

July 2023

ACCOUNTABILITY

BUDGET Committee Meeting



**Teacher Retirement System of
Texas**

1000 Red River Street
Austin, Texas
78701-2698

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

*(Committee Chair and Members: Michael Ball, Chair; David Corpus,
Jarvis V. Hollingsworth, Nanette Sissney, Elvis Williams)*

*All or part of the July 13, 2023, 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 or 551.127 of the Texas Government Code. The Committee and Board intend to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5th Floor, Boardroom.***

The open portions of the July 13, 2023, 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

July 13, 2023 – 10:30 a.m.

TRS East Building, 5th Floor, Boardroom

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the April 2023 committee meeting – Committee Chair.
3. Receive an overview of expenses related to the Commission Sharing Arrangements (CSA) – Don Green and Kendall Courtney.
4. Consider recommending to the Board adoption of the following – Don Green
 - a. Consider the adoption of the proposed fiscal year 2024 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2024 budget.
 - b. Consider the adoption of the proposed fiscal year 2024 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).
5. Consider recommending to the Board the statutory certification of estimated state contributions to the State Comptroller of Public Accounts to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2024 – Don Green.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act 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.

Minutes of the Budget Committee April 27, 2023

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 27, 2023, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

Committee members present:

Mr. Michael Ball, Chair
Mr. Jarvis Hollingsworth
Ms. Nanette Sissney
Mr. Elvis Williams

Other TRS Board Members present:

Ms. Brittny Allred
Mr. Robert H. Walls, Jr.
Mr. John Elliott
Mr. James Dick Nance

Others who participated:

Brian Guthrie, TRS
Andrew Roth, TRS
Don Green, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Budget Committee Chair, Mr. Michael Ball, called the meeting to order at 2:00 p.m.

1. Call roll of Committee members.

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

2. Consider the approval of the proposed minutes of the December 2022 committee meeting – Chair Michael Ball.

On a motion by Mr. Hollingsworth, seconded by Ms. Sissney, the committee unanimously voted to approve the proposed minutes for the December 2022 Budget Committee meeting as presented.

3. Receive an overview of the Budget Committee's Calendar Year 2023 Work Plan – Don Green.

Mr. Don Green provided an overview of the Budget Committee's Calendar Year 2023 Work Plan, noting July is the biggest meeting of the year for the committee, when the operating budget for the year is adopted.

4. Receive an update on the administrative operations budget for fiscal year 2023 including FTE update – Don Green.

Mr. Don Green provided an overview of the budget to date. He stated the administrative operating budget for the year as \$278.8 million, 85 percent from the Pension Trust Fund with the remainder being from commission credits and two healthcare funds. He noted the greatest expense as wages and benefits for the employees at 60 percent of the operating budget. He reported a projected lapse of about 12 percent of the total budget which is consistent with past years.

Mr. Green provided a status update on Alpha-Bravo project. He said there was still \$149 million that has not transferred yet. He noted most of these monies were sitting in escrow and were drawn down as progress was made on the construction project.

Mr. Green concluded this presentation reporting that for the second quarter there were 733 pension funded positions. This is under the FTE cap and under the 50 position flexibility.

5. Receive a preview of fiscal year 2024 administrative operations budget – Don Green.

Mr. Green reviewed the legislative appropriations process and what was currently included in Senate Bill 1 and House Bill 1. He reported a preliminary estimate for the FY 24 operating budget to be \$299 million. He noted the increase from last year was due to the Legislature's proposed across the board 5% salary increase and the Investment Data Modernization project already approved by the Board.

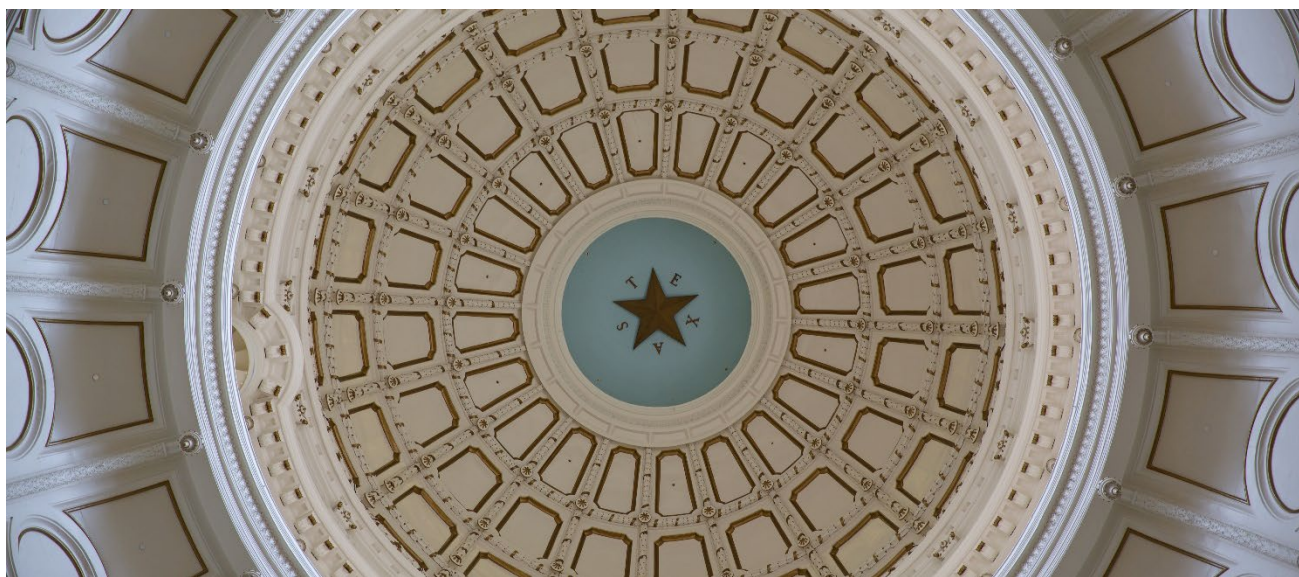
With no further business before the Committee, the meeting adjourned at 3:07 p.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on July _____, 2023.

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 3



Commission Sharing Arrangements

Don Green, Chief Financial Officer
Kendall Courtney, Senior Director, IMD
Operations
July 13, 2023



Commission Sharing Arrangements Summary

- Commission Sharing Arrangements (CSA) refers to the use of a portion of brokerage commissions incurred for securities or futures trade execution to obtain goods, services or research through an approved vendor
- Recommending to significantly reduce the CSA program:
 - CSA revenue impacts performance of public markets, but CSA expenses benefit many other areas. Paying through the Trust will eliminate this issue and impact performance of the correct group.
 - Internal costs will be less as volume decreases
 - Many US peers use soft dollars for broker research
 - Pay eligible vendors using same process that Legal & Compliance (L&C) and certain Research expenses are paid through the Trust

CSA Expense	
Vendor	FY23 Estimated Expense
Bloomberg	\$ 3,993,431
FactSet Research Systems Inc.	3,681,545
Albourne America LLC	1,515,000
MSCI Barra LLC	1,689,859
JLL	1,025,000
S&P Global Market Intelligence	847,450
Efront Financial Solutions Inc	688,604
Axioma	650,000
Thomson Reuters	558,000
JP Morgan (Research)	500,000
Others	4,921,073
Total	\$ 20,069,961

Commission Sharing Arrangements Future State

CSA

- Discontinue charging CSA through brokers effective 8/1/2023 with the exception of Internal Fundamental (IFM) trades
- CSA will only be used to pay broker research for IFM and will be generated only on IFM trades as several brokers will not take hard dollar payments
- CSA program downsized to a \$3 million annual program by FY25
- Note that the current program will have a balance of \$5-8 million at end of FY23 so FY24 has a higher budget to spend down balance

Payments through TRUST

- Payments made through State Street's Enterprise Cash Flow Module (eCFM) which is the same process for L&C and certain Research expenses along with strong internal controls
- Use of Transparency Reporting provides Board more insight to costs being incurred (by vendor, by area)
- Expenses will continue to be reported in Annual Comprehensive Financial Report
- Performance impact is aligned with expenses incurred by area
- All contracts will continue to comply with TRS purchasing policies

TAB 4



FY 2024 Administrative Operating Budget Preview

Don Green, Chief Financial Officer
July 2023



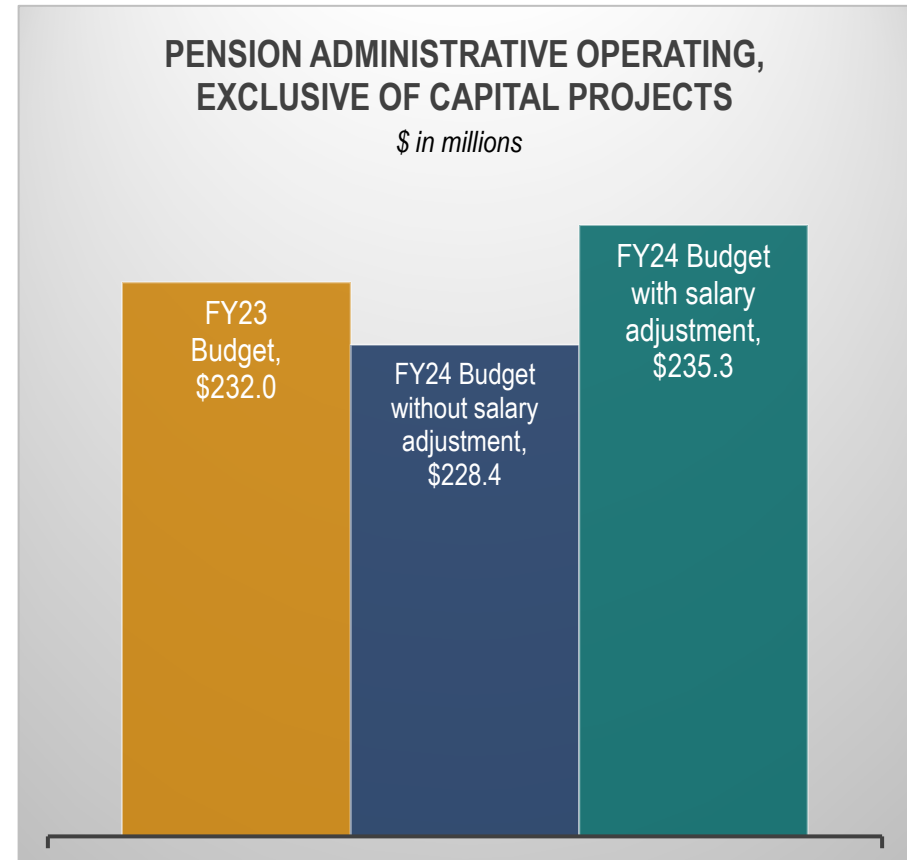
Legislative Update

Budget Item	TRS LAR		HB1		Variance	
	FY24	FY25	FY24	FY25	FY24	FY25
Administrative Operations	244,982,400	219,096,500	230,582,400	219,096,500	(14,400,000)	-
Salary Adjustments	-	-	5,336,391	10,899,746	5,336,391	10,899,746
Total	\$ 244,982,400	\$ 219,096,500	\$ 235,918,791	\$ 229,996,246	\$ (9,063,609)	\$ 10,899,746
Authorized FTEs	1,047.3		1,047.3		-	

- Includes full funding for the FY23 Fiduciary Finding as requested in the August 2022 letter for the Customer Service Improvement Initiative, which prioritizes the customer service needs of our growing membership, continues to enhance competitive advantages and improves operational efficiencies.
- HB1 funded our full request as submitted with the exception of \$14.4 million
- HB1 added a new line item providing a 5% increase for all state employee salaries, with a minimum of \$3,000 per year in FY24 followed by a 5% increase with a minimum of \$3,000 per year in FY25
- HB1 fully funded our capital budget request, including Investment Data Modernization and Fraud Prevention Tool and created a new capital project for Data Center Services, which results in a shift of funding from operating to capital.

FY24 Administrative Operating Budget

- The total FY24 Administrative Operating Budget presents a 4.9% increase over the previous fiscal year's budget
- The proposed pension administrative operating budget balances to the General Appropriations Act
- Notably, the Pension Administrative Operating budget has undergone a \$3.6 million reduction, excluding the state-mandated salary adjustments and capital projects



Key Highlights of the FY24 Administrative Operating Budget

Key Highlights of the FY24 Administrative Operating Budget



The budget accounts for the annualized cost of customer service improvement initiatives, which aim to enhance the quality and efficiency of services provided to members and annuitants



Includes 20 FTEs to convert currently utilized contracted positions for an annual cost savings of \$1.2 million



The budget accounts for the state's mandated salary adjustments



The budget allocates funds to support the implementation of the new Investment Data Modernization Project and the Fraud Prevention tool



An initial enterprise-wide request of 131 new FTEs has been reduced by executive management to 37, which is below the authorized legislative limitations

FY24 New Resource Request

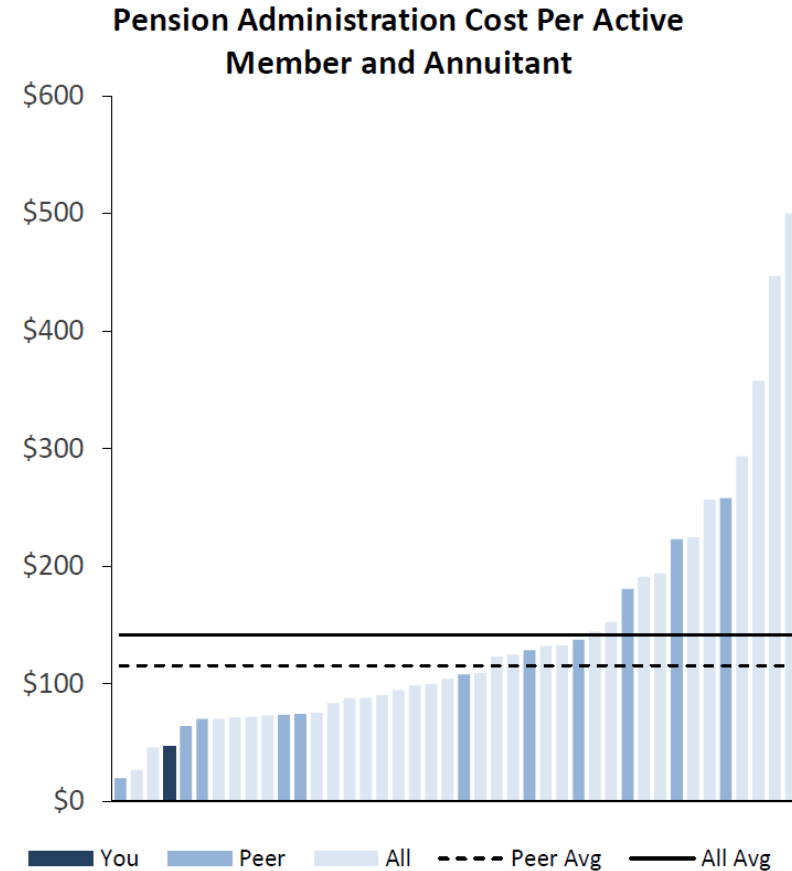
FY24 Prioritized Request

Funding Source		Pension				Healthcare	Grand Total
Type of Resource	Original Resource Request	Admin Operations	IDM Project	TEAM Project	Fraud Tool Project	Admin Operations	
Core Support							
Investment Management	14	-	1	-	-	-	1
Benefit Services	37	4	-	-	-	-	4
Health	7	-	-	-	-	3	3
Shared Support							-
Business Administration	8	5	-	-	-	-	5
Executive	-						
Government Relations	-	-	-	-	-	-	-
Information Security	6	1	-	-	1	-	2
Financial Services	6	2	-	-	-	-	2
Information Technology	31	7	2	2	-	5	16
Legal & Compliance	3	-	-	-	-	1	1
Organizational Excellence	10	3	-	-	-	-	3
Internal Audit	2	-	-	-	-	-	-
Strategy Office	7	-	-	-	-	-	-
Total	131	22	3	2	1	9	37

- To address the growing demands and requirements of various departments within the organization, staff have requested to add additional resources essential to enhance operational efficiencies with contract administration, information technology, cybersecurity, legal and compliance, provide additional security and custodial services to accommodate the opening of Alpha at Mueller, support remote work complexities, and to facilitate effective talent acquisition processes.
- An enterprise-wide request of 131 new FTEs has been reduced to 37 following a detailed review by leadership
- As authorized by Article IX in the General Appropriations Act, all agencies may exceed the FTE cap up to 50 FTEs
- New positions will be managed within current authorized limitations

FY24 Administrative Operating Budget

- Actual budget growth continues to maintain an overall average growth rate of 7% since FY14
- Despite the increased costs, it is worth noting that the total pension administrative operating costs amount to \$47 per active member and annuitant, remaining below the peer average of \$115¹



