

December 2025

ACCOUNTABILITY

BUDGET Committee Meeting



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

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

The open portions of the December 4, 2025, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

AGENDA

December 4, 2025 – 1:30 p.m.

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the July 2025 committee meeting – Committee Chair.
3. Review the Annual Comprehensive Financial Report for fiscal year 2025 – Patricia Carrington, Cynthia Goodwin, Simin Pang and Roberto Vasquez.
4. Review fiscal year 2025 administrative operations budget year end – Don Green, Janie Duarte and Jessica Brown.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or at upon any item before the Budget Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Resolution Authorizing Expenditure and Transfer of Trust Funds For Pension Trust Fund Administrative Operations

Whereas, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

Whereas, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

Whereas, Rider 15, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 89th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements;

Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$57.9 million.

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2026 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$308,143,600, as approved today in the Fiscal Year 2026 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to \$57.9 million in Fiscal Year 2026, if any; and
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2026, but not to exceed the amount of \$308,143,600 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2026 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board

On a motion by Ms. Graf, seconded by Mr. Walls, the committee voted to recommend to the Board the adoption of the proposed fiscal year 2026 administrative operation budget and general provisions for the TRS health benefits fund, both retired and active, as presented by staff.

On a motion by Mr. Walls, seconded by Ms. Graf, the committee voted to recommend to the Board the adoption of the proposed tenant improvement costs for Alpha Building, as presented by staff.

4. Consider recommending to the Board the following statutory certifications of estimated state contributions to the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2026 – Don Green.

Mr. Green reported the statutorily required certification involved TRS-Care certifying to the Comptroller the estimated amount of state match as \$575.9 million. He said the amount was appropriated by the legislature and once approved TRS will submit the certification to the Comptroller.

On a motion by Ms. Graf, seconded by Mr. Walls, the committee voted to recommend to the Board the statutory certifications of the estimated state contributions, as presented by staff.

5. Receive an overview of TRS’ fellowship program – Michelle Gray and Alisha Barnebey.

Ms. Michelle Gray provided an overview of the early career and fellowship programs offered at TRS. She reported for this summer 28 interns were with TRS spread across the organization. She said the focus of the early career programs are service to members and meaningful, practical work experience for the participants. Ms. Alisha Barnebey provided further details regarding TRS’ fellowship program. She noted the fellowship program provides TRS with an internal talent pipeline, to mold professionals early in their career to learn more about TRS’ policies and procedures in order to be a competitive candidate.

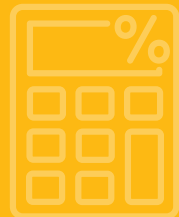
With no further business before the Committee, the meeting adjourned at 9:49 a.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on December ____, 2026.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



2025 Annual Comprehensive Financial Report

(As of August 31, 2025)

Accounting & Reporting Managers

Patricia Carrington, Tax Reporting and Cash Processing

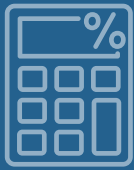
Cynthia Goodwin, GASB Research and Reporting

Investment Accounting Managers

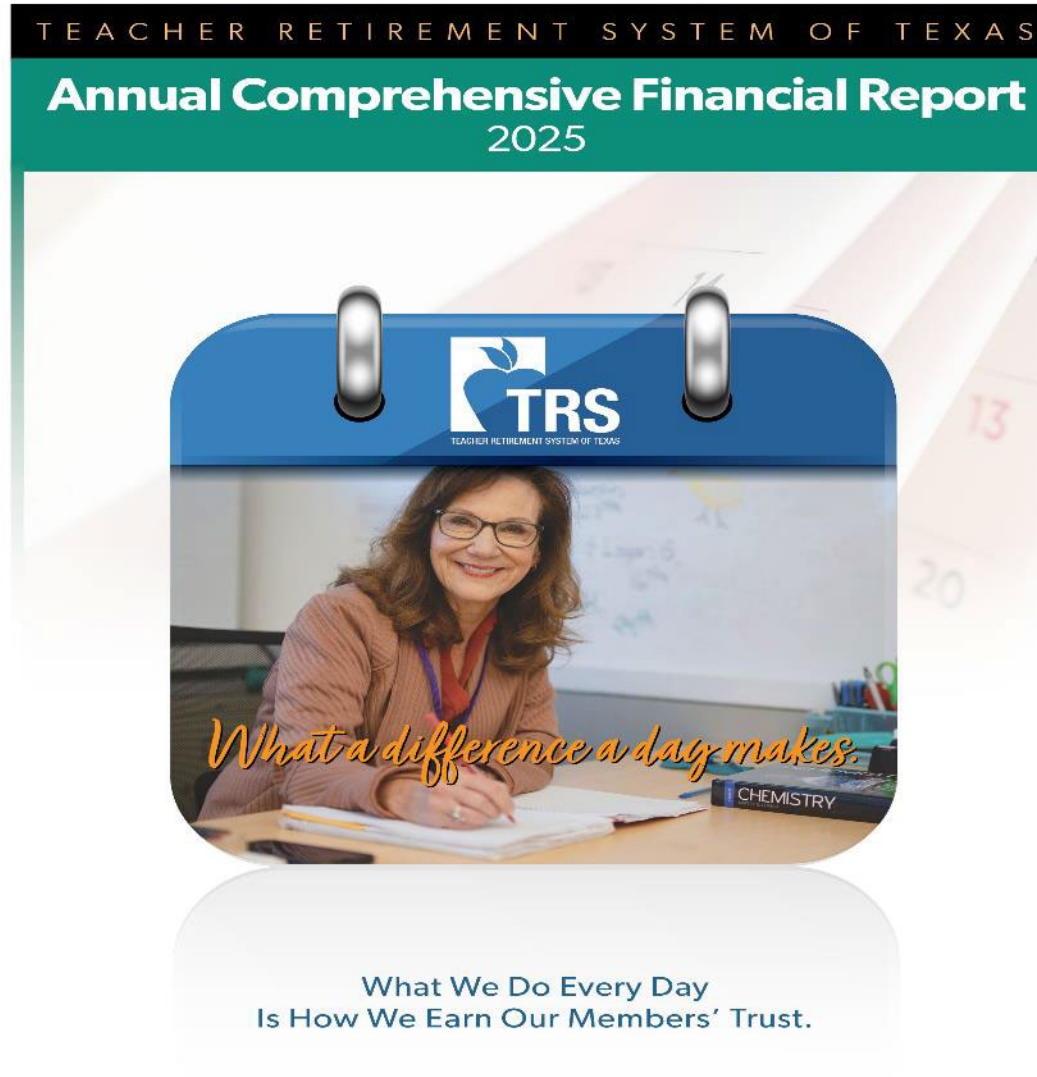
Simin Pang, Public Markets, Derivatives, and Technical Support

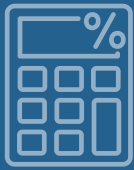
Roberto Vasquez, Private Markets





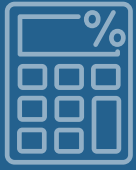
2025 Annual Comprehensive Financial Report (ACFR)





ACFR Theme





ACFR Timeline & Resources

July to November

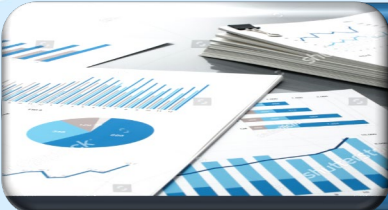
November

December

- ACFR Preparation
- Financial Audit

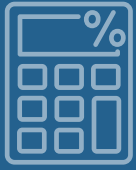
- ACFR Completion
- Receive Independent Auditor's Report

- Board of Trustees ACFR Presentation



450+ Deliverables
50+ Staff From Every TRS Division





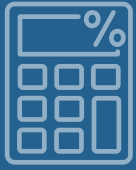
GFOA Triple Crown Winner

Government Finance Officers Association of the United States and Canada (GFOA) has named **Teacher Retirement System of Texas** a **2023 Triple Crown Winner**.

