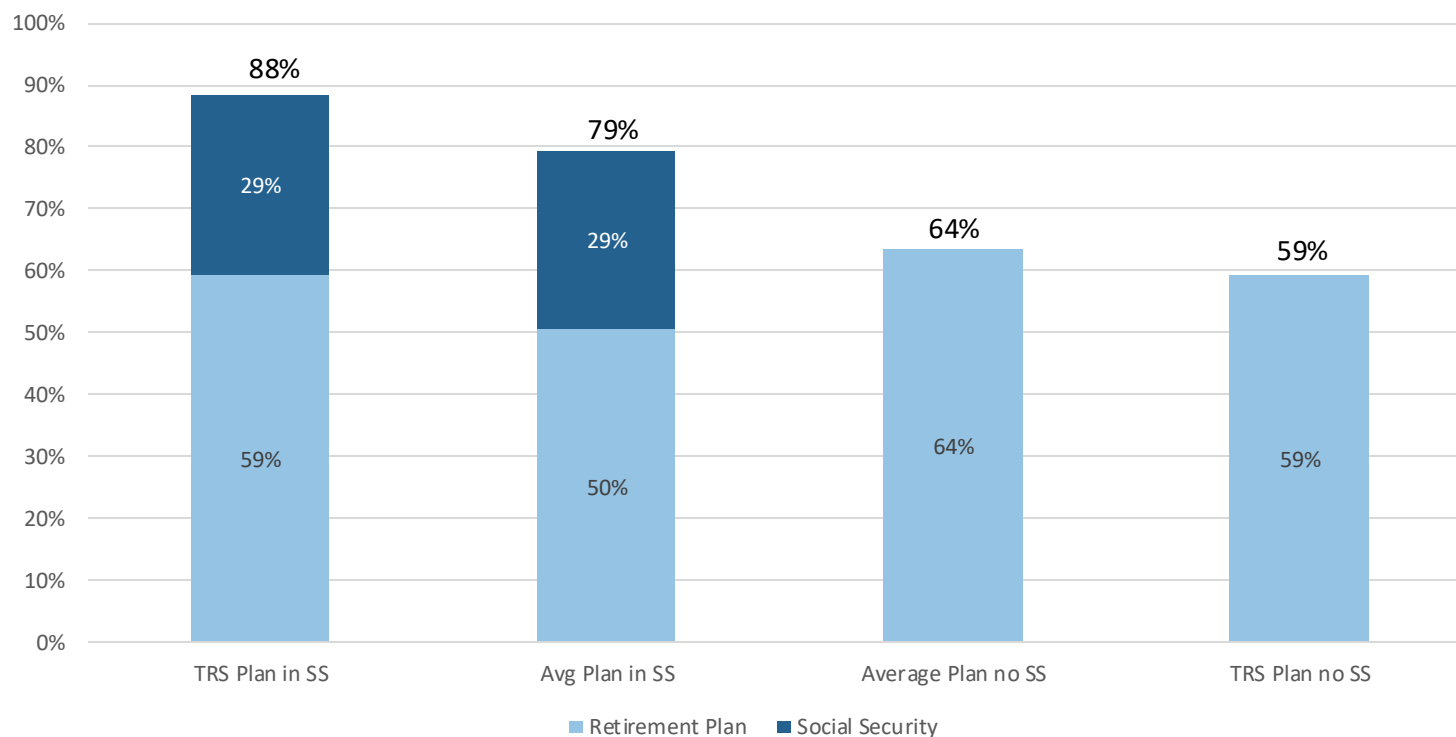
Source: NASRA



Comparison of Retirement Replacement Ratios

- Replacement ratio relates directly to the size of the retirement benefit
- Social Security makes a difference in the replacement ratio
- TRS members not covered by Social Security rank low, 47th out of the 50, among peer teacher plans
- TRS members covered by Social Security rank high, 6th out of the 50, among peer teacher plans
 - 88% replaces 103% of net take-home pay (net of TRS and social security contributions)

Benefit Index: TRS vs Average Teacher Plan



Benefit Index: Retirement benefit for member retiring at age 62 with 35 years of service, indexed for inflation. 100% on the index would be 100% salary replacement with full CPI purchasing protection. Most sources cite 80% as “retirement readiness”.

Sources: GRS; NASRA; Pew: “How Measuring Replacement Income Can Aid Assessment of Public Pension Plans”; Aon Consulting: “Retirement Income Study”



Social Security Coverage - the Most Distinguishing Demographic Factor for Retirement Plan Design



National Association of State Retirement Administrators: “where employees are not covered by Social Security, public pension benefits are 'usually higher' to compensate for the absence of Social Security”



National Conference of State Legislatures: “Public pension benefits for these non-covered workers are generally higher than those of other public employees to compensate for the lack of Social Security coverage.”