Note 1: Source: 2022 CEM Survey

Summary of FY24 Administrative Operating Budget

PENSION TRUST FUND			HEALTH BENEFITS FUNDS			
	Administrative Operations	Commission Credits	TRS-Care (Retired Plan)	TRS-ActiveCare (Active Plan)	FY 2024 Administrative Operating Budget	
Revenues and Other Sources						
Legislative Appropriations - Administrative Operations	211,909,209	-	-	-	\$ 211,909,209	
Legislative Appropriations - Salary Adjustments	5,336,391	-	-	-	\$ 5,336,391	
Fringe Benefits Paid by the Pension Fund	36,776,900	-	-	-	\$ 36,776,900	
Commission Credits	-	10,984,500	-	-	\$ 10,984,500	
Health Administrative Operations	-	-	22,164,500	5,410,500	\$ 27,575,000	
Total Revenues and Other Sources	\$ 254,022,500	\$ 10,984,500	\$ 22,164,500	\$ 5,410,500	\$ 292,582,000	
Operating and Capital Expenses						
Wages and Benefits	172,819,000	-	16,535,500	2,256,500	\$ 191,611,000	
Professional Fees and Services	40,551,900	3,081,500	5,068,000	3,030,000	\$ 51,731,400	
Support	5,359,000	-	15,000	4,500	\$ 5,378,500	
Travel	2,721,600	-	205,000	60,000	\$ 2,986,600	
Operating	30,271,000	7,903,000	341,000	59,500	\$ 38,574,500	
Capital Expenditures	2,300,000	-	-	-	\$ 2,300,000	
Total Operating and Capital Expenses	\$ 254,022,500	\$ 10,984,500	\$ 22,164,500	\$ 5,410,500	\$ 292,582,000	
FY 2023 Operating Budget	\$ 235,887,600	\$ 20,625,000	\$ 17,927,000	\$ 4,369,000	\$ 278,808,600	
% Change from FY 2023 Budget	7.7%	-46.7%	23.6%	23.8%	4.9%	

Includes estimated Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay.
The total amount requested for the FY 2024 Administrative Operating Budget from the Pension Trust Fund represents approximately 0.14% of the value of the fund

FY24 Administrative Operations

Pension Trust Fund

Pension Trust Fund	FY23 Budget	FY24 Budget	Year to Year Budget Change
Administrative Operations	\$ 232,004,000	\$ 235,311,700	\$ 3,307,700
Capital Projects			
Building Renovations <i>Funds facility needs to create a secure, productive, and space-efficient workplace.</i>	1,500,000	2,000,000	500,000
Security Renovations <i>Maintains TRS Security Division's technology infrastructure to assure safety and security.</i>	200,000	200,000	-
IT Infrastructure Upgrades <i>Funds to develop and maintain premise-based and cloud-based IT infrastructure applications, equipment, technologies, implement the fraud prevention tool and security needs.</i>	2,183,600	5,300,000	3,116,400
Investment Data Modernization <i>Improves fiduciary oversight of Trust asset valuation and performance by filling functional and technological gaps within current data structures and systems.</i>	-	10,100,000	10,100,000
Data Center Services <i>Funds the consumption of print/mail services and continued managed security vulnerability services through the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.</i>	-	1,110,800	1,110,800
Total Pension Trust Fund	\$ 235,887,600	\$ 254,022,500	\$ 18,134,900

- *FY24 Administrative Operations from the Pension Trust Fund exclusive of Capital Projects is a 1% increase and includes funding for the following:*
 - *Annualization of payroll for positions hired in 2022-2023*
 - *State mandated salary adjustments*
 - *Funding to augment building base fire and safety systems at Mueller location.*
 - *The Investment Data Modernization Project and the Fraud Prevention Tool*
 - *Continued services through Texas Department of Information Resources (DIR) Shared Technology Services (STS) program*

FY24 Administrative Operations

Commission Credits

	FY23 Budget	FY24 Budget	Year to Year Budget Change
Commission Recapture Arrangements (CRA)	30,000	10,000	(20,000)
Commission Sharing Arrangements (CSA)	20,595,000	10,974,500	(9,620,500)
Grand Total	\$ 20,625,000	\$ 10,984,500	\$ (9,640,500)

- FY24 Commission Credits
Administrative Operations decreased to
scale down programs based on current
commission credit estimates*

FY24 Administrative Operations

Health Trust Funds

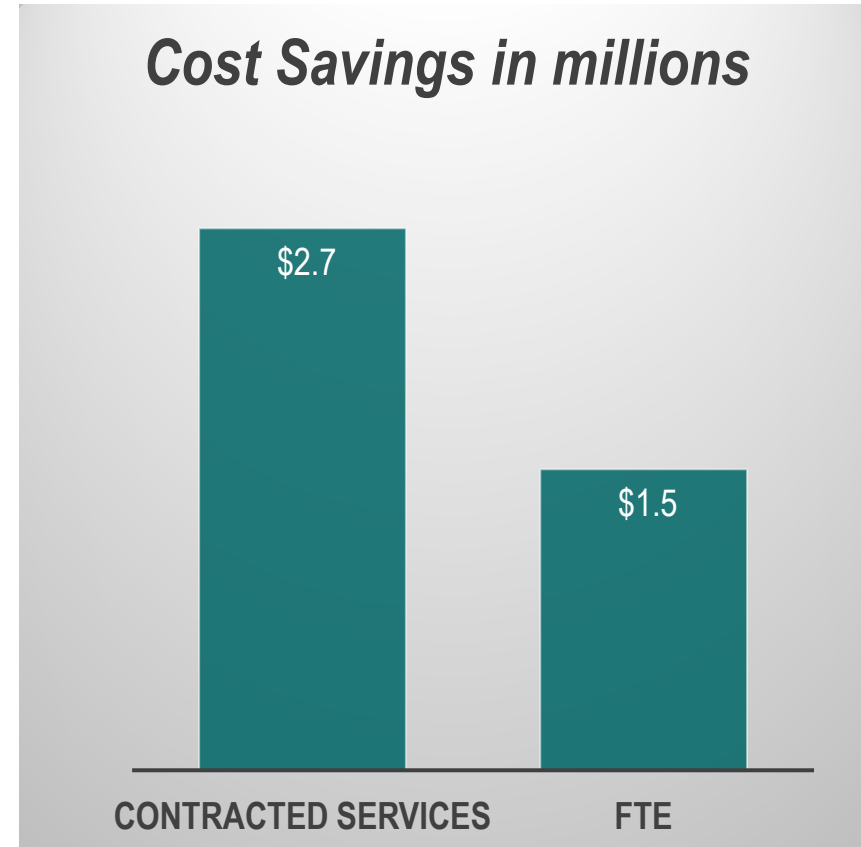
	FY23 Budget	FY24 Budget	Year to Year Budget Change
TRS-Care	17,927,000	22,164,500	4,237,500
TRS-ActiveCare	4,369,000	5,410,500	1,041,500
Grand Total	\$ 22,296,000	\$ 27,575,000	\$ 5,279,000

FY24 Administrative Operations from the Health Trust Funds includes funding for the following:

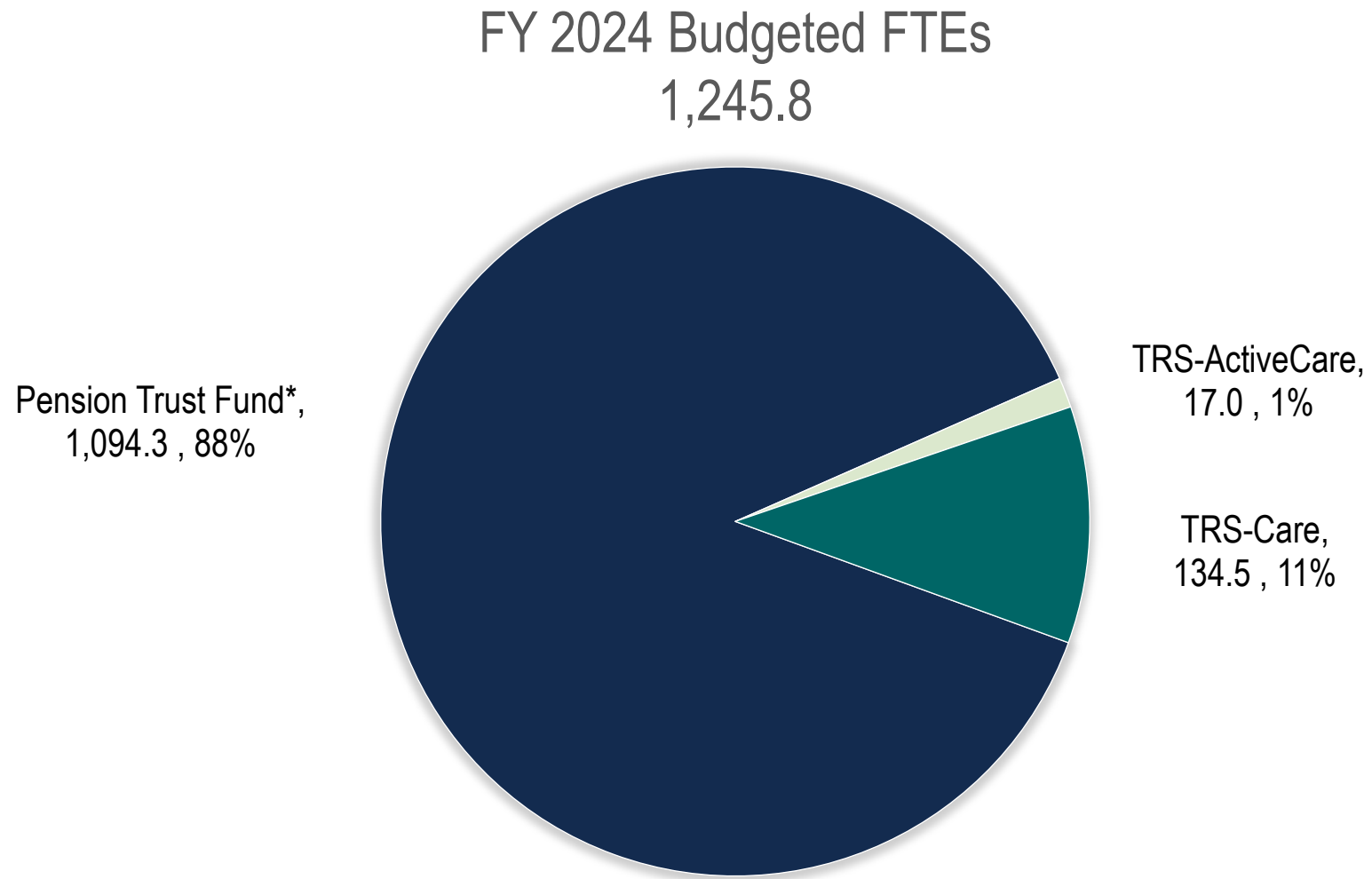
- Annualization of payroll for positions hired in 2022-2023*
- State mandated salary adjustments*
- Additional resources to implement optional group benefits for dental and vision care under the Texas Public School Employees Group Insurance Program, reduce reliance on external contractual support, increase technological support for enhancements to the health line of business*
- Consulting services to assist with the implementation of a new pharmacy benefits manager in 2024.*

FY24 Existing Resources Conversion

- Convert 18 currently utilized contracted positions in Benefit Services to full time staff by insourcing telephone counseling services for members. Cost savings of approximately \$1.2 million a year
- 1 position to provide employers support with requests for health-related reports upon the termination of contractual support. Cost savings of approximately \$300k a year.
- Convert 1 member of the fellowship program in Organizational Excellence to a full-time permanent position resulting in net zero impact to total headcount



FY24 Budgeted FTEs



FY24 Authorized FTE Cap is 1,047.3

**Article IX in the General Appropriations Act authorizes all agencies to exceed the FTE cap by 50 FTEs*

Incentive Compensation

- Historically, Investment Management has paid actual awards approximately from \$8 to \$12 million
- Realized potential awards are calculated in October, which is after the close of plan year in September. Assuming the fund is positive as of the end of plan year 2023, the estimated incentive compensation payout is \$47 million
 - Over the last 5 years, Investment Management Division (IMD) has delivered \$3.0 billion in excess value over the trust benchmarks
- Provisional language allows TRS to increase the FY24 budget up to the maximum reward allowed

Summary of Performance Pay Plan Potential Awards and Payout Schedule from Plan Years 2017 to 2023								
Amount in millions								
Award Plan Year	Realized Award	Estimated Award	Actual Award Payout					FY24 Estimated Payout
			FY19	FY20	FY21	FY22	FY23 ¹	
2017 Plan Year			\$ 4.3					
2018 Plan Year	\$ 8.7		\$ 4.4	\$ 4.2				
2019 Plan Year	\$ 13.3			\$ 6.5	\$ 6.0			
2020 Plan Year	\$ 7.1				\$ 3.6	\$ 3.3		
2021 Plan Year	\$ 17.1					\$ 8.8		\$ 7.8
2022 Plan Year	\$ 16.7							\$ 16.7
2023 Plan Year ²		\$ 22.4						\$ 22.4
			\$ 8.7	\$ 10.7	\$ 9.6	\$ 12.1	-	\$ 46.9

Note 1: No payout in Fiscal Year 2023 because the Trust Fund return for Plan Year 2022 is negative.

Note 2: Performance Pay policy was revised in FY23 to make one single award payment if the fund is positive as of the end of the plan year. Actual Award Payout may be less than realized potential award due to attrition.

General Provisions

TEACHER RETIREMENT SYSTEM OF TEXAS GENERAL PROVISIONS

The Teacher Retirement System (TRS) uses as guidelines the provisions of Article IX (General Provisions) of the General Appropriations Act adopted by the 88⁷th Texas Legislature (GAA) in administering the system to the extent that the Executive Director or a designee acting in the absence of the Executive Director determines that individual provisions of Article IX are in the best interests of TRS and are not in conflict with applicable TRS laws, fiduciary duties, or policies. In addition, it is the intent of the TRS Board of Trustees (board) that the General Provisions also apply to the TRS-Care Fund, and the TRS-ActiveCare Fund. The following provisions are also subject to this paragraph.

PENSION TRUST FUND ADMINISTRATIVE OPERATIONS – In adopting the related Budget Resolution, the board finds that authorizing expenditures from the Pension Trust Fund to pay for TRS' administrative operating expenses for the fiscal year is necessary to perform the fiduciary duties of the board. Further, the Legislature has not appropriated money from the State's general revenue fund for TRS to use in paying operating expenses for the fiscal year.

USE OF COMMISSION CREDITS – The board finds that the expenditure of commissions and credits, including soft dollars, commission sharing agreements, and cash recapture agreements (together, "Commission Credits") to obtain research, goods, and services supporting the investment function are necessary for the efficient and effective administration of pension trust fund assets and performance of the board's fiduciary duties. Uses of Commission Credits shall be administered in accordance with the board's Commission Credits Policy and applicable law.

CONTRACTOR PROVIDED RESOURCES – As part of the contracting process for goods and services (including investment management services), TRS has access to additional resources for operations, including services, credits deducted from payables, temporarily-assigned, non-TRS workers, or allowances, as part of the total contract consideration provided by the vendors or investment managers. Such resources may only be used or expended to the same extent, and for the same purposes, and are subject to the same duty of care and general requirements and policies, as other pension trust fund assets.

HEALTH BENEFITS FUNDS – Operations of the Texas Public School Retired Employees Group Benefits Program are funded from the Retired Employees Group Health Insurance Fund (the TRS-Care Fund). Operations of the Texas School Employees Uniform Group Health Coverage Program are funded from the Texas School Employees Uniform Group Coverage Trust Fund (the TRS ActiveCare Fund).

PERSONNEL SERVICES:

- **Hiring and Personnel Actions** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to hire personnel, to transfer personnel within the agency, and to approve base salaries, salary changes, and other personnel actions, including but not limited to promotions, demotions, re-assignment, merits, and recruitment and retention bonuses. TRS will generally base its salary schedules, position classifications, and salary administration practices on the provisions of Article IX, Chapter 659 of the Government Code, and other relevant legislation to the extent the Executive Director determines a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty or TRS policy. The board will set the salary rate for the Executive Director. The Executive Director is authorized to set the base salaries for other exempt positions within the not-to-exceed amounts listed in the GAA or any amended limits adopted by the board from time to time.
- **Performance Pay Plans** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to implement performance pay plan(s) as approved from time to time by the board, including authorizing payment of the performance pay to the extent funds have been included in the approved board resolution for that purpose or are otherwise made available through the Budget Execution Authority in these General Provisions; in an amount not to exceed ~~\$27.0~~ 69.3 million.
- **Longevity Pay and Benefit Replacement Pay** – The board authorizes the payment of Longevity Pay and Benefit Replacement Pay in addition to base pay. The payment of Longevity Pay and Benefit Replacement Pay to eligible TRS employees shall be administered in a manner consistent with the provisions of Chapter 659 of the Government Code and other relevant legislation.

OTHER PERSONNEL COSTS – Other Personnel Costs, including Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay, as estimated in the GAA, are necessary for efficient TRS operations, and may be revised by the Executive Director, or Deputy Director in the absence of the Executive Director, if needed to pay operating expenses for the fiscal year.

General Provisions

TEACHER RETIREMENT SYSTEM OF TEXAS

GENERAL PROVISIONS

(continued)

PROFESSIONAL SERVICES – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to contract for professional services and approve and disburse professional fees to persons or firms who render such professional services to TRS. The board finds that the budget for Professional Services authorized in this document is necessary to the performance of its fiduciary duties.

COUNSELING SERVICES – In accordance with Texas Government Code, Chapter 825, Subchapter G, the board authorizes the Executive Director or his designees, to the extent feasible, to make individual retirement benefits counseling sessions available to members in conjunction with informational or educational presentations that TRS provides for groups throughout the state, in order to promote efficiency and minimize the cost of such services. TRS will determine the geographic regions most in need of retirement benefits counseling and will provide retirement benefits counseling services in these regions throughout Texas.