GFOA's Triple Crown designation recognizes governments who have received GFOA's

- **Certificate of Achievement for Excellence in Financial Reporting**
- **Popular Annual Financial Reporting Award**
- **Distinguished Budget Presentation Award**





GASB Update

GASB Statements implemented during FY2025:

- *GASB Statement No. 101, Compensated Absences*
- *GASB Statement No. 102, Certain Risk Disclosures*

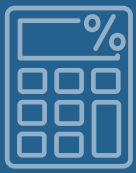
GASB Statements coming up in FY2026:

GASB Statement No. 103, Financial Reporting Model Improvements

- Limits MD&A to topics in five sections. Requires inflows and outflows related to unusual or infrequent items.
- Presentation of proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Position to include a subtotal for operating income (loss) and noncapital subsidies.
- Presentation of each major component unit separately in the reporting agency's statement of net position and statement of activities.
- Presentation of budgetary comparison information using a single method of communication—RSI.

GASB Statement No. 104, Disclosure of Certain Capital Assets

- Lease assets, intangible right-to-use assets and SBITAs are disclosed separately.
- Capital assets must be disclosed by major class.
- Additional disclosures for capital assets held for sale.



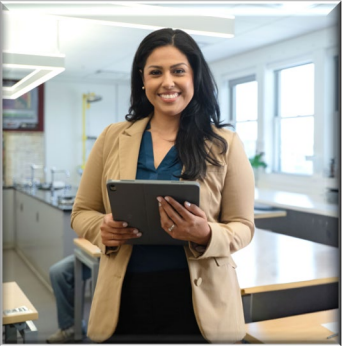
Pension Trust Fund: At A Glance



\$226.3 billion
Net Position



1,346
Participating Employers



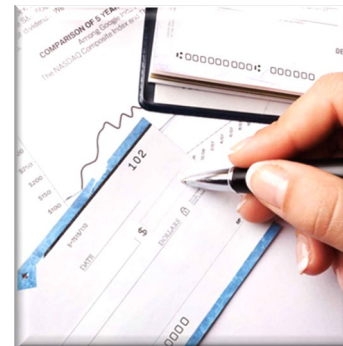
976,406
Active Members



523,657
Retirees & Beneficiaries



77.5%
Funded Ratio



\$14.4 billion
Annual Pension Benefit Payments



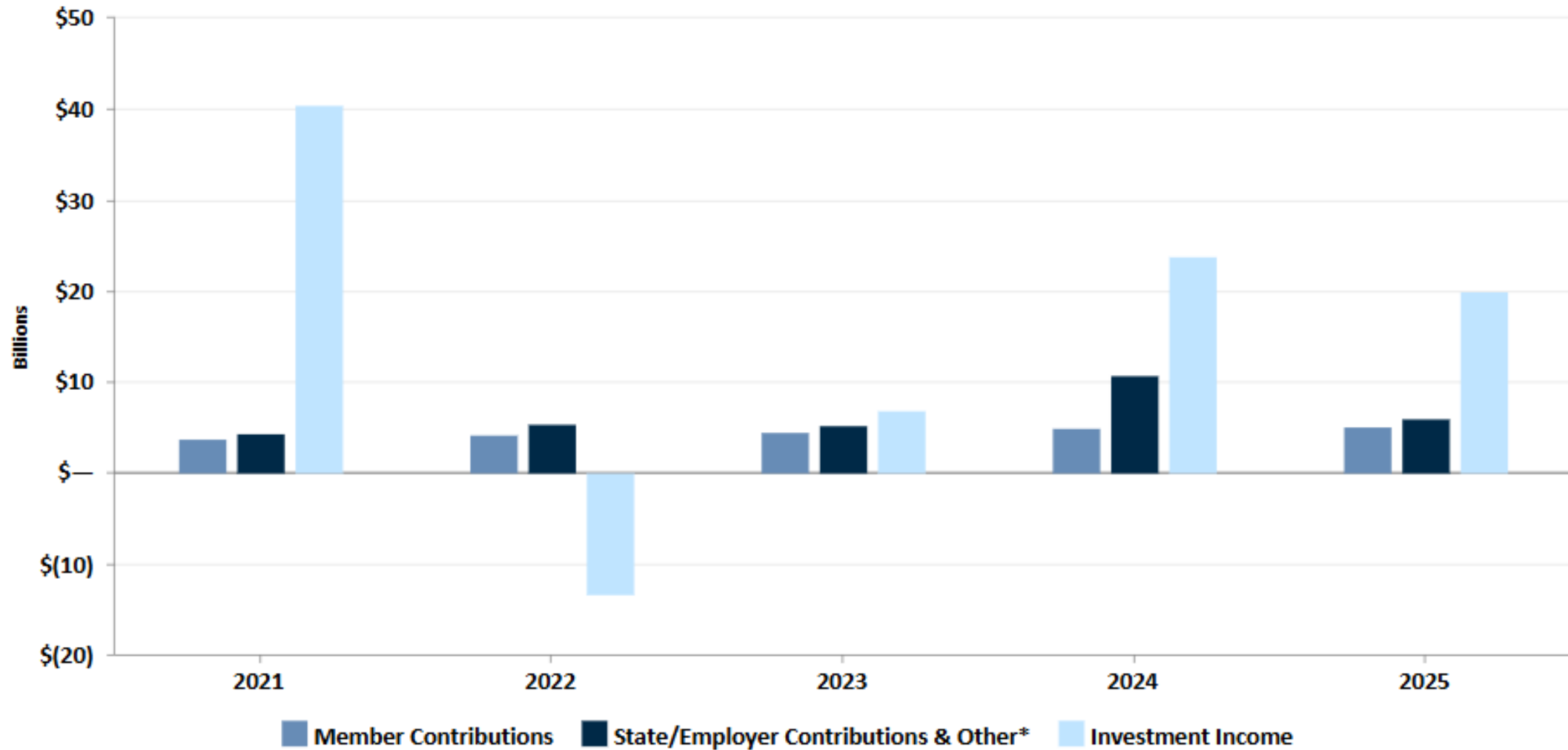
Pension Trust Fund: Financial Highlights



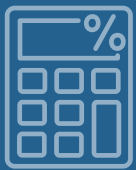
| Statement of Changes in Fiduciary Net Position Pension Trust Fund For the Fiscal Years Ended August 31 (Dollars in Thousands) | | | | |
|--|-----------------------|-----------------------|-------------------|----------|
| | 2025 | 2024 | Percentage Change | |
| Additions | | | | |
| Member Contributions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



Pension Trust Fund: 5-Year Trend in Additions



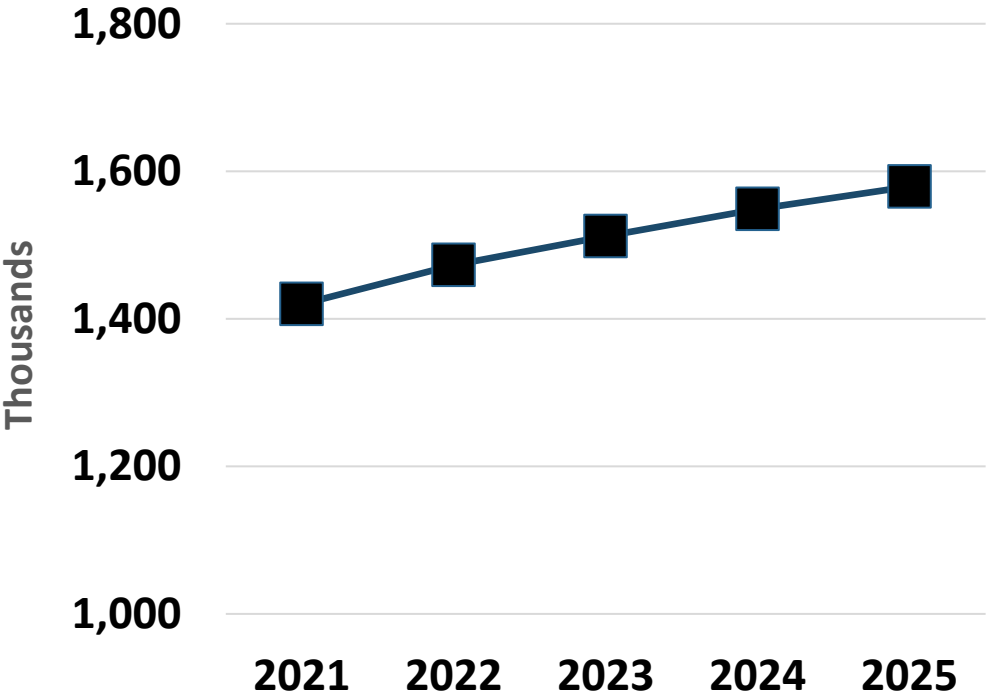
*Other includes Purchase of Service Credit, Contributions from ERS, Supplemental Funding - Appropriations, and Gain on Capital Assets.