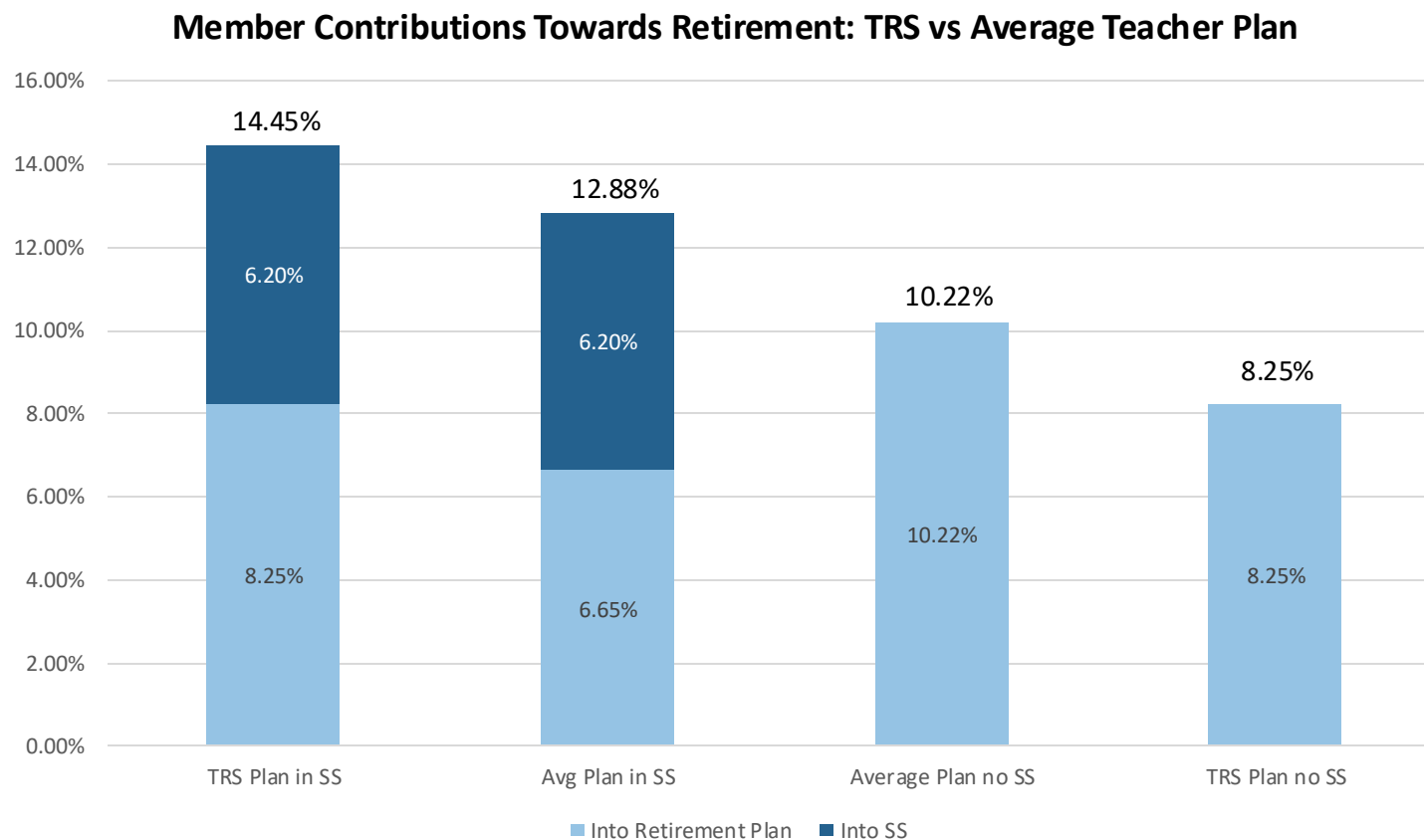
Pew Research Center: “The state retirement plans that do not participate in Social Security do provide higher benefits, on average, than their Social Security-participating counterparts....the average multiplier....is 1.9% for plans that participate in Social Security, compared with 2.3% for plans that do not”



Comparison of Member Contribution Rates



- Social Security requires 6.2% of the take-home pay of covered members and 6.2% from participating TRS employers.
- The 8.25% combined member contribution rate ranks among the lowest of peer teacher plans that do not participate in Social Security.
- However, combining the member contributions for the TRS Plan and Social Security is 14.45% of pay. It is the highest among peer teacher groups.





Conclusions



- TRS Active members are a large group with somewhat different needs
 - 77% of members do not participate in Social Security
 - 23% of members participate in Social Security
- Public education teachers and other professionals are career oriented
 - Approximately 30% of new teachers will remain employed at a TRS-covered employer until retirement
 - Over 50% of teachers who vest will remain until retirement
- Inclusion in Social Security significantly increases retirement security but negatively impacts take-home pay
 - 6.2% SS contribution + 8.25% member contribution = 14.45%
 - Highest among peer teacher groups



Wildland Firefighter Study



2012

GAA (2011) Sec. 18.03

“Pension Plan Changes Study. Out of funds appropriated elsewhere in this Act, the Employees Retirement System and the Teacher Retirement System shall each individually report on the actuarial and fiscal impacts from potential changes to the state, university and school district pension plans as of August 31, 2011, including but not limited to: retirement eligibility; final average salary; benefit multiplier; and the creation of a hybrid plan that includes defined benefit and defined contribution features such as a two-part plan or a cash balance plan...”

SB 1458 (2013)

Increased Contribution Rates
Modified Benefits

2018

TRS updates 2012 study

SB 12 (2019)

Increased Contribution Rates

2024

HB 4141 (2023)

Peace Officer Study

HB 4029 (2025)*

Peace Officer bill

**Legislation did not pass*

2026

GAA (2025) Rider 21

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HB 4945 (2025)

Wildland Firefighter Study



Wildland Firefighter Study



- Met with Texas A&M Forest Service (TAFS) representatives in July 2025
- Received data from TAFS on number of positions impacted

TIER	DESCRIPTION
Hazardous Duty	Currently, plan to model 4 scenarios. Three of the scenarios are from the legislation, the fourth one is planned to model the latest scenario for the peace officer benefit in CSHB 4029.
Hazardous Duty – Administrative Support	Currently, plan to model 2 scenarios.