TRAVEL – In accordance with TRS policy, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to reimburse employee and trustee travel expenses at amounts that are reasonable and necessary to conduct official TRS business, including transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters. The board finds that such reasonable and necessary expenses are necessary for the performance of fiduciary duties. These expenses may include additional allowances above standard or state law rates for transportation and meals. Travel expense reports requesting reimbursement must be submitted timely, and with proper documentation as set forth in the TRS Travel Guide.

BUDGET EXECUTION AUTHORITY – As required for the efficient operation of TRS programs, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to transfer budgeted funds up to 25% of an expense category between different expense accounts and major expense categories, so long as the total approved budget for operating expenses and capital outlay is not exceeded. This provision applies separately to the Pension Trust Fund, the TRS-Care Fund, and the TRS-ActiveCare Fund.

CONTINGENCY FOR CATASTROPHIC OCCURRENCES – In the event of a catastrophic occurrence which destroys or incapacitates TRS' physical plant and/or primary operating resources, the Executive Director, Deputy Director, or Chief Financial Officer may exceed the total approved budget to the extent necessary to achieve recovery of operational capabilities. The Executive Director, Deputy Director, or Chief Financial Officer will notify the Budget Committee of the board, as soon as possible, of the extent of the situation and the budgetary impact.

Board Resolution

Resolution

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

July 14, 2023

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, 88th 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;

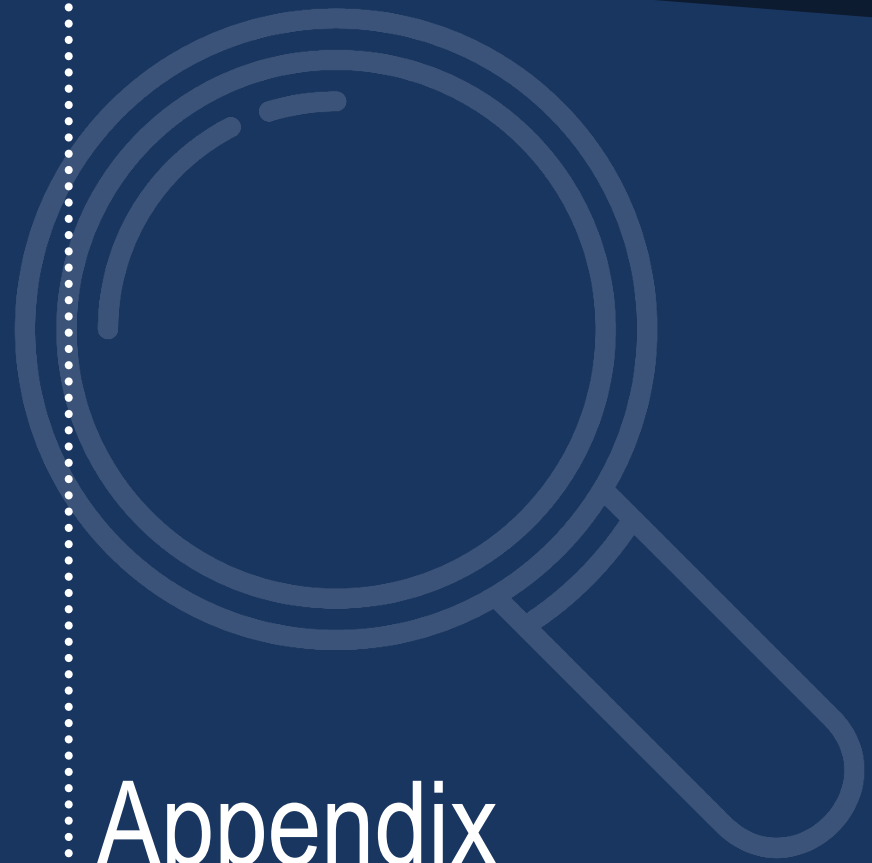
Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$69.3 million.

Board Resolution

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2024 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$254,022,500, as approved today in the Fiscal Year 2024 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 \$69.3 million in Fiscal Year 2024, 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
- To pay operating expenses incurred as a result of reductions made during the 88th Legislature and changes in market conditions as may be required to ensure funding levels remain sufficient for ongoing agency key initiatives.

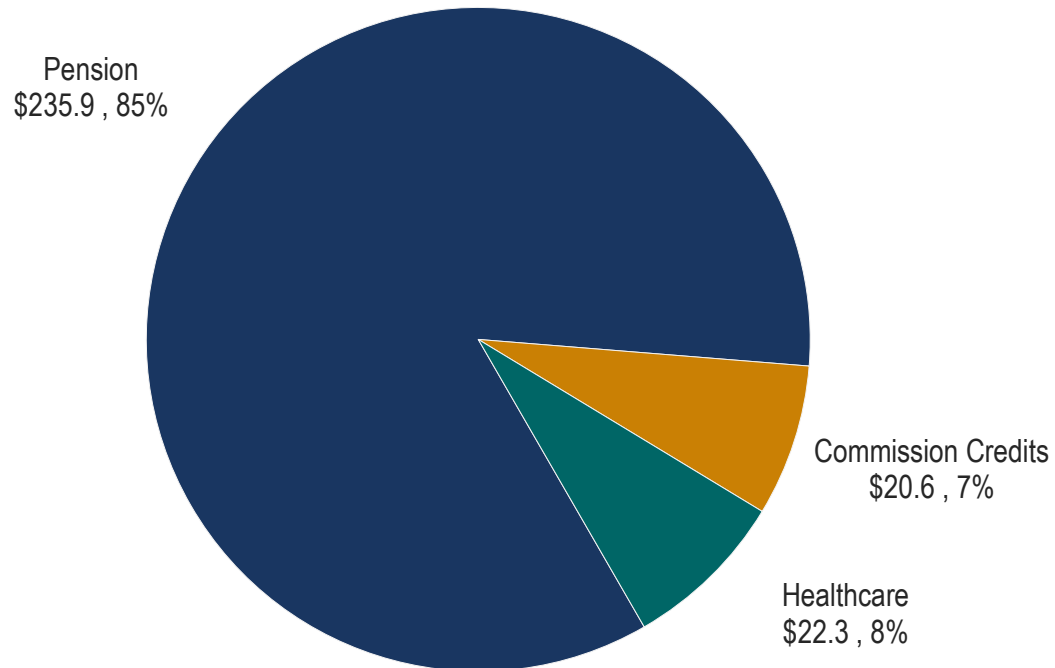
Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2024, but not to exceed the amount of \$254,022,500 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2024 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.



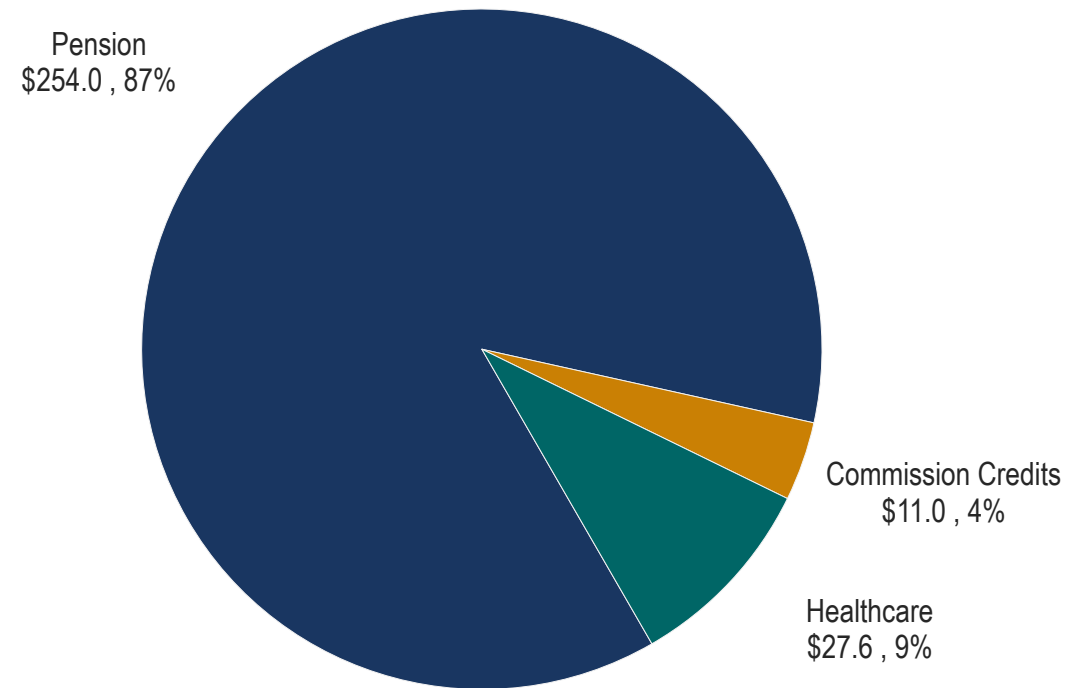
Appendix

FY23 vs FY24 Budget by Fund (\$ millions)

FY 2023 Operating Budget
\$278,808,600

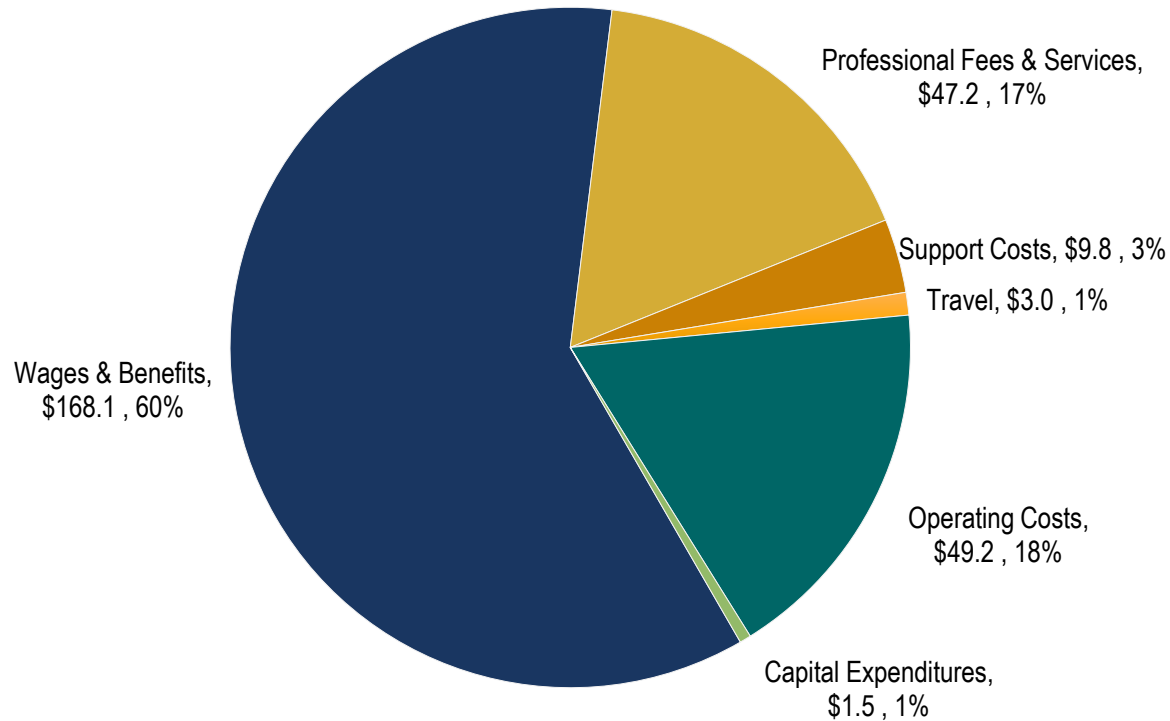


FY 2024 Operating Budget
\$292,582,000

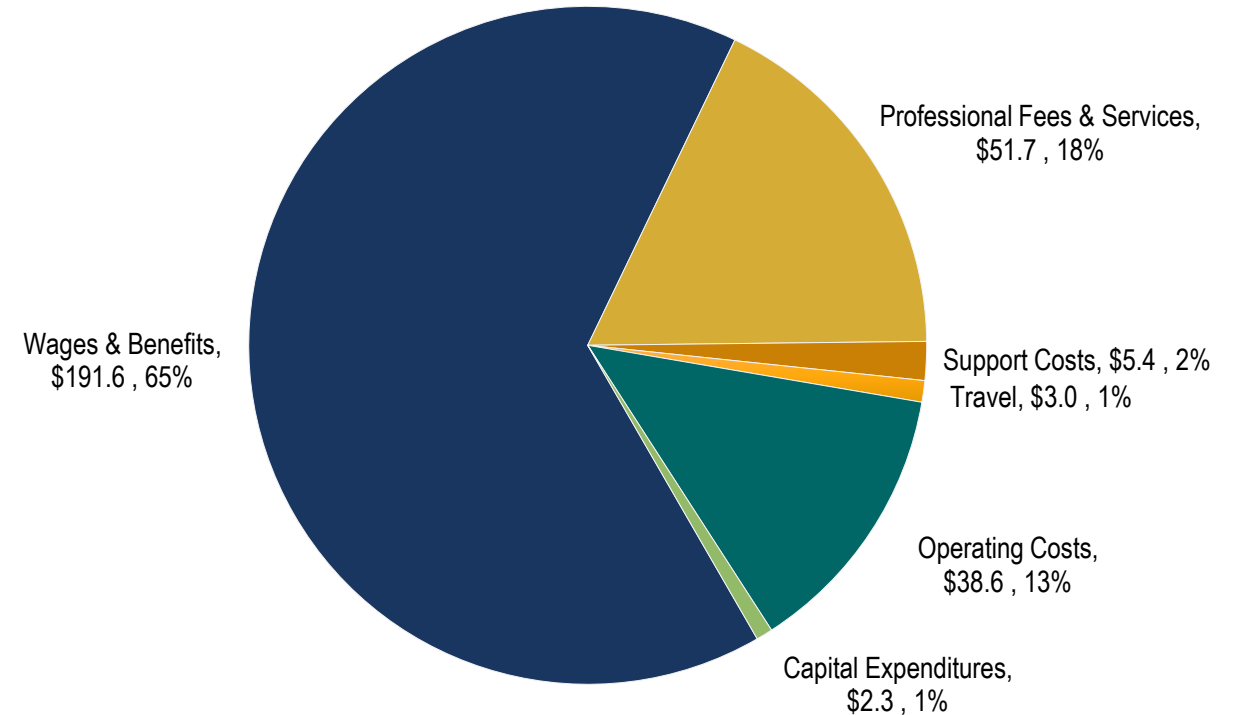


FY23 vs FY24 Budget by Category (\$ millions)