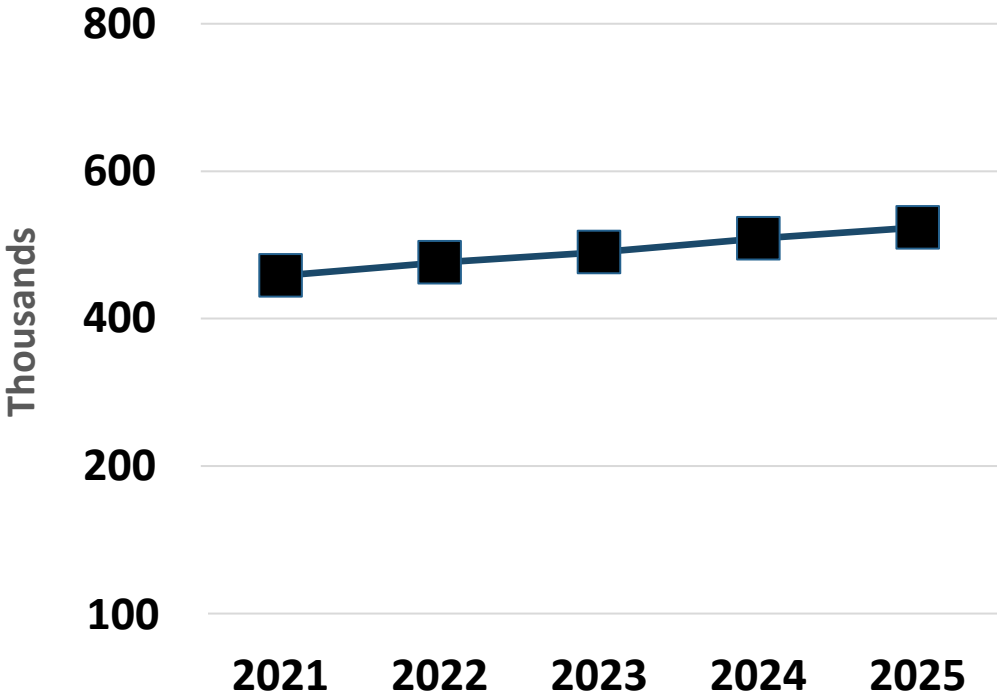
Pension Trust Fund: Membership Changes

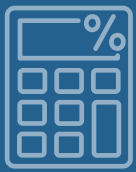


Current Membership by Year
Pension Trust Fund



Retirement Recipients by Year
Pension Trust Fund





TRS-Care: At A Glance



\$5.6 billion
Net Position



1,237
Participating Employers



217,076
Members



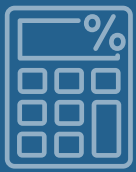
\$2.1 billion
Health Care Claims



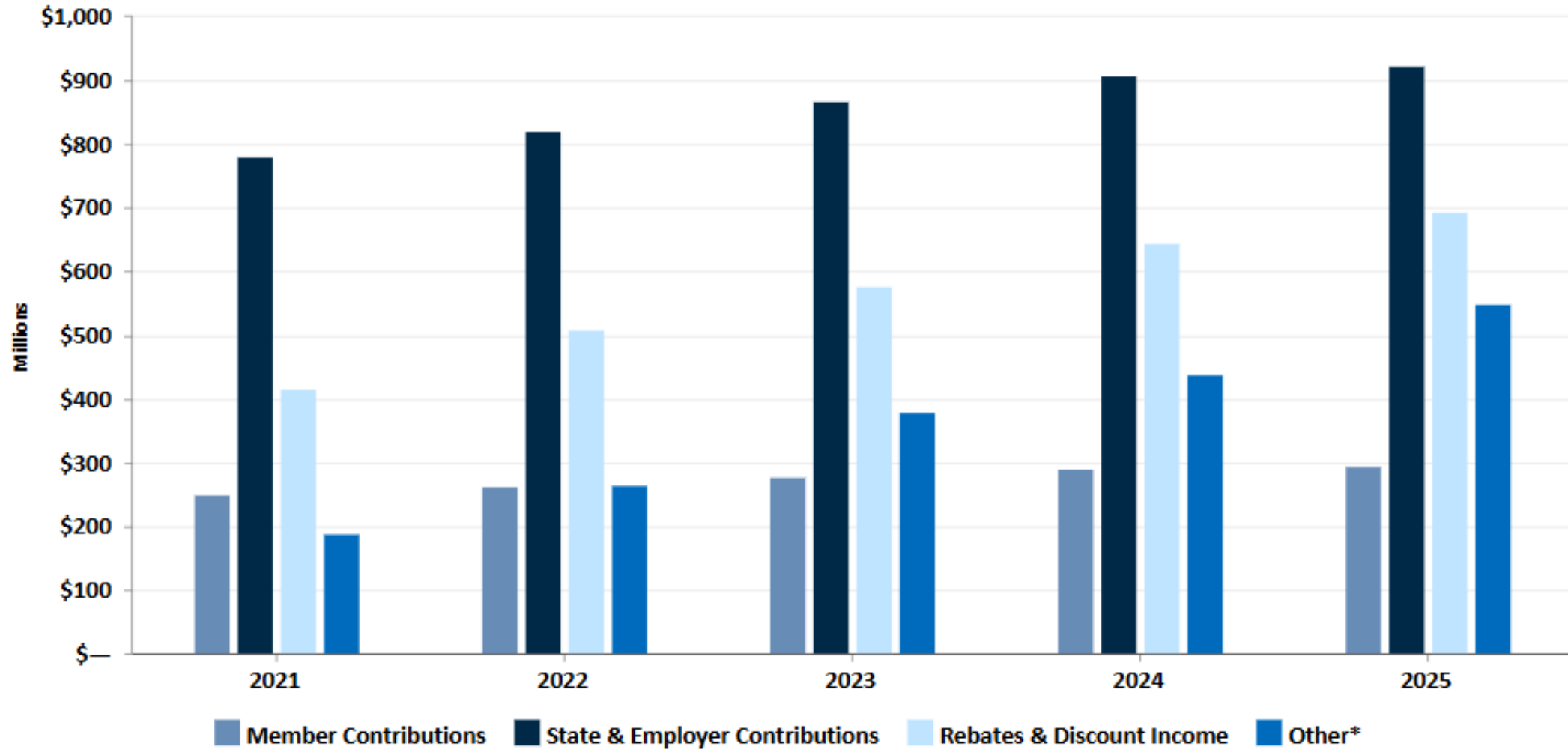
TRS-Care: Financial Highlights



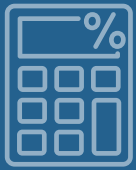
| Statement of Changes in Fiduciary Net Position | | | |
|--|---------------------|---------------------|-------------------|
| TRS-Care | | | |
| For the Fiscal Years Ended August 31 | | | |
| (Dollars in Thousands) | | | |
| | 2025 | 2024 | Percentage Change |
| Additions | | | |
| Member Contributions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