FY 2023 Operating Budget
\$278,808,600



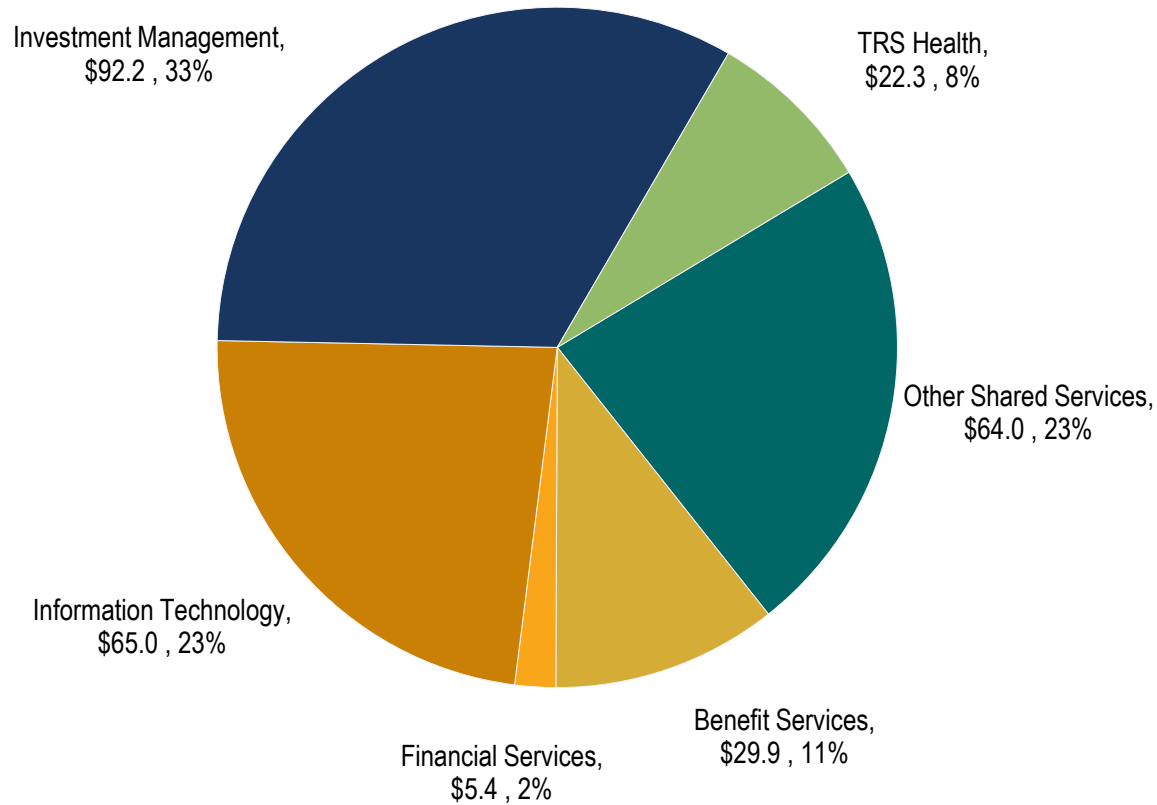
FY 2024 Operating Budget
\$292,582,000



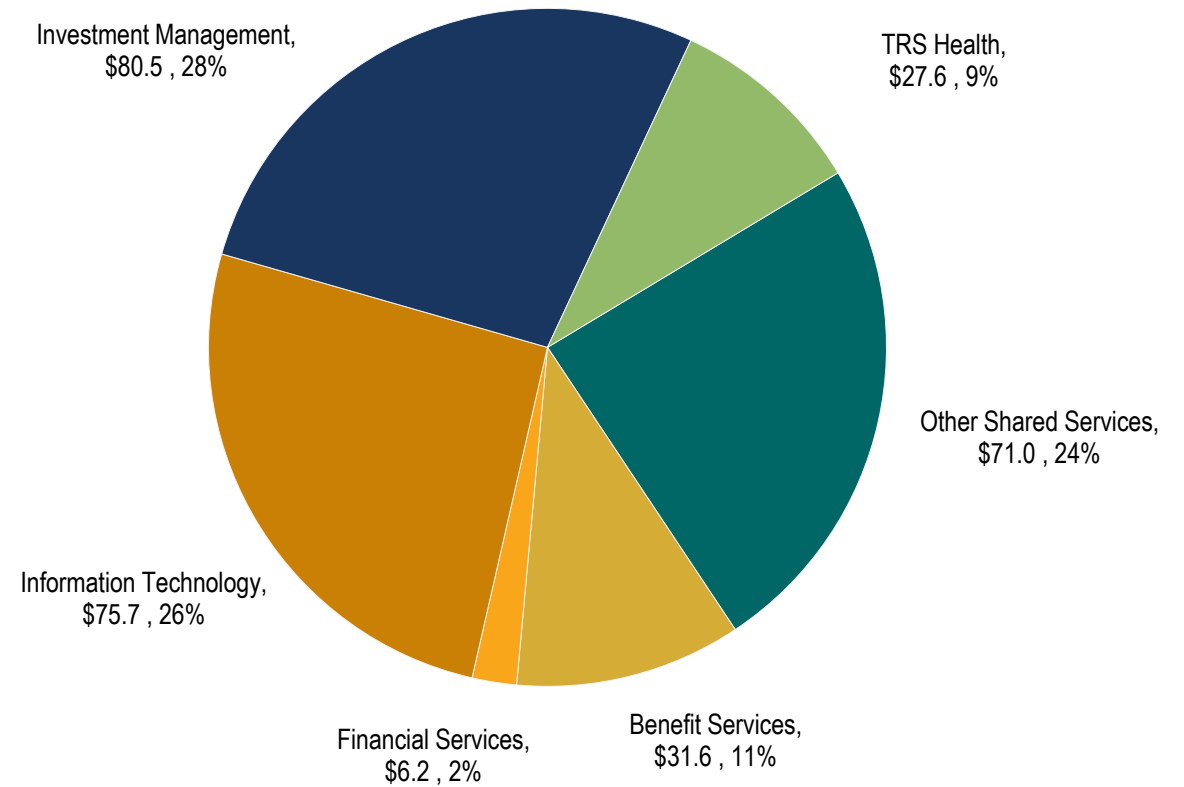
Operating costs: software, hardware, postage, printing, equipment, reference materials
Support costs: rental space, building/equipment maintenance, utilities, supplies

FY23 vs FY24 Budget by Division (\$ millions)

FY 2023 Operating Budget
\$278,808,600



FY 2024 Operating Budget
\$292,582,000



Other Shared Services includes Business Administration, Executive, Government Relations, Information Security, Internal Audit, Legal & Compliance, Organizational Excellence, and Strategy Office

FY24 Pension Trust Fund

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Salaries and other personnel expenses					
Salaries and wages	99,248,841	118,424,266	133,793,280	15,369,014	13%
Longevity pay	701,700	900,800	938,820	38,020	4%
Benefit replacement pay	23,309	36,900	35,700	(1,200)	-3%
Other employee benefits	868,853	1,234,600	1,370,000	135,400	11%
Employer FICA contributions	6,092,123	8,864,800	10,022,600	1,157,800	13%
Employer health insurance contributions	8,937,893	14,454,100	15,958,300	1,504,200	10%
Employer retirement contributions	-	9,182,200	10,700,300	1,518,100	17%
Salaries and other personnel expenses Total	115,872,719	153,097,666	172,819,000	19,721,334	13%
Professional fees and services	16,020,975	37,841,315	40,551,900	2,710,585	7%
Other operating expenses					
Consumable supplies and fuels	326,192	701,750	579,900	(121,850)	-17%
Utilities	800,883	1,902,850	1,731,000	(171,850)	-9%
Travel	578,664	2,717,284	2,721,600	4,316	0.2%
Rentals	5,755,203	5,337,868	972,600	(4,365,268)	-82%
Dues, fees, and staff development	417,503	956,211	1,089,400	133,189	14%
Hardware maintenance	1,227,198	1,197,000	650,000	(547,000)	-46%
Insurance premiums	829,921	1,120,000	1,050,850	(69,150)	-6%
Other operating	4,876,218	6,599,313	6,233,425	(365,888)	-6%
Subscriptions & reference information	68,679	180,259	165,400	(14,859)	-8%
Printing and reproduction services	445,334	302,000	400,000	98,000	32%
Building and equipment maintenance	988,834	1,832,200	2,075,500	243,300	13%
Furniture and equipment	731,524	2,650,173	2,056,025	(594,148)	-22%
Postage, mailing, and delivery	4,138,095	4,765,483	3,498,000	(1,267,483)	-27%
Software purchases and maintenance	8,993,186	13,176,684	15,127,900	1,951,216	15%
Other operating expenses Total	30,177,434	43,439,075	38,351,600	(5,087,475)	-12%
Capitalized expenses	571,717	1,509,544	2,300,000	790,456	52%
Grand Total	\$ 162,642,845	\$ 235,887,600	\$ 254,022,500	\$ 18,134,900	8%

FY24 Commission Credits Program

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Professional fees and services	8,305,793	2,801,213	3,081,500	280,287	10%
Other operating expenses					
Dues, fees, and staff development	53,700	20,000	7,000	(13,000)	-65%
Other operating	15,135,169	16,845,087	7,547,000	(9,298,087)	-55%
Subscriptions & reference information	169,130	175,000	91,500	(83,500)	-48%
Furniture and equipment	9,588	-	-	-	
Software purchases and maintenance	63,100	783,700	257,500	(526,200)	-67%
Other operating expenses Total	15,430,687	17,823,787	7,903,000	(9,920,787)	-56%
Grand Total	\$ 23,736,480	\$ 20,625,000	\$ 10,984,500	\$ (9,640,500)	-47%
Funding Source					
Investment Commission Recapture	166,387	30,000	10,000	(20,000)	-67%
Investment Commission Sharing	17,342,478	20,595,000	10,974,500	(9,620,500)	-47%
Investment State Street Bank	6,227,615	-	-	-	0%
Grand Total	\$ 23,736,480	\$ 20,625,000	\$ 10,984,500	\$ (9,640,500)	-47%

FY24 TRS-Care

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Salaries and other personnel expenses					
Salaries and wages	8,226,543	10,297,300	13,027,600	2,730,300	27%
Longevity pay	75,640	91,600	94,400	2,800	3%
Benefit replacement pay	2,063	2,200	2,200	-	0%
Other employee benefits	77,710	117,500	140,200	22,700	19%
Employer FICA contributions	611,216	747,100	914,600	167,500	22%
Employer health insurance contributions	836,329	977,300	1,184,000	206,700	21%
Employer retirement contributions	-	795,000	1,172,500	377,500	47%
Salaries and other personnel expenses Total	9,829,501	13,028,000	16,535,500	3,507,500	27%
Professional fees and services	2,965,185	4,338,000	5,068,000	730,000	17%
Other operating expenses					
Consumable supplies and fuels	573	7,500	7,500	-	0%
Utilities	-	7,500	7,500	-	0%
Travel	30,783	205,000	205,000	-	0%
Dues, fees, and staff development	13,390	32,000	32,000	-	0%
Other operating	36,628	295,000	295,000	-	0%
Subscriptions & reference information	874	6,500	6,500	-	0%
Printing and reproduction services	92	-	-	-	0%
Furniture and equipment	899	7,500	7,500	-	0%
Other operating expenses Total	83,239	561,000	561,000	-	0%
Grand Total	\$ 12,877,925	\$ 17,927,000	\$ 22,164,500	\$ 4,237,500	24%

FY24 TRS-ActiveCare

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Salaries and other personnel expenses					
Salaries and wages	1,329,312	1,535,100	1,775,400	240,300	16%
Longevity pay	19,840	20,600	16,400	(4,200)	-20%
Benefit replacement pay	1,031	1,100	-	(1,100)	-100%
Other employee benefits	11,828	20,100	22,700	2,600	13%
Employer FICA contributions	93,315	110,800	131,800	21,000	19%
Employer health insurance contributions	124,906	142,700	169,700	27,000	19%
Employer retirement contributions	-	114,600	140,500	25,900	23%
Salaries and other personnel expenses Total	1,580,232	1,945,000	2,256,500	311,500	16%
Professional fees and services	1,313,611	2,300,000	3,030,000	730,000	32%
Other operating expenses					
Consumable supplies and fuels	-	3,000	3,000	-	0%
Utilities	-	1,500	1,500	-	0%
Travel	20,768	60,000	60,000	-	0%
Dues, fees, and staff development	8,553	30,000	30,000	-	0%
Other operating	7,421	25,000	25,000	-	0%
Subscriptions & reference information	150	1,000	1,000	-	0%
Furniture and equipment	728	3,500	3,500	-	0%
Other operating expenses Total	37,620	124,000	124,000	-	0%
Grand Total	\$ 2,931,463	\$ 4,369,000	\$ 5,410,500	\$ 1,041,500	24%

FY 2024 Budget by Department

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
TRS Board of Trustees	149,249	1,013,000	214,000	(799,000)	-79%
Executive	909,728	1,441,640	1,485,000	43,360	3%
Business Administration	11,390,453	18,642,861	19,136,590	493,729	3%
Governmental Relations	361,090	427,800	461,140	33,340	8%
Information Security	1,595,584	2,672,500	3,663,400	990,900	37%
Internal Audit	2,840,209	4,016,600	4,785,100	768,500	19%
Legal & Compliance	8,224,892	12,310,773	12,464,500	153,727	1%
Organizational Excellence	4,972,428	7,894,992	8,633,855	738,863	9%
Strategy Office	2,941,625	4,210,100	4,374,260	164,160	4%
Agencywide	4,228,115	11,390,030	15,795,375	4,405,345	39%
Other Shared Services Total	37,613,373	64,020,296	71,013,220	6,992,924	11%
Benefit Services	472,161	633,500	656,020	22,520	4%
Benefit Accounting	2,280,234	3,790,321	3,903,200	112,879	3%
Benefit Counseling	7,363,018	12,141,179	13,190,260	1,049,081	9%
Benefit Processing	8,936,772	10,919,100	11,186,740	267,640	2%
Benefit Operations Support	1,062,776	1,769,600	1,903,620	134,020	8%
El Paso Regional Office	369,638	686,400	788,520	102,120	15%
Benefit Services Total	20,484,599	29,940,100	31,628,360	1,688,260	6%
Investment Management	54,086,980	65,450,623	64,013,460	(1,437,163)	-2%
London Office	3,574,988	6,083,826	5,498,380	(585,446)	-10%
Commission Credits	23,736,480	20,625,000	10,984,500	(9,640,500)	-47%
Investment Management Total	81,398,448	92,159,449	80,496,340	(11,663,109)	-13%

FY 2024 Budget by Department

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Financial Services	3,442,321	4,348,666	5,197,580	848,914	20%
Chief Financial Officer	277,605	393,800	409,700	15,900	4%
Accounting and Reporting	130,913	180,500	184,500	4,000	2%
Accounts Payable and Travel	3,775	5,600	7,500	1,900	34%
Analytics & Financial Insights	391,716	288,334	277,400	(10,934)	-4%
Budget and Financial Analysis	6,713	9,900	9,300	(600)	-6%
Investment Accounting	7,304	111,300	91,900	(19,400)	-17%
Employee Payroll and Time Administration	4,311	15,000	17,400	2,400	16%
Financial Services Total	4,264,658	5,353,100	6,195,280	842,180	16%
Information Technology	8,187,017	11,554,104	18,855,016	7,300,912	63%
Enabling Technologies	22,757,450	34,876,896	30,791,700	(4,085,196)	-12%
Information Technology Total	30,944,467	46,431,000	49,646,716	3,215,716	7%
TEAM Project	11,673,780	15,066,455	15,143,184	76,729	1%
Investment Data Modernization Project	-	3,542,200	10,883,900	7,341,700	207%
TRS-Care Administrative	12,877,923	17,927,000	22,164,500	4,237,500	24%
TRS-ActiveCare Administrative	2,931,464	4,369,000	5,410,500	1,041,500	24%
Grand Total	\$ 202,188,712	\$ 278,808,600	\$ 292,582,000	\$ 13,773,400	4.9%

FY 2024 Budgeted FTEs

	FY22 Actual	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Pension Funded					
Benefit Services	245.1	352.0	374.0	22.0	6.3%
Business Administration	58.9	73.8	78.8	5.0	6.8%
Executive	5.0	10.0	10.0	-	0.0%
Financial Services	30.9	36.0	38.0	2.0	5.6%
Governmental Relations	2.0	2.0	2.0	-	0.0%
Information Security	9.3	14.0	16.0	2.0	14.3%
Information Technology	84.8	129.0	136.0	7.0	5.4%
Internal Audit	12.8	16.0	16.0	-	0.0%
Investment Management	186.8	250.0	250.0	-	0.0%
Legal & Compliance	35.8	45.0	45.0	-	0.0%
Organizational Excellence	28.7	38.0	42.0	4.0	10.5%
Strategy Office	14.3	19.5	19.5	-	0.0%
TEAM	47.8	56.0	58.0	2.0	3.6%
Investment Data Modernization	-	6.0	9.0	3.0	50.0%
Pension Funded Total	762.2	1,047.3	1,094.3	47.0	4.5%
Healthcare Funded					
TRS-Care	45.3	59.0	63.0	4.0	6.8%
TRS-Care Support	57.1	65.5	71.5	6.0	9.2%
TRS-Active Care	7.3	9.0	9.0	-	0.0%
TRS-Active Care Support	7.6	8.0	8.0	-	0.0%
Healthcare Funded Total	117.3	141.5	151.5	10.0	7.1%
Agency Total	879.5	1,188.8	1,245.8	57.0	4.8%

11-Year Historical Trend – Administrative Operating Budget

(\$ in millions)

	FY14 Budget	FY15 Budget	FY16 Budget	FY17 Budget	FY18 Budget	FY19 Budget	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget
Pension Trust Fund	115.0	119.6	128.2	135.0	139.9	159.6	177.4	170.1	189.7	235.9	254.0
Commission Credit	33.1	33.1	22.1	24.4	24.7	28.7	30.1	25.5	27.1	20.6	11.0
Healthcare	7.2	8.1	8.8	11.0	12.7	14.3	16.3	17.6	20.6	22.3	27.6
Contingency ¹	21.7										
Total	\$ 155.3	\$ 160.8	\$ 159.1	\$ 170.4	\$ 177.3	\$ 202.6	\$ 223.8	\$ 234.8	\$ 237.3	\$ 278.8	\$ 292.6
% Year to Year Change		4%	-1%	7%	4%	14%	10%	5%	1%	17%	4.9%
Budgeted FTEs	458.2	468.2	480.7	491.3	734.9	816.5	847.3	883.3	932.8	1,188.8	1,247.8

¹Contingency Account in FY21 reflects TRS' efforts to reduce costs across all funds in response to the sharp economic downturn associated with COVID-19

11-year average
budget growth is 7%

87% of Budget is funded
by Pension Trust Fund Assets

Pension Admin Operating Budget
represents less than 1% of the value
of the Trust fund

8-Year Lapse History FY 2016-2023 *(\$ in millions)*

Program/Category	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023*
TEAM/CAPPS/HILOB	\$8.8	\$0.7	\$2.4	\$3.9	\$3.0	\$2.6	\$1.7	\$3.5
Commission Credits	\$3.4	\$5.5	\$3.2	\$8.2	\$9.7	\$6.0	\$4.3	\$1.8
Salaries/Benefits	\$6.2	\$8.0	\$7.9	\$9.5	\$12.6	\$18.5	\$7.5	\$20.2
Professional Fees & Services	\$1.1	\$1.5	\$3.3	\$2.7	\$3.7	\$5.9	\$1.8	\$9.7
Travel	\$0.5	\$0.1	\$0.4	\$0.6	\$1.6	\$2.0	\$1.6	\$1.9
Support Costs	\$1.0	\$0.6	\$0.7	\$0.6	\$0.8	\$0.3	\$0.4	\$1.2
Operating Costs	\$8.1	\$2.7	\$5.1	\$3.0	\$4.4	\$2.3	\$1.5	\$8.7
Total Lapse	\$29.1	\$19.6	\$23.0	\$28.5	\$35.8	\$37.6	\$18.8	\$47.0
% of Budget Lapsed	18%	11%	13%	14%	16%	16%	8%	17%

**FY 2023 includes projected amounts to be lapsed.*

8-year average
Lapsed budget is 14%

Salaries/Benefits generates the most
lapse from vacant positions

TEAM has lapsed on average \$3
million over the last 8 years

FY24 Resource Request

Pension Funded



Operational Efficiency

Benefit Services

- 4 positions to enhance data resolution analysis and member payment/rollover processing. These positions will help maintain data quality, support upcoming data conditioning for the significant system enhancements for trust

Information Technology

- 7 additional resources are needed to leverage emerging technologies with cloud computing, cybersecurity, and the proliferation of digital data to support data-driven decision-making, optimize processes, and improve the customer experience



Cybersecurity / Headquarter Relocation

Business Administration

- 5 positions for the new headquarters in Mueller which will necessitate additional custodial and security services to accommodate the agencies expanded duties and responsibilities

Information Security

- 1 position to support data security to protect against potential cybersecurity threats

Organizational Excellence

- 3 positions to provide necessary accommodations and facilitate effective talent acquisition processes to continue enhancing service levels and support the organization's growth with workplace accommodations and remote work environment



Tax Accounting

Financial Services

- 2 positions to provide support with the application of tax laws, regulations, and accounting principles related to member financial information to optimize the benefits and risk with complex tax requirements and to ensure compliance with applicable tax laws

FY24 Resource Request

Health Funded



Health Program Operations

TRS Health Division

- 2 positions to support SB 1854 of the 88th Legislative Session that relates to implementing optional group benefits for dental and vision care under the Texas Public School Employees Group Insurance Program.
- 1 position to support health care contract management which includes procuring contractors, negotiating pricing and terms, monitoring and evaluating service delivery, validating guarantees, and coordinating audits.