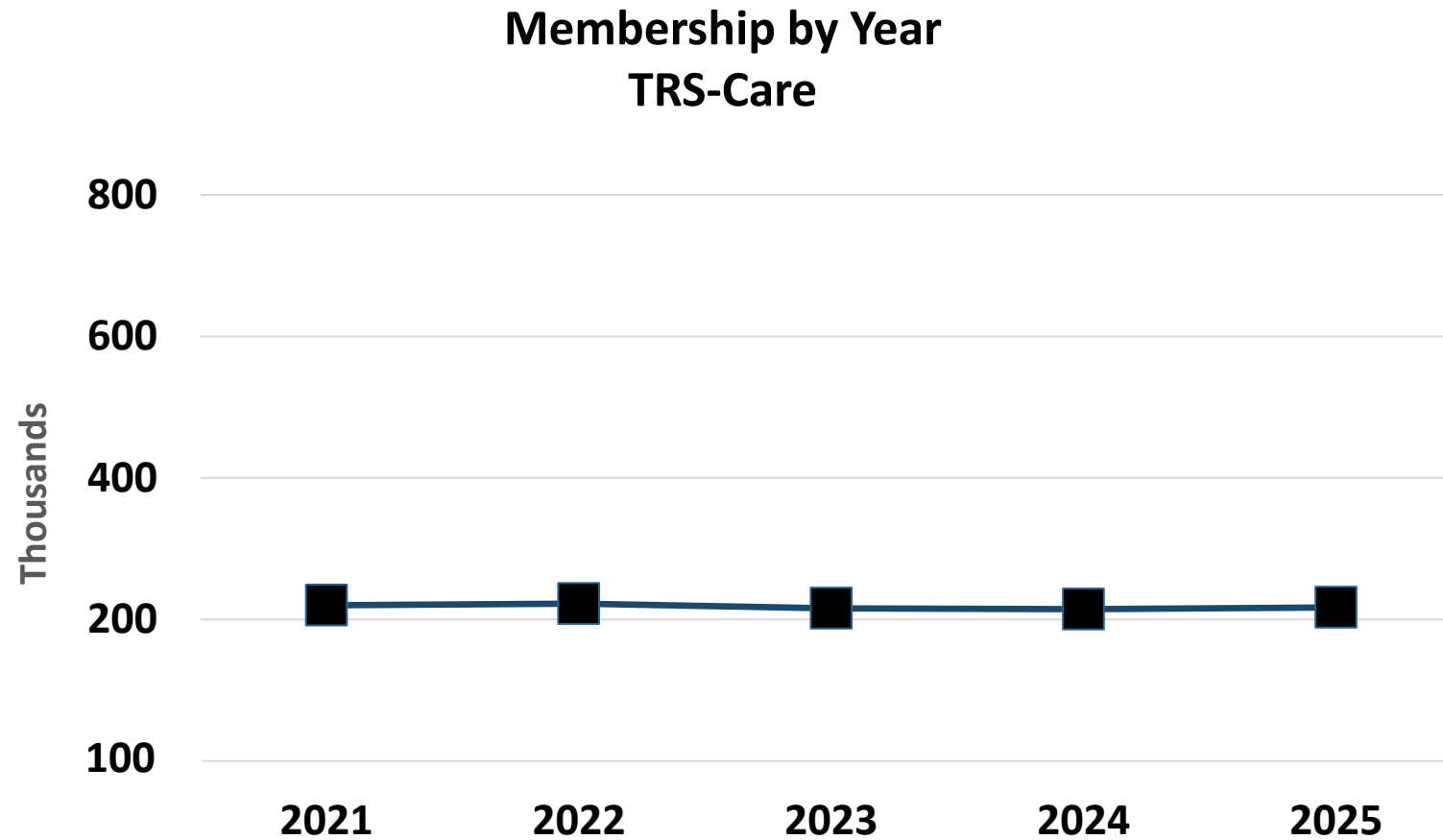
TRS-Care: 5-Year Trend in Additions

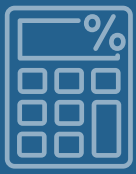


*Other includes Federal Revenue, Supplemental Funding - Appropriations, and Investment Income.



TRS-Care: Membership Changes





TRS-ActiveCare: At A Glance



\$818.8 million
Net Position



970
Participating Employers



411,134
Members



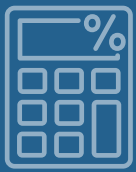
\$2.6 billion
Health Care Claims



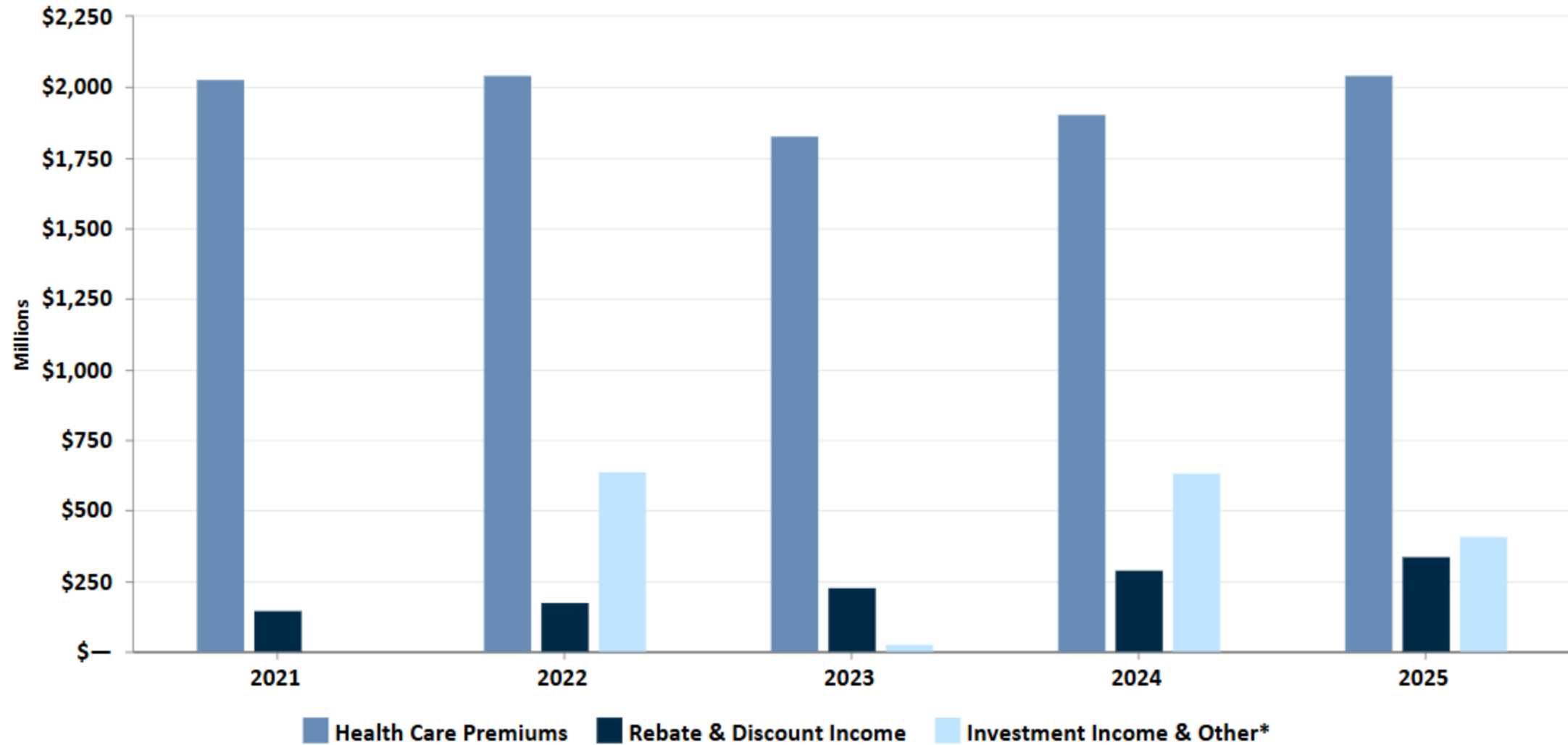
TRS-ActiveCare: Financial Highlights



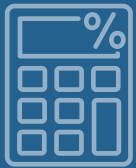
| Statement of Revenues, Expenses, and Changes in Net Position | | | |
|--|---------------------|---------------------|-------------------|
| TRS-ActiveCare | | | |
| For the Fiscal Years Ended August 31 | | | |
| (Dollars in Thousands) | | | |
| | 2025 | 2024 | Percentage Change |
| Revenues (Operating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



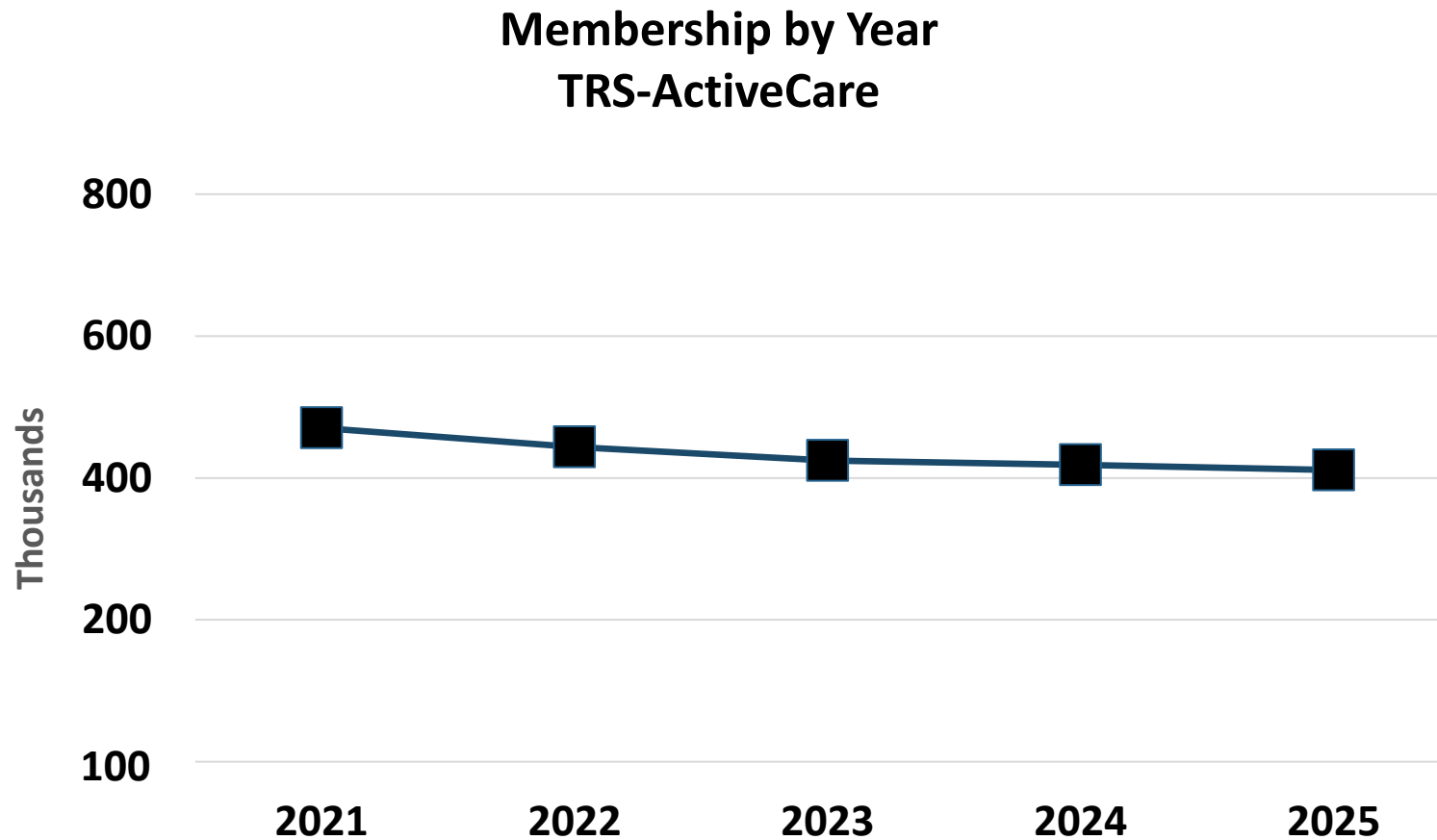
TRS-ActiveCare: 5-Year Trend in Revenues

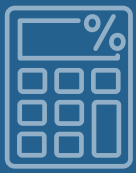


*Other includes Administrative Fees and Non-Operating Revenue, and Supplemental Funding - Appropriations.



TRS-ActiveCare: Membership Changes





Investment Accounting: At A Glance



\$225.3 billion
Investment Assets Under Management



\$226.3 billion
Net Position



9.77%
1 Year Time-Weighted
Rate of Return



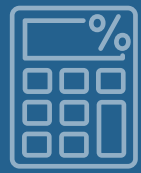
8.75%
3 Year Time-Weighted
Rate of Return



8.44%
5 Year Time-Weighted
Rate of Return



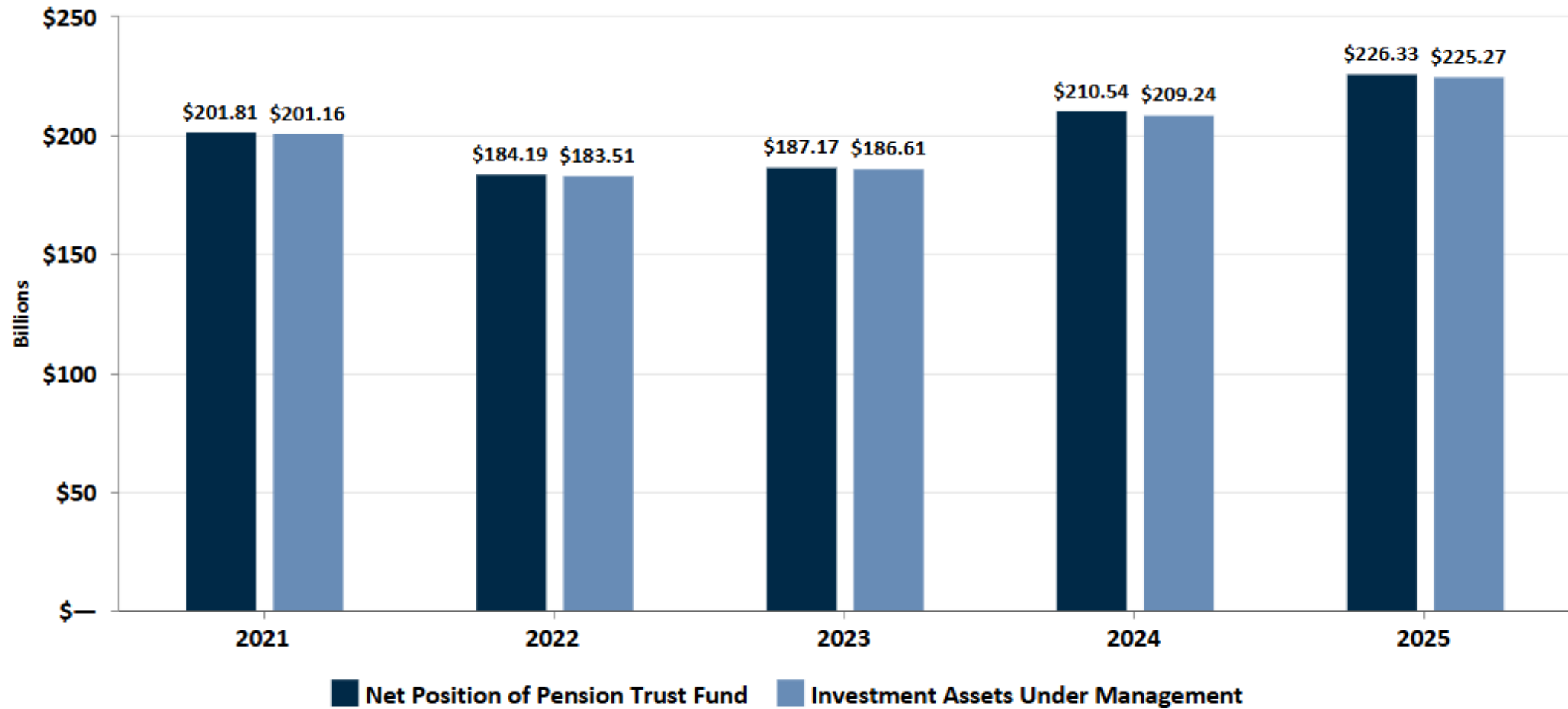
8.27%
10 Year Time-Weighted
Rate of Return