Health Administration Support

Legal & Compliance

- 1 position to support growing complexities with legal and compliance, such as federal and state legal regulations, legal challenges in health plan administration, coordination of benefits, subrogation's and recovery negotiations, and provider networks and contracting.



Health Technological Support

Information Technology

- 5 positions to support the maintenance, enhancement, and launch of web self-service and customer relationship management initiatives within the Health line of business product which includes the integration of externally sourced components into the organization's internal processes to enhance operational efficiency.

FY24 Resource Request

Project Related



Investment Data Modernization

Information Technology

- 2 positions to provide technical infrastructure provisioning, project management, and to support the investment book of record system configuration, integration, and data conditioning.

Investment Management

- 1 position to support investment data configuration and management, custodian system integration, custody and accounting data feed refactor, investment data ownership, data vendor management, and data catalog maintenance.



Fraud Prevention Tool

Information Security

- 1 position to support the implementation of the Fraud Prevention Tool to manage and mitigate cyber-security threats.

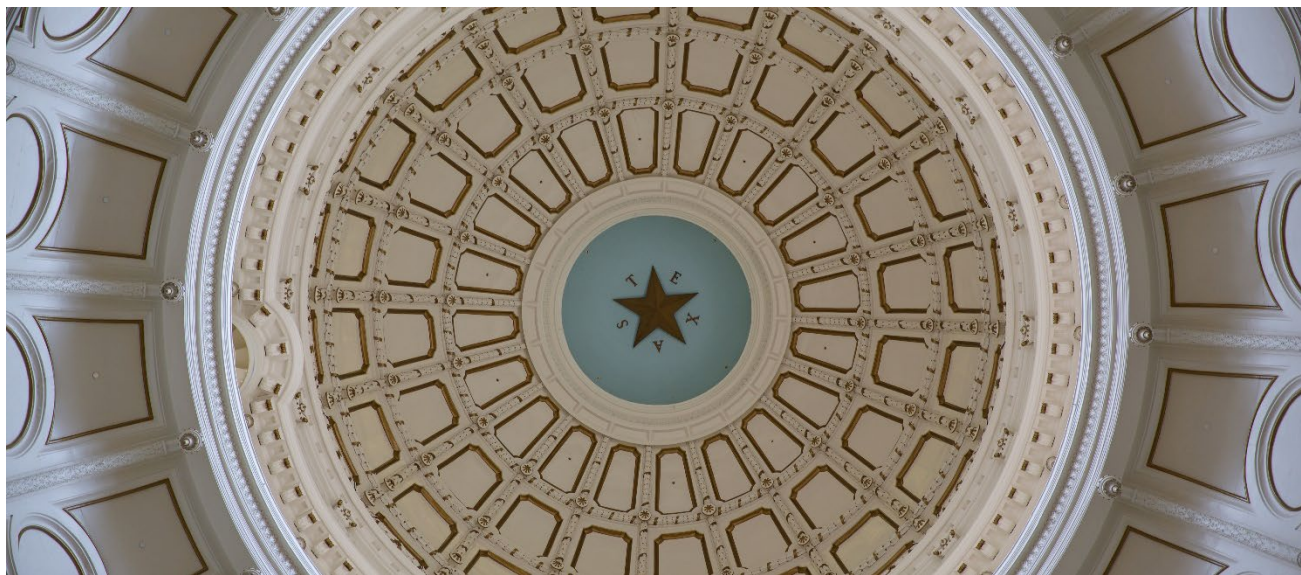


TEAM

Information Technology

- 2 positions to support the final and largest release of the Payroll, Benefits, and Tax functions of TRUST with system engineering, testing, and training

TAB 5



FY 2024 Administrative Operating Budget Preview

Don Green, Chief Financial Officer
July 2023



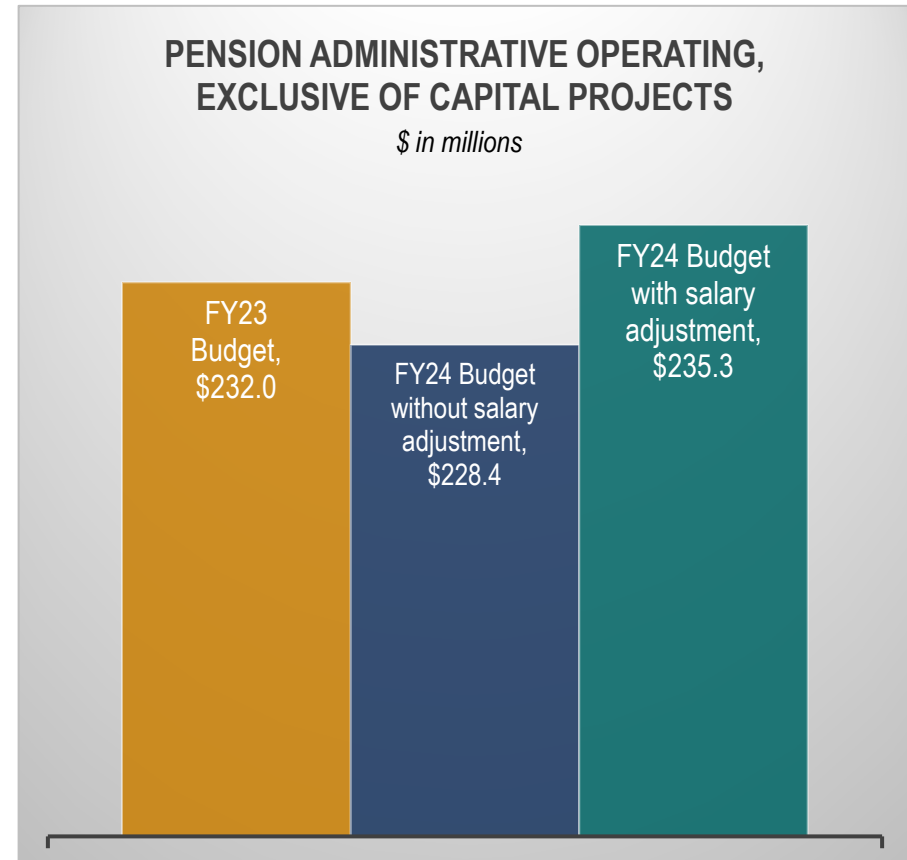
Legislative Update

Budget Item	TRS LAR		HB1		Variance	
	FY24	FY25	FY24	FY25	FY24	FY25
Administrative Operations	244,982,400	219,096,500	230,582,400	219,096,500	(14,400,000)	-
Salary Adjustments	-	-	5,336,391	10,899,746	5,336,391	10,899,746
Total	\$ 244,982,400	\$ 219,096,500	\$ 235,918,791	\$ 229,996,246	\$ (9,063,609)	\$ 10,899,746
Authorized FTEs	1,047.3		1,047.3		-	

- Includes full funding for the FY23 Fiduciary Finding as requested in the August 2022 letter for the Customer Service Improvement Initiative, which prioritizes the customer service needs of our growing membership, continues to enhance competitive advantages and improves operational efficiencies.
- HB1 funded our full request as submitted with the exception of \$14.4 million
- HB1 added a new line item providing a 5% increase for all state employee salaries, with a minimum of \$3,000 per year in FY24 followed by a 5% increase with a minimum of \$3,000 per year in FY25
- HB1 fully funded our capital budget request, including Investment Data Modernization and Fraud Prevention Tool and created a new capital project for Data Center Services, which results in a shift of funding from operating to capital.

FY24 Administrative Operating Budget

- The total FY24 Administrative Operating Budget presents a 4.9% increase over the previous fiscal year's budget
- The proposed pension administrative operating budget balances to the General Appropriations Act
- Notably, the Pension Administrative Operating budget has undergone a \$3.6 million reduction, excluding the state-mandated salary adjustments and capital projects



Key Highlights of the FY24 Administrative Operating Budget

Key Highlights of the FY24 Administrative Operating Budget



The budget accounts for the annualized cost of customer service improvement initiatives, which aim to enhance the quality and efficiency of services provided to members and annuitants



Includes 20 FTEs to convert currently utilized contracted positions for an annual cost savings of \$1.2 million



The budget accounts for the state's mandated salary adjustments



The budget allocates funds to support the implementation of the new Investment Data Modernization Project and the Fraud Prevention tool



An initial enterprise-wide request of 131 new FTEs has been reduced by executive management to 37, which is below the authorized legislative limitations

FY24 New Resource Request

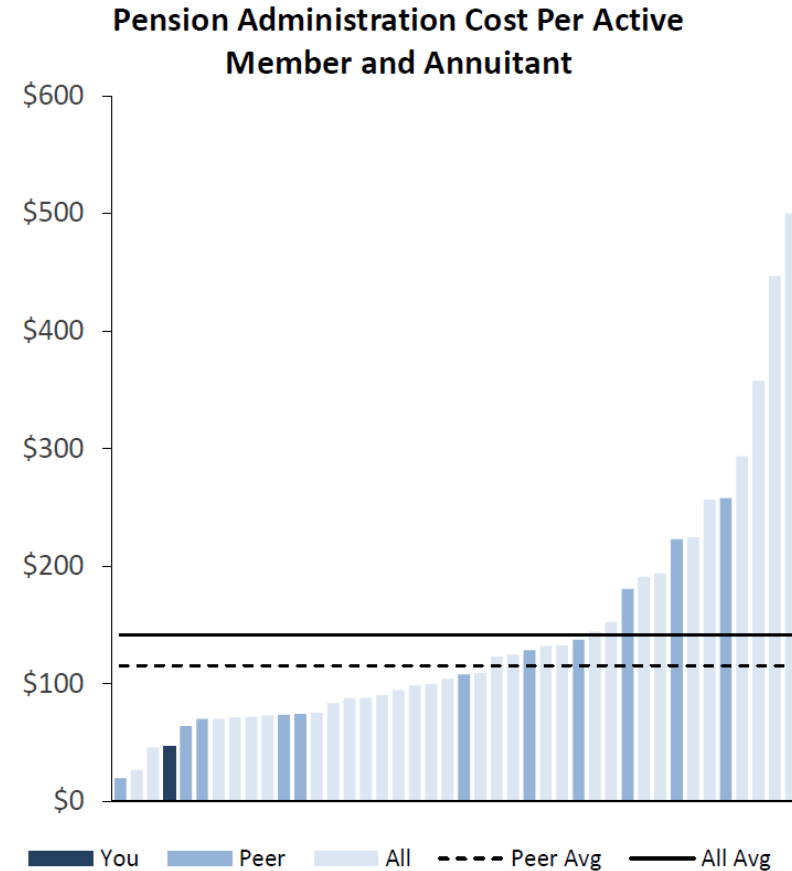
FY24 Prioritized Request

<i>Funding Source</i>		<i>Pension</i>				<i>Healthcare</i>	<i>Grand Total</i>
<i>Type of Resource</i>	Original Resource Request	Admin Operations	IDM Project	TEAM Project	Fraud Tool Project	Admin Operations	
Core Support							
Investment Management	14	-	1	-	-	-	1
Benefit Services	37	4	-	-	-	-	4
Health	7	-	-	-	-	3	3
Shared Support							
Business Administration	8	5	-	-	-	-	5
Executive	-						
Government Relations	-	-	-	-	-	-	-
Information Security	6	1	-	-	1	-	2
Financial Services	6	2	-	-	-	-	2
Information Technology	31	7	2	2	-	5	16
Legal & Compliance	3	-	-	-	-	1	1
Organizational Excellence	10	3	-	-	-	-	3
Internal Audit	2	-	-	-	-	-	-
Strategy Office	7	-	-	-	-	-	-
Total	131	22	3	2	1	9	37

- To address the growing demands and requirements of various departments within the organization, staff have requested to add additional resources essential to enhance operational efficiencies with contract administration, information technology, cybersecurity, legal and compliance, provide additional security and custodial services to accommodate the opening of Alpha at Mueller, support remote work complexities, and to facilitate effective talent acquisition processes.
- An enterprise-wide request of 131 new FTEs has been reduced to 37 following a detailed review by leadership
- As authorized by Article IX in the General Appropriations Act, all agencies may exceed the FTE cap up to 50 FTEs
- New positions will be managed within current authorized limitations

FY24 Administrative Operating Budget

- Actual budget growth continues to maintain an overall average growth rate of 7% since FY14
- Despite the increased costs, it is worth noting that the total pension administrative operating costs amount to \$47 per active member and annuitant, remaining below the peer average of \$115¹



Note 1: Source: 2022 CEM Survey

Summary of FY24 Administrative Operating Budget

PENSION TRUST FUND			HEALTH BENEFITS FUNDS			
	Administrative Operations	Commission Credits	TRS-Care (Retired Plan)	TRS-ActiveCare (Active Plan)	FY 2024 Administrative Operating Budget	
Revenues and Other Sources						
Legislative Appropriations - Administrative Operations	211,909,209	-	-	-	\$	211,909,209
Legislative Appropriations - Salary Adjustments	5,336,391	-	-	-	\$	5,336,391
Fringe Benefits Paid by the Pension Fund	36,776,900	-	-	-	\$	36,776,900
Commission Credits	-	10,984,500	-	-	\$	10,984,500
Health Administrative Operations	-	-	22,164,500	5,410,500	\$	27,575,000
Total Revenues and Other Sources	\$ 254,022,500	\$ 10,984,500	\$ 22,164,500	\$ 5,410,500	\$	292,582,000
Operating and Capital Expenses						
Wages and Benefits	172,819,000	-	16,535,500	2,256,500	\$	191,611,000
Professional Fees and Services	40,551,900	3,081,500	5,068,000	3,030,000	\$	51,731,400
Support	5,359,000	-	15,000	4,500	\$	5,378,500
Travel	2,721,600	-	205,000	60,000	\$	2,986,600
Operating	30,271,000	7,903,000	341,000	59,500	\$	38,574,500
Capital Expenditures	2,300,000	-	-	-	\$	2,300,000
Total Operating and Capital Expenses	\$ 254,022,500	\$ 10,984,500	\$ 22,164,500	\$ 5,410,500	\$	292,582,000
FY 2023 Operating Budget	\$ 235,887,600	\$ 20,625,000	\$ 17,927,000	\$ 4,369,000	\$	278,808,600
% Change from FY 2023 Budget	7.7%	-46.7%	23.6%	23.8%		4.9%

Includes estimated Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay.
The total amount requested for the FY 2024 Administrative Operating Budget from the Pension Trust Fund represents approximately 0.14% of the value of the fund

FY24 Administrative Operations

Pension Trust Fund

Pension Trust Fund	FY23 Budget	FY24 Budget	Year to Year Budget Change
Administrative Operations	\$ 232,004,000	\$ 235,311,700	\$ 3,307,700
Capital Projects			
Building Renovations <i>Funds facility needs to create a secure, productive, and space-efficient workplace.</i>	1,500,000	2,000,000	500,000
Security Renovations <i>Maintains TRS Security Division's technology infrastructure to assure safety and security.</i>	200,000	200,000	-
IT Infrastructure Upgrades <i>Funds to develop and maintain premise-based and cloud-based IT infrastructure applications, equipment, technologies, implement the fraud prevention tool and security needs.</i>	2,183,600	5,300,000	3,116,400
Investment Data Modernization <i>Improves fiduciary oversight of Trust asset valuation and performance by filling functional and technological gaps within current data structures and systems.</i>	-	10,100,000	10,100,000
Data Center Services <i>Funds the consumption of print/mail services and continued managed security vulnerability services through the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.</i>	-	1,110,800	1,110,800
Total Pension Trust Fund	\$ 235,887,600	\$ 254,022,500	\$ 18,134,900

- *FY24 Administrative Operations from the Pension Trust Fund exclusive of Capital Projects is a 1% increase and includes funding for the following:*
 - *Annualization of payroll for positions hired in 2022-2023*
 - *State mandated salary adjustments*
 - *Funding to augment building base fire and safety systems at Mueller location.*
 - *The Investment Data Modernization Project and the Fraud Prevention Tool*
 - *Continued services through Texas Department of Information Resources (DIR) Shared Technology Services (STS) program*