Investment Accounting Highlights



Net Position of Pension Trust Fund vs Investment Assets Under Management

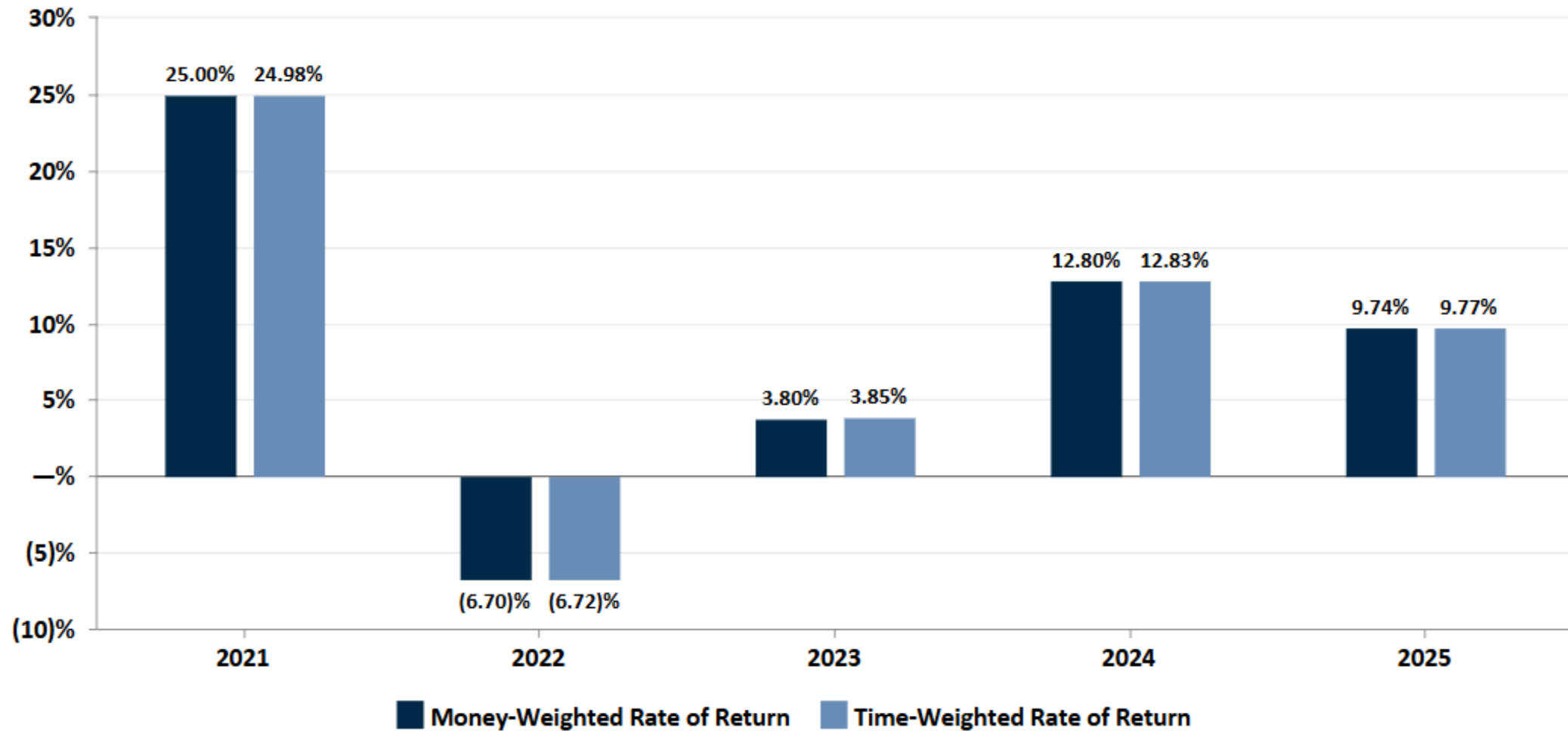


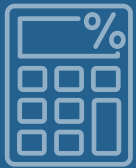


Investment Accounting Highlights



Money-Weighted Rate of Return vs Time-Weighted Rate of Return

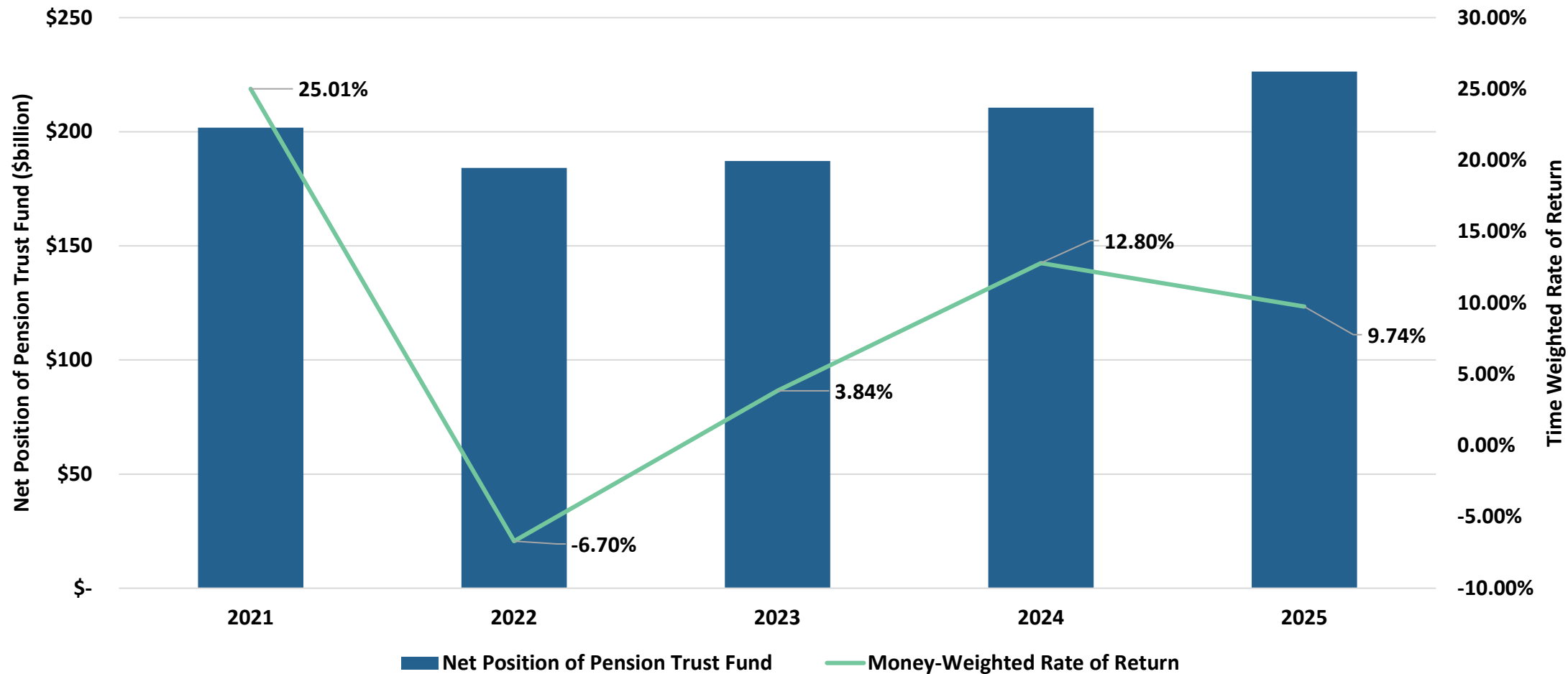




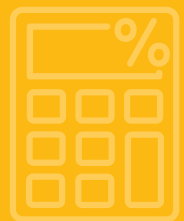
Investment Accounting Highlights



Net Position of Pension Trust Fund and Money-Weighted Rate of Return



TAB 4



FY 2025 Administrative Operating Budget Year End Review

December 4, 2025

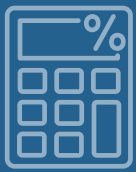
Presented By:

Don Green, Chief Financial Officer

Janie Duarte, Deputy Chief Financial Officer

Jessica Brown, Director of Budget & Financial Analysis





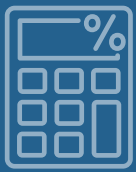
FY25 % of Budget Spent by Fund



FY25 Administrative Operating Budget

Amounts in millions

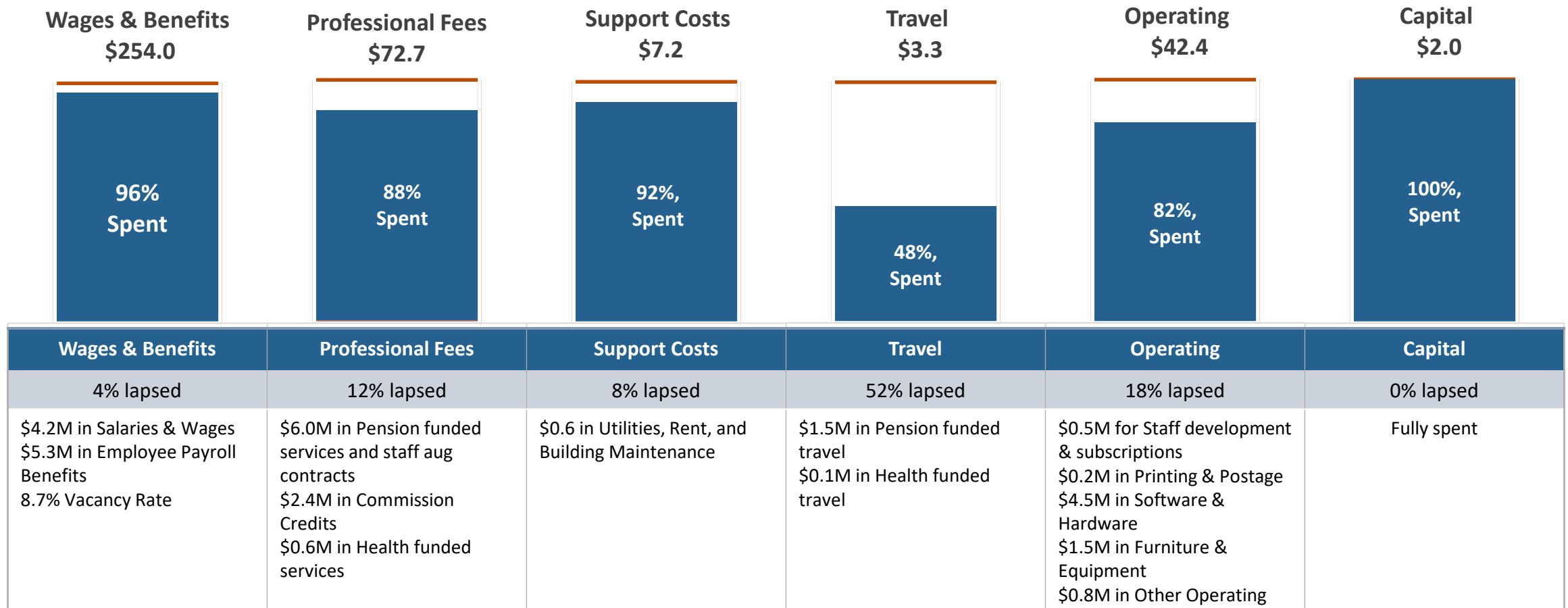
| | Budget \$382.2 | Actuals/ Obligated \$353.9 | Lapsed Budget \$28.3 | % Lapsed Budget 7% |
|---------------------------|---------------------------|---|-------------------------------------|-----------------------------------|
| <i>Pension</i> | \$343.1 | \$319.2 | \$23.9 | 7% |
| <i>Commission Credits</i> | \$7.5 | \$5.0 | \$2.5 | 33% |
| <i>Health</i> | \$31.6 | \$29.7 | \$1.9 | 14% |



FY25 % of Budget Spent by Budget Category

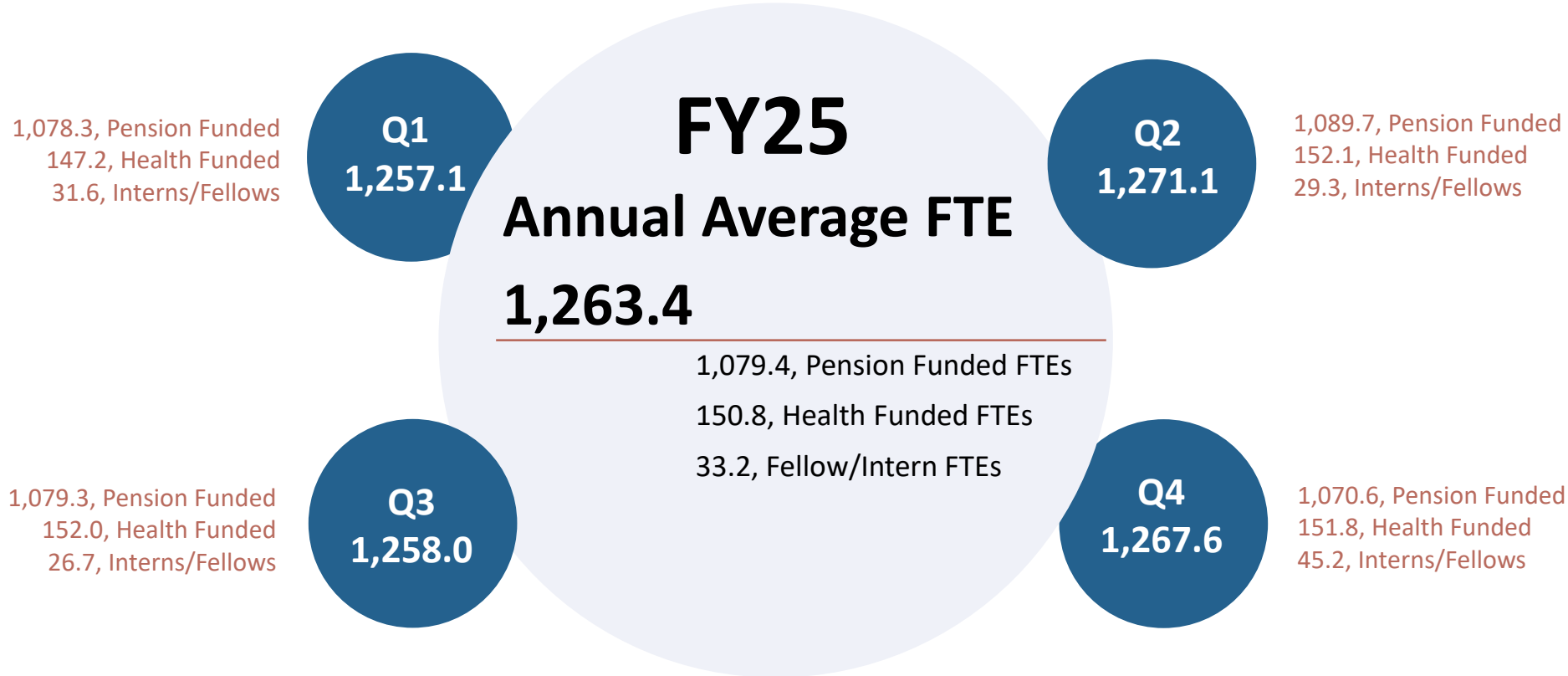
FY25 Administrative Operating Budget

— Budget ■ % Spent
Amounts in millions

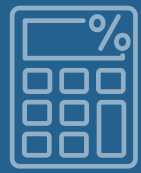




FY25 Actual FTEs



Counts against the FTE cap of 1,139.3 – Pension Funded
Exempt from the FTE cap – Health Funded, Interns/Fellows



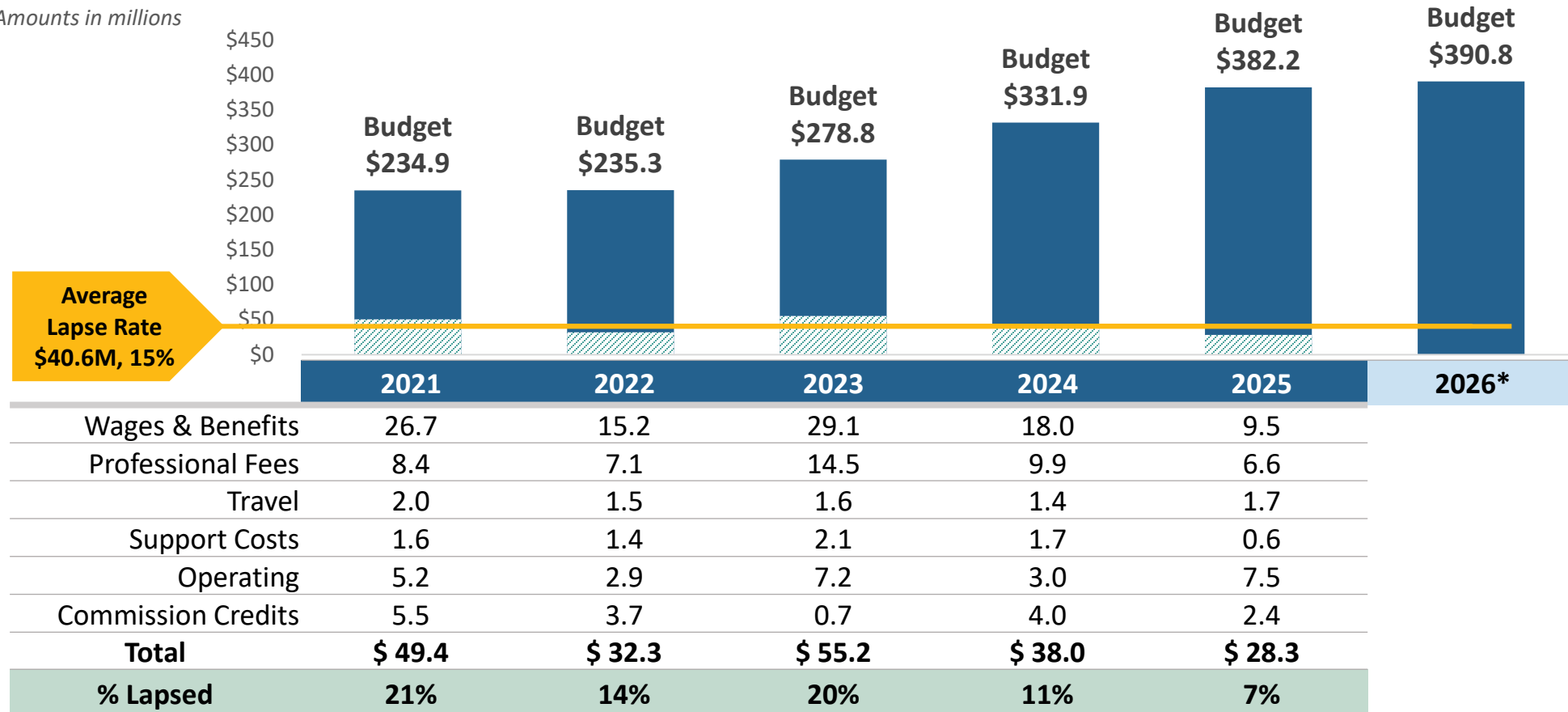
5-Year Lapse History



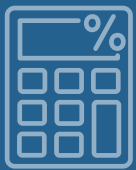
Administrative Operating Budget

■ Budget

Amounts in millions



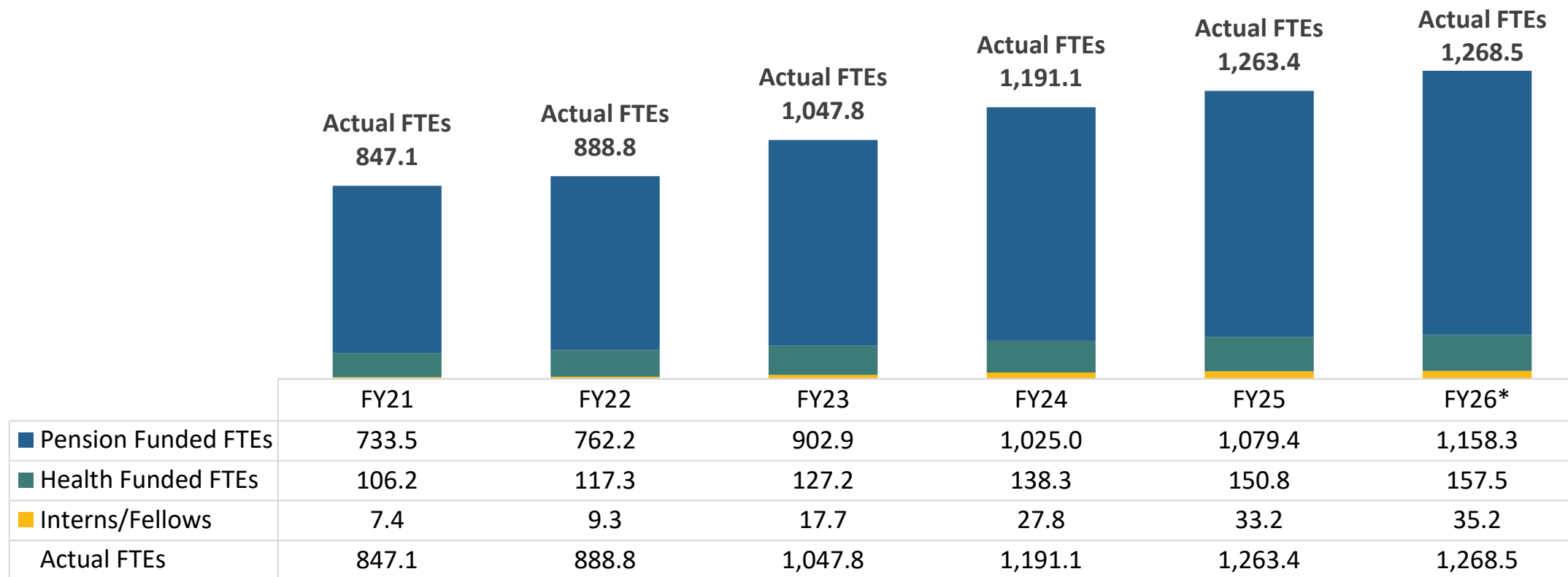
Lapse history is trending downward from an average of 16% to 7% as of 2025.



5-Year Actual FTE History



Actual FTE History



*FY26 Actual FTEs as of 11/25/25.