FY24 Administrative Operations

Commission Credits

	FY23 Budget	FY24 Budget	Year to Year Budget Change
Commission Recapture Arrangements (CRA)	30,000	10,000	(20,000)
Commission Sharing Arrangements (CSA)	20,595,000	10,974,500	(9,620,500)
Grand Total	\$ 20,625,000	\$ 10,984,500	\$ (9,640,500)

- FY24 Commission Credits
Administrative Operations decreased to
scale down programs based on current
commission credit estimates*

FY24 Administrative Operations

Health Trust Funds

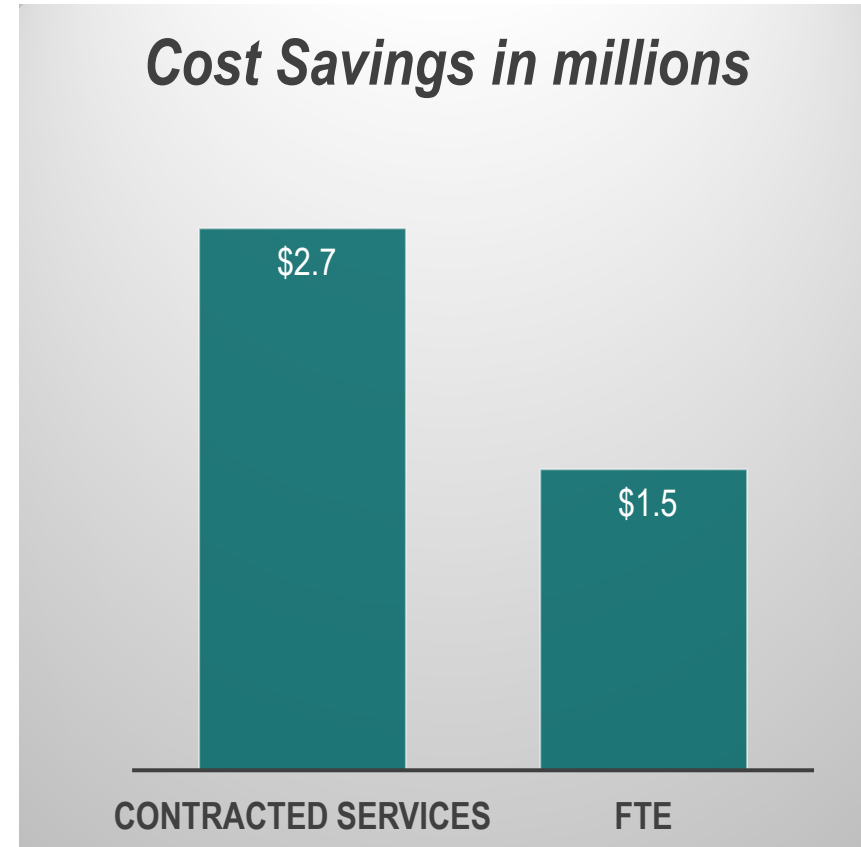
	FY23 Budget	FY24 Budget	Year to Year Budget Change
TRS-Care	17,927,000	22,164,500	4,237,500
TRS-ActiveCare	4,369,000	5,410,500	1,041,500
Grand Total	\$ 22,296,000	\$ 27,575,000	\$ 5,279,000

FY24 Administrative Operations from the Health Trust Funds includes funding for the following:

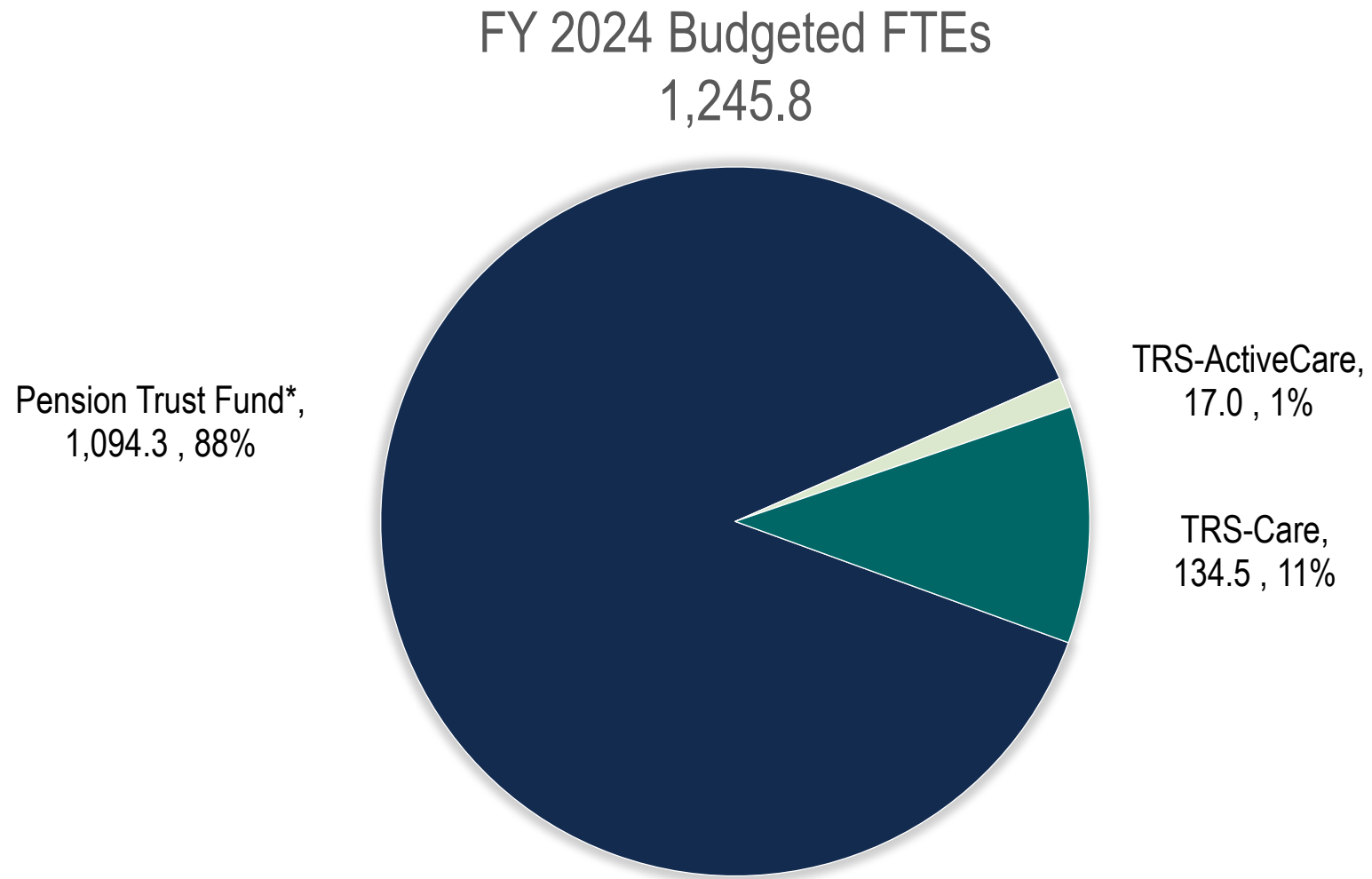
- Annualization of payroll for positions hired in 2022-2023*
- State mandated salary adjustments*
- Additional resources to implement optional group benefits for dental and vision care under the Texas Public School Employees Group Insurance Program, reduce reliance on external contractual support, increase technological support for enhancements to the health line of business*
- Consulting services to assist with the implementation of a new pharmacy benefits manager in 2024.*

FY24 Existing Resources Conversion

- Convert 18 currently utilized contracted positions in Benefit Services to full time staff by insourcing telephone counseling services for members. Cost savings of approximately \$1.2 million a year
- 1 position to provide employers support with requests for health-related reports upon the termination of contractual support. Cost savings of approximately \$300k a year.
- Convert 1 member of the fellowship program in Organizational Excellence to a full-time permanent position resulting in net zero impact to total headcount



FY24 Budgeted FTEs



FY24 Authorized FTE Cap is 1,047.3

**Article IX in the General Appropriations Act authorizes all agencies to exceed the FTE cap by 50 FTEs*

Incentive Compensation

- Historically, Investment Management has paid actual awards approximately from \$8 to \$12 million
- Realized potential awards are calculated in October, which is after the close of plan year in September. Assuming the fund is positive as of the end of plan year 2023, the estimated incentive compensation payout is \$47 million
 - Over the last 5 years, Investment Management Division (IMD) has delivered \$3.0 billion in excess value over the trust benchmarks
- Provisional language allows TRS to increase the FY24 budget up to the maximum reward allowed

Summary of Performance Pay Plan Potential Awards and Payout Schedule from Plan Years 2017 to 2023								
Amount in millions								
Award Plan Year	Realized Award	Estimated Award	Actual Award Payout					FY24 Estimated Payout
			FY19	FY20	FY21	FY22	FY23 ¹	
2017 Plan Year			\$ 4.3					
2018 Plan Year	\$ 8.7		\$ 4.4	\$ 4.2				
2019 Plan Year	\$ 13.3			\$ 6.5	\$ 6.0			
2020 Plan Year	\$ 7.1				\$ 3.6	\$ 3.3		
2021 Plan Year	\$ 17.1					\$ 8.8		\$ 7.8
2022 Plan Year	\$ 16.7							\$ 16.7
2023 Plan Year ²		\$ 22.4						\$ 22.4
			\$ 8.7	\$ 10.7	\$ 9.6	\$ 12.1	-	\$ 46.9

Note 1: No payout in Fiscal Year 2023 because the Trust Fund return for Plan Year 2022 is negative.

Note 2: Performance Pay policy was revised in FY23 to make one single award payment if the fund is positive as of the end of the plan year. Actual Award Payout may be less than realized potential award due to attrition.

General Provisions

TEACHER RETIREMENT SYSTEM OF TEXAS GENERAL PROVISIONS

The Teacher Retirement System (TRS) uses as guidelines the provisions of Article IX (General Provisions) of the General Appropriations Act adopted by the 88⁷th Texas Legislature (GAA) in administering the system to the extent that the Executive Director or a designee acting in the absence of the Executive Director determines that individual provisions of Article IX are in the best interests of TRS and are not in conflict with applicable TRS laws, fiduciary duties, or policies. In addition, it is the intent of the TRS Board of Trustees (board) that the General Provisions also apply to the TRS-Care Fund, and the TRS-ActiveCare Fund. The following provisions are also subject to this paragraph.

PENSION TRUST FUND ADMINISTRATIVE OPERATIONS – In adopting the related Budget Resolution, the board finds that authorizing expenditures from the Pension Trust Fund to pay for TRS' administrative operating expenses for the fiscal year is necessary to perform the fiduciary duties of the board. Further, the Legislature has not appropriated money from the State's general revenue fund for TRS to use in paying operating expenses for the fiscal year.

USE OF COMMISSION CREDITS – The board finds that the expenditure of commissions and credits, including soft dollars, commission sharing agreements, and cash recapture agreements (together, "Commission Credits") to obtain research, goods, and services supporting the investment function are necessary for the efficient and effective administration of pension trust fund assets and performance of the board's fiduciary duties. Uses of Commission Credits shall be administered in accordance with the board's Commission Credits Policy and applicable law.

CONTRACTOR PROVIDED RESOURCES – As part of the contracting process for goods and services (including investment management services), TRS has access to additional resources for operations, including services, credits deducted from payables, temporarily-assigned, non-TRS workers, or allowances, as part of the total contract consideration provided by the vendors or investment managers. Such resources may only be used or expended to the same extent, and for the same purposes, and are subject to the same duty of care and general requirements and policies, as other pension trust fund assets.

HEALTH BENEFITS FUNDS – Operations of the Texas Public School Retired Employees Group Benefits Program are funded from the Retired Employees Group Health Insurance Fund (the TRS-Care Fund). Operations of the Texas School Employees Uniform Group Health Coverage Program are funded from the Texas School Employees Uniform Group Coverage Trust Fund (the TRS ActiveCare Fund).

PERSONNEL SERVICES:

- **Hiring and Personnel Actions** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to hire personnel, to transfer personnel within the agency, and to approve base salaries, salary changes, and other personnel actions, including but not limited to promotions, demotions, re-assignment, merits, and recruitment and retention bonuses. TRS will generally base its salary schedules, position classifications, and salary administration practices on the provisions of Article IX, Chapter 659 of the Government Code, and other relevant legislation to the extent the Executive Director determines a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty or TRS policy. The board will set the salary rate for the Executive Director. The Executive Director is authorized to set the base salaries for other exempt positions within the not-to-exceed amounts listed in the GAA or any amended limits adopted by the board from time to time.
- **Performance Pay Plans** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to implement performance pay plan(s) as approved from time to time by the board, including authorizing payment of the performance pay to the extent funds have been included in the approved board resolution for that purpose or are otherwise made available through the Budget Execution Authority in these General Provisions; in an amount not to exceed ~~\$27.0~~ 69.3 million.
- **Longevity Pay and Benefit Replacement Pay** – The board authorizes the payment of Longevity Pay and Benefit Replacement Pay in addition to base pay. The payment of Longevity Pay and Benefit Replacement Pay to eligible TRS employees shall be administered in a manner consistent with the provisions of Chapter 659 of the Government Code and other relevant legislation.

OTHER PERSONNEL COSTS – Other Personnel Costs, including Employer Retirement Contributions, Employer FICA Contributions, Employer Health Insurance Contributions, and Benefit Replacement Pay, as estimated in the GAA, are necessary for efficient TRS operations, and may be revised by the Executive Director, or Deputy Director in the absence of the Executive Director, if needed to pay operating expenses for the fiscal year.

General Provisions

TEACHER RETIREMENT SYSTEM OF TEXAS

GENERAL PROVISIONS

(continued)

PROFESSIONAL SERVICES – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to contract for professional services and approve and disburse professional fees to persons or firms who render such professional services to TRS. The board finds that the budget for Professional Services authorized in this document is necessary to the performance of its fiduciary duties.

COUNSELING SERVICES – In accordance with Texas Government Code, Chapter 825, Subchapter G, the board authorizes the Executive Director or his designees, to the extent feasible, to make individual retirement benefits counseling sessions available to members in conjunction with informational or educational presentations that TRS provides for groups throughout the state, in order to promote efficiency and minimize the cost of such services. TRS will determine the geographic regions most in need of retirement benefits counseling and will provide retirement benefits counseling services in these regions throughout Texas.

TRAVEL – In accordance with TRS policy, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to reimburse employee and trustee travel expenses at amounts that are reasonable and necessary to conduct official TRS business, including transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters. The board finds that such reasonable and necessary expenses are necessary for the performance of fiduciary duties. These expenses may include additional allowances above standard or state law rates for transportation and meals. Travel expense reports requesting reimbursement must be submitted timely, and with proper documentation as set forth in the TRS Travel Guide.

BUDGET EXECUTION AUTHORITY – As required for the efficient operation of TRS programs, the Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to transfer budgeted funds up to 25% of an expense category between different expense accounts and major expense categories, so long as the total approved budget for operating expenses and capital outlay is not exceeded. This provision applies separately to the Pension Trust Fund, the TRS-Care Fund, and the TRS-ActiveCare Fund.

CONTINGENCY FOR CATASTROPHIC OCCURRENCES – In the event of a catastrophic occurrence which destroys or incapacitates TRS' physical plant and/or primary operating resources, the Executive Director, Deputy Director, or Chief Financial Officer may exceed the total approved budget to the extent necessary to achieve recovery of operational capabilities. The Executive Director, Deputy Director, or Chief Financial Officer will notify the Budget Committee of the board, as soon as possible, of the extent of the situation and the budgetary impact.

Board Resolution

Resolution

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

July 14, 2023

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, 88th 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;

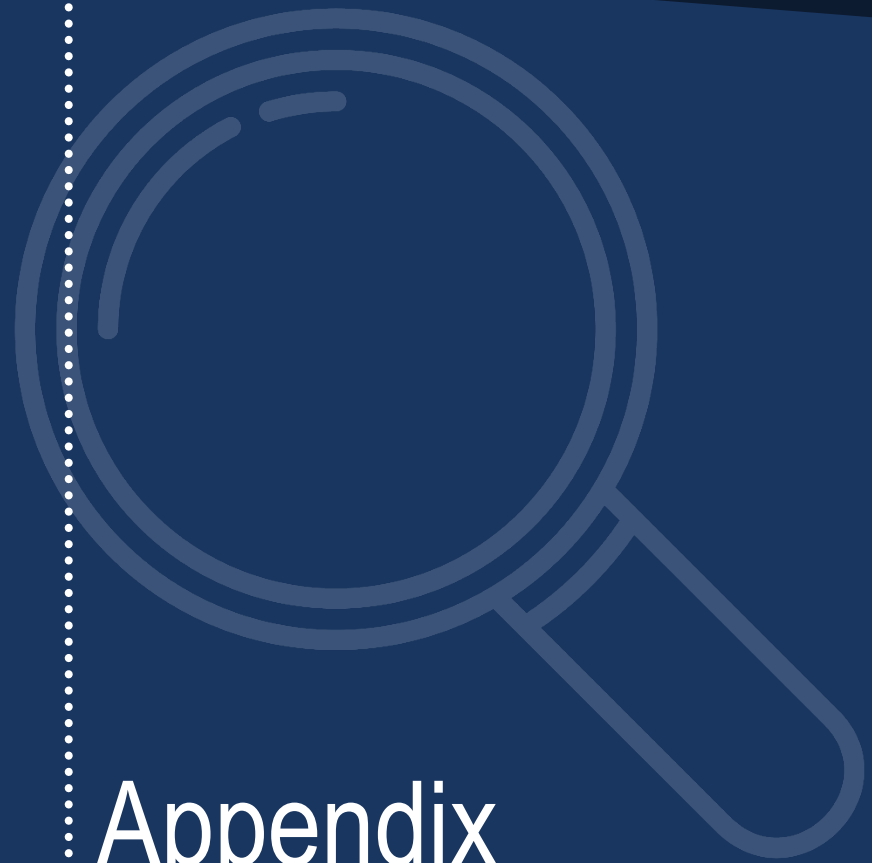
Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the performance pay plans maximum award of \$69.3 million.

Board Resolution

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2024 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of \$254,022,500, as approved today in the Fiscal Year 2024 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 \$69.3 million in Fiscal Year 2024, 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
- To pay operating expenses incurred as a result of reductions made during the 88th Legislature and changes in market conditions as may be required to ensure funding levels remain sufficient for ongoing agency key initiatives.

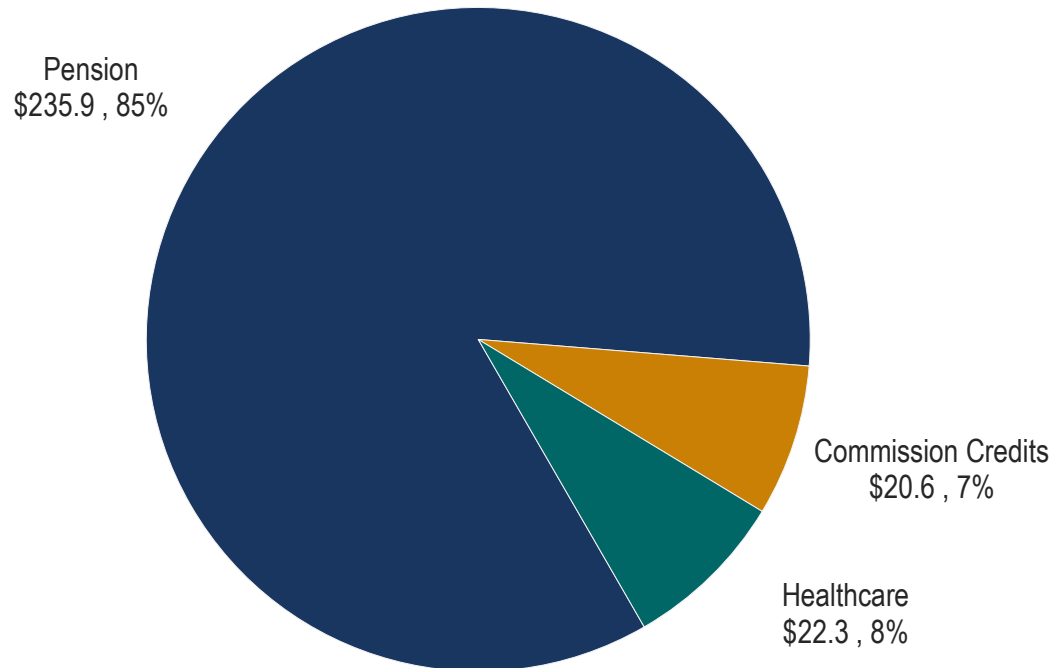
Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2024, but not to exceed the amount of \$254,022,500 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2024 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.



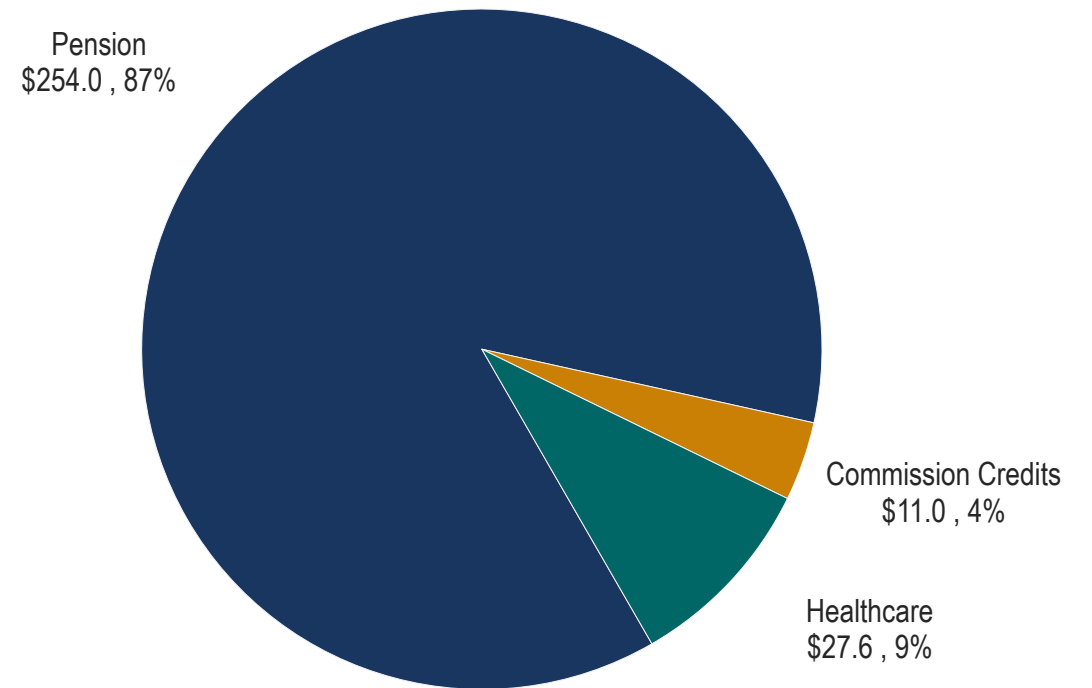
Appendix

FY23 vs FY24 Budget by Fund (\$ millions)

FY 2023 Operating Budget
\$278,808,600

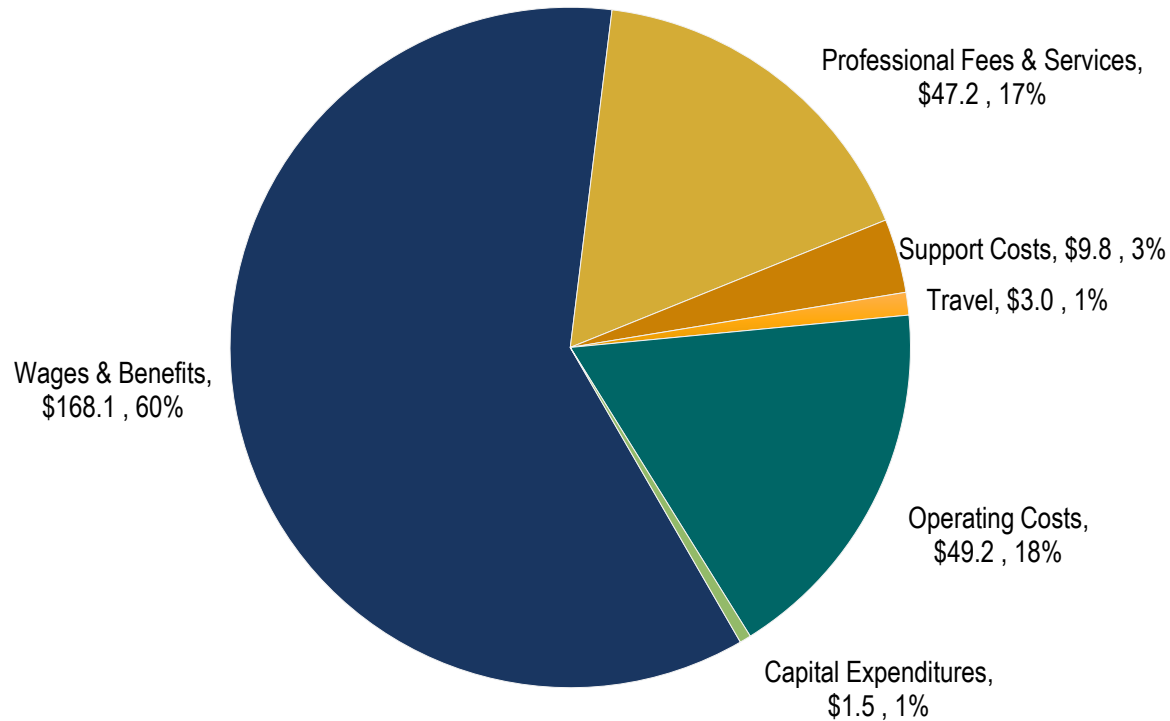


FY 2024 Operating Budget
\$292,582,000

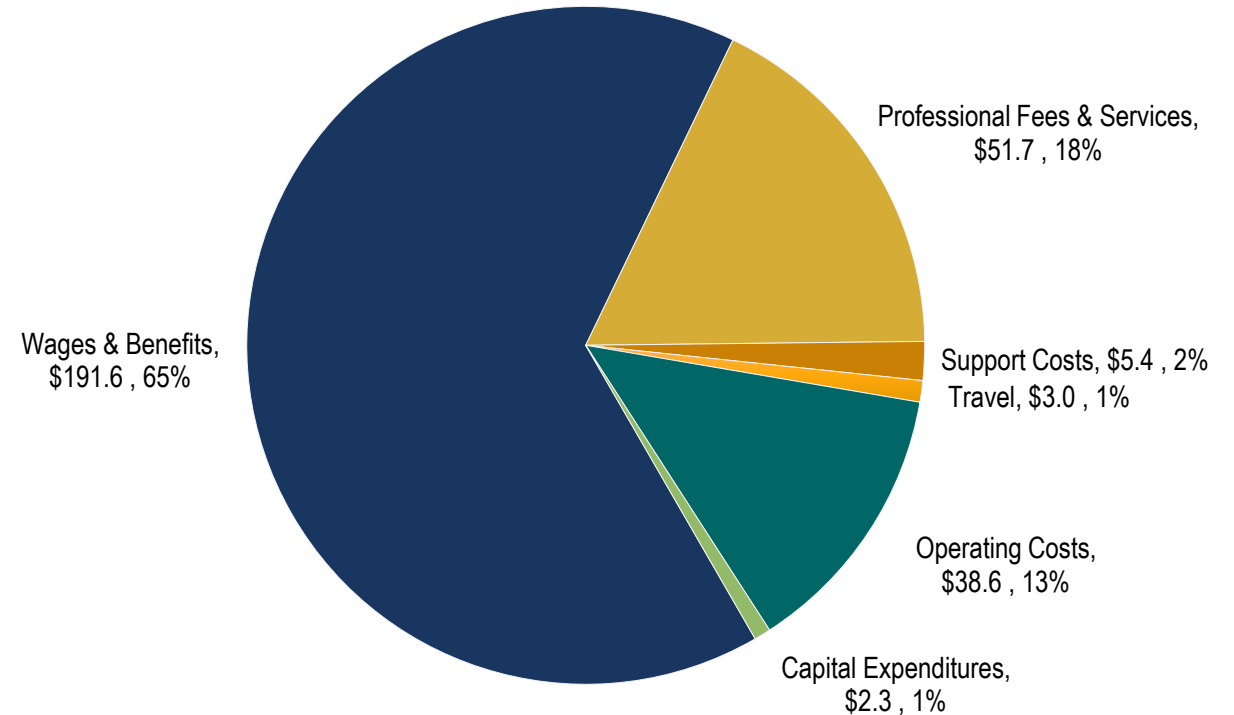


FY23 vs FY24 Budget by Category (\$ millions)

FY 2023 Operating Budget
\$278,808,600



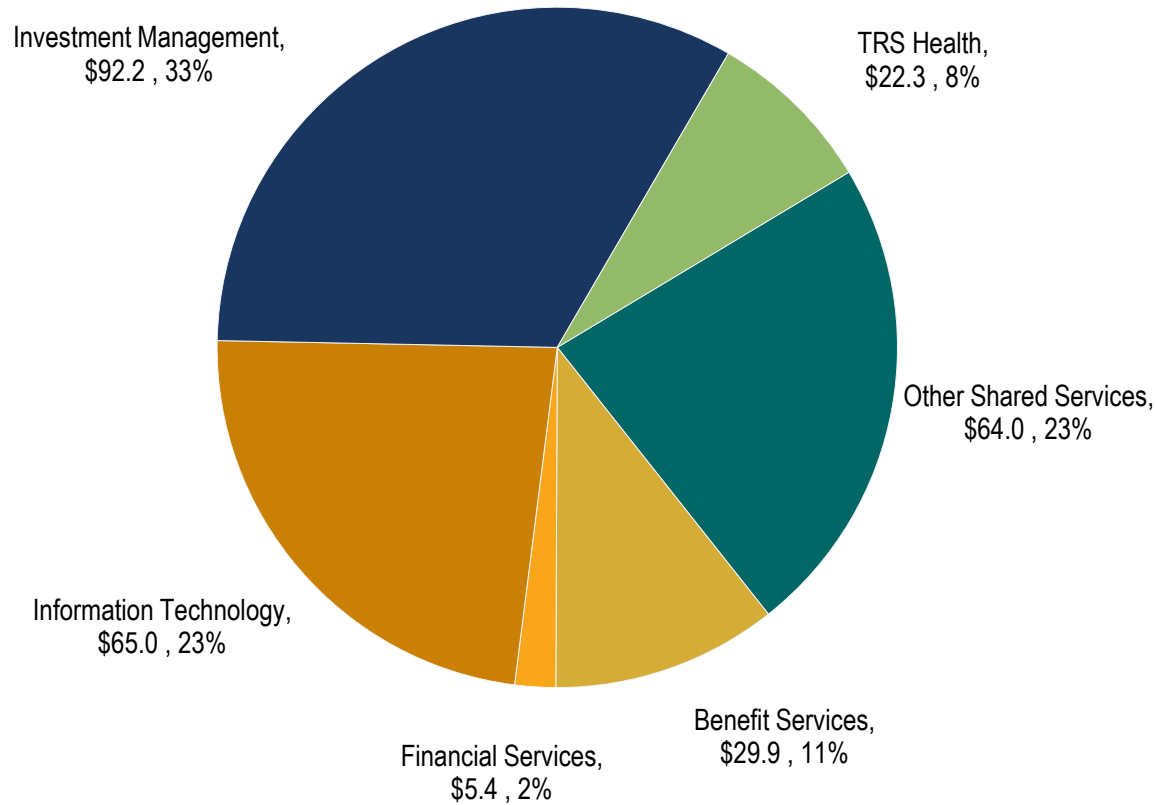
FY 2024 Operating Budget
\$292,582,000



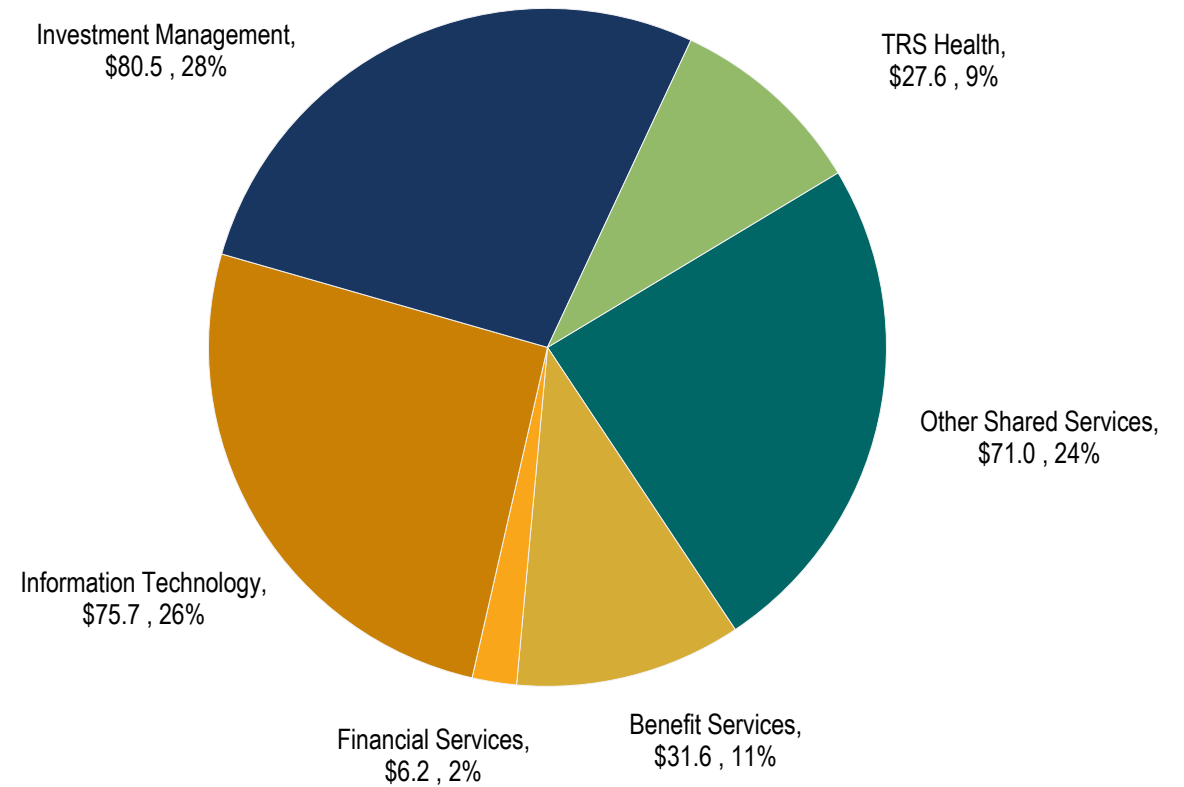
Operating costs: software, hardware, postage, printing, equipment, reference materials
Support costs: rental space, building/equipment maintenance, utilities, supplies

FY23 vs FY24 Budget by Division (\$ millions)

FY 2023 Operating Budget
\$278,808,600



FY 2024 Operating Budget
\$292,582,000



Other Shared Services includes Business Administration, Executive, Government Relations, Information Security, Internal Audit, Legal & Compliance, Organizational Excellence, and Strategy Office

FY24 Pension Trust Fund

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Salaries and other personnel expenses					
Salaries and wages	99,248,841	118,424,266	133,793,280	15,369,014	13%
Longevity pay	701,700	900,800	938,820	38,020	4%
Benefit replacement pay	23,309	36,900	35,700	(1,200)	-3%
Other employee benefits	868,853	1,234,600	1,370,000	135,400	11%
Employer FICA contributions	6,092,123	8,864,800	10,022,600	1,157,800	13%
Employer health insurance contributions	8,937,893	14,454,100	15,958,300	1,504,200	10%
Employer retirement contributions	-	9,182,200	10,700,300	1,518,100	17%
Salaries and other personnel expenses Total	115,872,719	153,097,666	172,819,000	19,721,334	13%
Professional fees and services	16,020,975	37,841,315	40,551,900	2,710,585	7%
Other operating expenses					
Consumable supplies and fuels	326,192	701,750	579,900	(121,850)	-17%
Utilities	800,883	1,902,850	1,731,000	(171,850)	-9%
Travel	578,664	2,717,284	2,721,600	4,316	0.2%
Rentals	5,755,203	5,337,868	972,600	(4,365,268)	-82%
Dues, fees, and staff development	417,503	956,211	1,089,400	133,189	14%
Hardware maintenance	1,227,198	1,197,000	650,000	(547,000)	-46%
Insurance premiums	829,921	1,120,000	1,050,850	(69,150)	-6%
Other operating	4,876,218	6,599,313	6,233,425	(365,888)	-6%
Subscriptions & reference information	68,679	180,259	165,400	(14,859)	-8%
Printing and reproduction services	445,334	302,000	400,000	98,000	32%
Building and equipment maintenance	988,834	1,832,200	2,075,500	243,300	13%
Furniture and equipment	731,524	2,650,173	2,056,025	(594,148)	-22%
Postage, mailing, and delivery	4,138,095	4,765,483	3,498,000	(1,267,483)	-27%
Software purchases and maintenance	8,993,186	13,176,684	15,127,900	1,951,216	15%
Other operating expenses Total	30,177,434	43,439,075	38,351,600	(5,087,475)	-12%
Capitalized expenses	571,717	1,509,544	2,300,000	790,456	52%
Grand Total	\$ 162,642,845	\$ 235,887,600	\$ 254,022,500	\$ 18,134,900	8%

FY24 Commission Credits Program

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Professional fees and services	8,305,793	2,801,213	3,081,500	280,287	10%
Other operating expenses					
Dues, fees, and staff development	53,700	20,000	7,000	(13,000)	-65%
Other operating	15,135,169	16,845,087	7,547,000	(9,298,087)	-55%
Subscriptions & reference information	169,130	175,000	91,500	(83,500)	-48%
Furniture and equipment	9,588	-	-	-	
Software purchases and maintenance	63,100	783,700	257,500	(526,200)	-67%
Other operating expenses Total	15,430,687	17,823,787	7,903,000	(9,920,787)	-56%
Grand Total	\$ 23,736,480	\$ 20,625,000	\$ 10,984,500	\$ (9,640,500)	-47%
Funding Source					
Investment Commission Recapture	166,387	30,000	10,000	(20,000)	-67%
Investment Commission Sharing	17,342,478	20,595,000	10,974,500	(9,620,500)	-47%
Investment State Street Bank	6,227,615	-	-	-	0%
Grand Total	\$ 23,736,480	\$ 20,625,000	\$ 10,984,500	\$ (9,640,500)	-47%

FY24 TRS-Care

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Salaries and other personnel expenses					
Salaries and wages	8,226,543	10,297,300	13,027,600	2,730,300	27%
Longevity pay	75,640	91,600	94,400	2,800	3%
Benefit replacement pay	2,063	2,200	2,200	-	0%
Other employee benefits	77,710	117,500	140,200	22,700	19%
Employer FICA contributions	611,216	747,100	914,600	167,500	22%
Employer health insurance contributions	836,329	977,300	1,184,000	206,700	21%
Employer retirement contributions	-	795,000	1,172,500	377,500	47%
Salaries and other personnel expenses Total	9,829,501	13,028,000	16,535,500	3,507,500	27%
Professional fees and services	2,965,185	4,338,000	5,068,000	730,000	17%
Other operating expenses					
Consumable supplies and fuels	573	7,500	7,500	-	0%
Utilities	-	7,500	7,500	-	0%
Travel	30,783	205,000	205,000	-	0%
Dues, fees, and staff development	13,390	32,000	32,000	-	0%
Other operating	36,628	295,000	295,000	-	0%
Subscriptions & reference information	874	6,500	6,500	-	0%
Printing and reproduction services	92	-	-	-	0%
Furniture and equipment	899	7,500	7,500	-	0%
Other operating expenses Total	83,239	561,000	561,000	-	0%
Grand Total	\$ 12,877,925	\$ 17,927,000	\$ 22,164,500	\$ 4,237,500	24%

FY24 TRS-ActiveCare

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Salaries and other personnel expenses					
Salaries and wages	1,329,312	1,535,100	1,775,400	240,300	16%
Longevity pay	19,840	20,600	16,400	(4,200)	-20%
Benefit replacement pay	1,031	1,100	-	(1,100)	-100%
Other employee benefits	11,828	20,100	22,700	2,600	13%
Employer FICA contributions	93,315	110,800	131,800	21,000	19%
Employer health insurance contributions	124,906	142,700	169,700	27,000	19%
Employer retirement contributions	-	114,600	140,500	25,900	23%
Salaries and other personnel expenses Total	1,580,232	1,945,000	2,256,500	311,500	16%
Professional fees and services	1,313,611	2,300,000	3,030,000	730,000	32%
Other operating expenses					
Consumable supplies and fuels	-	3,000	3,000	-	0%
Utilities	-	1,500	1,500	-	0%
Travel	20,768	60,000	60,000	-	0%
Dues, fees, and staff development	8,553	30,000	30,000	-	0%
Other operating	7,421	25,000	25,000	-	0%
Subscriptions & reference information	150	1,000	1,000	-	0%
Furniture and equipment	728	3,500	3,500	-	0%
Other operating expenses Total	37,620	124,000	124,000	-	0%
Grand Total	\$ 2,931,463	\$ 4,369,000	\$ 5,410,500	\$ 1,041,500	24%

FY 2024 Budget by Department

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
TRS Board of Trustees	149,249	1,013,000	214,000	(799,000)	-79%
Executive	909,728	1,441,640	1,485,000	43,360	3%
Business Administration	11,390,453	18,642,861	19,136,590	493,729	3%
Governmental Relations	361,090	427,800	461,140	33,340	8%
Information Security	1,595,584	2,672,500	3,663,400	990,900	37%
Internal Audit	2,840,209	4,016,600	4,785,100	768,500	19%
Legal & Compliance	8,224,892	12,310,773	12,464,500	153,727	1%
Organizational Excellence	4,972,428	7,894,992	8,633,855	738,863	9%
Strategy Office	2,941,625	4,210,100	4,374,260	164,160	4%
Agencywide	4,228,115	11,390,030	15,795,375	4,405,345	39%
Other Shared Services Total	37,613,373	64,020,296	71,013,220	6,992,924	11%
Benefit Services	472,161	633,500	656,020	22,520	4%
Benefit Accounting	2,280,234	3,790,321	3,903,200	112,879	3%
Benefit Counseling	7,363,018	12,141,179	13,190,260	1,049,081	9%
Benefit Processing	8,936,772	10,919,100	11,186,740	267,640	2%
Benefit Operations Support	1,062,776	1,769,600	1,903,620	134,020	8%
El Paso Regional Office	369,638	686,400	788,520	102,120	15%
Benefit Services Total	20,484,599	29,940,100	31,628,360	1,688,260	6%
Investment Management	54,086,980	65,450,623	64,013,460	(1,437,163)	-2%
London Office	3,574,988	6,083,826	5,498,380	(585,446)	-10%
Commission Credits	23,736,480	20,625,000	10,984,500	(9,640,500)	-47%
Investment Management Total	81,398,448	92,159,449	80,496,340	(11,663,109)	-13%

FY 2024 Budget by Department

	FY22 Expended	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Financial Services	3,442,321	4,348,666	5,197,580	848,914	20%
Chief Financial Officer	277,605	393,800	409,700	15,900	4%
Accounting and Reporting	130,913	180,500	184,500	4,000	2%
Accounts Payable and Travel	3,775	5,600	7,500	1,900	34%
Analytics & Financial Insights	391,716	288,334	277,400	(10,934)	-4%
Budget and Financial Analysis	6,713	9,900	9,300	(600)	-6%
Investment Accounting	7,304	111,300	91,900	(19,400)	-17%
Employee Payroll and Time Administration	4,311	15,000	17,400	2,400	16%
Financial Services Total	4,264,658	5,353,100	6,195,280	842,180	16%
Information Technology	8,187,017	11,554,104	18,855,016	7,300,912	63%
Enabling Technologies	22,757,450	34,876,896	30,791,700	(4,085,196)	-12%
Information Technology Total	30,944,467	46,431,000	49,646,716	3,215,716	7%
TEAM Project	11,673,780	15,066,455	15,143,184	76,729	1%
Investment Data Modernization Project	-	3,542,200	10,883,900	7,341,700	207%
TRS-Care Administrative	12,877,923	17,927,000	22,164,500	4,237,500	24%
TRS-ActiveCare Administrative	2,931,464	4,369,000	5,410,500	1,041,500	24%
Grand Total	\$ 202,188,712	\$ 278,808,600	\$ 292,582,000	\$ 13,773,400	4.9%

FY 2024 Budgeted FTEs

	FY22 Actual	FY23 Budgeted	FY24 Proposed	FY23-24 Change	% Change
Pension Funded					
Benefit Services	245.1	352.0	374.0	22.0	6.3%
Business Administration	58.9	73.8	78.8	5.0	6.8%
Executive	5.0	10.0	10.0	-	0.0%
Financial Services	30.9	36.0	38.0	2.0	5.6%
Governmental Relations	2.0	2.0	2.0	-	0.0%
Information Security	9.3	14.0	16.0	2.0	14.3%
Information Technology	84.8	129.0	136.0	7.0	5.4%
Internal Audit	12.8	16.0	16.0	-	0.0%
Investment Management	186.8	250.0	250.0	-	0.0%
Legal & Compliance	35.8	45.0	45.0	-	0.0%
Organizational Excellence	28.7	38.0	42.0	4.0	10.5%
Strategy Office	14.3	19.5	19.5	-	0.0%
TEAM	47.8	56.0	58.0	2.0	3.6%
Investment Data Modernization	-	6.0	9.0	3.0	50.0%
Pension Funded Total	762.2	1,047.3	1,094.3	47.0	4.5%
Healthcare Funded					
TRS-Care	45.3	59.0	63.0	4.0	6.8%
TRS-Care Support	57.1	65.5	71.5	6.0	9.2%
TRS-Active Care	7.3	9.0	9.0	-	0.0%
TRS-Active Care Support	7.6	8.0	8.0	-	0.0%
Healthcare Funded Total	117.3	141.5	151.5	10.0	7.1%
Agency Total	879.5	1,188.8	1,245.8	57.0	4.8%

11-Year Historical Trend – Administrative Operating Budget

(\$ in millions)

	FY14 Budget	FY15 Budget	FY16 Budget	FY17 Budget	FY18 Budget	FY19 Budget	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget
Pension Trust Fund	115.0	119.6	128.2	135.0	139.9	159.6	177.4	170.1	189.7	235.9	254.0
Commission Credit	33.1	33.1	22.1	24.4	24.7	28.7	30.1	25.5	27.1	20.6	11.0
Healthcare	7.2	8.1	8.8	11.0	12.7	14.3	16.3	17.6	20.6	22.3	27.6
Contingency ¹	21.7										
Total	\$ 155.3	\$ 160.8	\$ 159.1	\$ 170.4	\$ 177.3	\$ 202.6	\$ 223.8	\$ 234.8	\$ 237.3	\$ 278.8	\$ 292.6
% Year to Year Change		4%	-1%	7%	4%	14%	10%	5%	1%	17%	4.9%
Budgeted FTEs	458.2	468.2	480.7	491.3	734.9	816.5	847.3	883.3	932.8	1,188.8	1,247.8

¹Contingency Account in FY21 reflects TRS' efforts to reduce costs across all funds in response to the sharp economic downturn associated with COVID-19

11-year average
budget growth is 7%

87% of Budget is funded
by Pension Trust Fund Assets

Pension Admin Operating Budget
represents less than 1% of the value
of the Trust fund

8-Year Lapse History FY 2016-2023 *(\$ in millions)*

Program/Category	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023*
TEAM/CAPPS/HILOB	\$8.8	\$0.7	\$2.4	\$3.9	\$3.0	\$2.6	\$1.7	\$3.5
Commission Credits	\$3.4	\$5.5	\$3.2	\$8.2	\$9.7	\$6.0	\$4.3	\$1.8
Salaries/Benefits	\$6.2	\$8.0	\$7.9	\$9.5	\$12.6	\$18.5	\$7.5	\$20.2
Professional Fees & Services	\$1.1	\$1.5	\$3.3	\$2.7	\$3.7	\$5.9	\$1.8	\$9.7
Travel	\$0.5	\$0.1	\$0.4	\$0.6	\$1.6	\$2.0	\$1.6	\$1.9
Support Costs	\$1.0	\$0.6	\$0.7	\$0.6	\$0.8	\$0.3	\$0.4	\$1.2
Operating Costs	\$8.1	\$2.7	\$5.1	\$3.0	\$4.4	\$2.3	\$1.5	\$8.7
Total Lapse	\$29.1	\$19.6	\$23.0	\$28.5	\$35.8	\$37.6	\$18.8	\$47.0
% of Budget Lapsed	18%	11%	13%	14%	16%	16%	8%	17%

**FY 2023 includes projected amounts to be lapsed.*

8-year average
Lapsed budget is 14%

Salaries/Benefits generates the most
lapse from vacant positions

TEAM has lapsed on average \$3
million over the last 8 years

FY24 Resource Request

Pension Funded



Operational Efficiency

Benefit Services

- 4 positions to enhance data resolution analysis and member payment/rollover processing. These positions will help maintain data quality, support upcoming data conditioning for the significant system enhancements for trust

Information Technology

- 7 additional resources are needed to leverage emerging technologies with cloud computing, cybersecurity, and the proliferation of digital data to support data-driven decision-making, optimize processes, and improve the customer experience



Cybersecurity / Headquarter Relocation

Business Administration

- 5 positions for the new headquarters in Mueller which will necessitate additional custodial and security services to accommodate the agencies expanded duties and responsibilities

Information Security

- 1 position to support data security to protect against potential cybersecurity threats

Organizational Excellence

- 3 positions to provide necessary accommodations and facilitate effective talent acquisition processes to continue enhancing service levels and support the organization's growth with workplace accommodations and remote work environment



Tax Accounting

Financial Services

- 2 positions to provide support with the application of tax laws, regulations, and accounting principles related to member financial information to optimize the benefits and risk with complex tax requirements and to ensure compliance with applicable tax laws

FY24 Resource Request

Health Funded



Health Program Operations

TRS Health Division

- 2 positions to support SB 1854 of the 88th Legislative Session that relates to implementing optional group benefits for dental and vision care under the Texas Public School Employees Group Insurance Program.
- 1 position to support health care contract management which includes procuring contractors, negotiating pricing and terms, monitoring and evaluating service delivery, validating guarantees, and coordinating audits.



Health Administration Support

Legal & Compliance

- 1 position to support growing complexities with legal and compliance, such as federal and state legal regulations, legal challenges in health plan administration, coordination of benefits, subrogation's and recovery negotiations, and provider networks and contracting.



Health Technological Support

Information Technology

- 5 positions to support the maintenance, enhancement, and launch of web self-service and customer relationship management initiatives within the Health line of business product which includes the integration of externally sourced components into the organization's internal processes to enhance operational efficiency.

FY24 Resource Request

Project Related



Investment Data Modernization

Information Technology

- 2 positions to provide technical infrastructure provisioning, project management, and to support the investment book of record system configuration, integration, and data conditioning.

Investment Management

- 1 position to support investment data configuration and management, custodian system integration, custody and accounting data feed refactor, investment data ownership, data vendor management, and data catalog maintenance.



Fraud Prevention Tool

Information Security

- 1 position to support the implementation of the Fraud Prevention Tool to manage and mitigate cyber-security threats.



TEAM

Information Technology

- 2 positions to support the final and largest release of the Payroll, Benefits, and Tax functions of TRUST with system engineering, testing, and training