

**December 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 and Elvis Williams)*

*All or part of the December 7, 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 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: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*The open portions of the December 7, 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](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

**AGENDA**

**December 7, 2023 – 10:30 a.m.**

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the July 2023 committee meeting – Committee Chair.
3. Review the Annual Comprehensive Financial Report for fiscal year 2023 – Don Green, Patti Roano and Eddie Chan.
4. Review fiscal year 2023 administrative operations budget year end and an update on the administrative budget for fiscal year 2024 including FTE update – Don Green.

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.

## **Minutes of the Budget Committee July 13, 2023**

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas met on July 13, 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. David Corpus  
Mr. Jarvis V. Hollingsworth  
Mr. James Dick Nance  
Ms. Nanette Sissney

### **Other TRS Board Members present:**

Ms. Brittny Allred  
Mr. Robert H. Walls, Jr.  
Mr. Elvis Williams

### **Others who participated:**

Brian Guthrie, TRS  
Andrew Roth, TRS  
Don Green, TRS  
Jase Auby, TRS  
Heather Traeger, TRS  
Amanda Jenami, TRS  
Janie Duarte, TRS  
Eddie Chan, TRS  
Jessica Brown, TRS  
Kendall Courtney, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

Budget Committee Chair, Mr. Michael Ball, called the meeting to order at 1:00 p.m.

### **1. Call roll of Committee members.**

Ms. Farrell called the roll. A quorum was present.

### **2. Consider the approval of the proposed minutes of the April 2023 committee meeting – Chair Nanette Sissney.**

On a motion by Mr. Williams, seconded by Mr. Hollingsworth, the committee voted to approve the proposed minutes for the April 2023 Budget Committee meeting as presented.

### **3. Receive an overview of expenses related to the Commission Sharing Arrangements (CSA) – Don Green and Kendall Courtney.**

Mr. Don Green reviewed that there are various types of non-appropriated funds within the operating budget noting commission credits as one. He reported initially commission credits were not included within the budget but then moved into the budget. He said at the peak it was over \$30 million within the operating budget. Ms. Kendall Courtney stated that commission credit program has ranged from \$4 to 30 million over the last 20 years. She reported that effective August 1, 2023 charging commission sharing arrangements will discontinue with the exception of Internal Fundamental (IFM) trades. She said the change has no impact to the Trust. She said the benefits of the change include potential savings in fees and resources, reduced complexity and better alignment of allocating cost to the business units who use the service.

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).**

Mr. Don Green reviewed recent legislative actions including the across-the-board state employee pay raise that went into effect July 1 to be payable August 1. He said the overall increase in the proposed budget compared to fiscal year 2023 is 4.9 percent which is consistent with the amounts that were appropriated by the legislature. Mr. Green reviewed other key highlights including converting 20 contractors to FTEs and two major capital initiatives - the investment data modernization project and the fraud prevention tool. He discussed how this years incentive compensation pay out may cover three years due to the policy change in the 2023 plan year to make payments over one year rather than two years combined with negative returns during FY 2022 resulting in no payments for FY 2023.

On a motion by Mr. Nance, seconded by Mr. Corpus, the committee voted unanimously to recommend to the Board the adoption of the proposed fiscal year 2024 pension trust fund administrative operations budget, general provision, and resolution authorizing the transfer of pension trust funds to the TRS expense account to cover the expenses approved under fiscal year 2024 budget, as presented by staff.

**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, 88<sup>th</sup> 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.

**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 88<sup>th</sup> 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.

On a motion by Mr. Hollingsworth, seconded by Mr. Corpus, the committee voted unanimously to recommend to the Board the adoption of the proposed fiscal year 2024 administrative operation budget and general provisions for the TRS health benefits fund, both retired and active, as presented by staff.

5. **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, 2024.**

Mr. Green reported the statutorily required certification involved TRS-Care certifying to the Comptroller the estimated amount of state match as \$474,190,449 million.

On a motion by Ms. Sissney and seconded by Mr. Williams, the committee voted unanimously to recommend to the Board the statutory certification of the estimated state contributions, as presented by staff.

With no further business before the Committee, the meeting adjourned at 1:35 p.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on December \_\_\_\_, 2023.

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Katherine H. Farrell  
Secretary of the TRS Board of Trustees

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Date

**TAB 3**



# 2023 Annual Comprehensive Financial Report

- ❖ Don Green, Chief Financial Officer
- ❖ Patti Roano, Director, Accounting & Reporting
- ❖ Eddie Chan, Senior Director, Investment Accounting





# 2023 Annual Comprehensive Financial Report



# 2023 Annual Comprehensive Financial Report- GFOA Triple Crown Winner



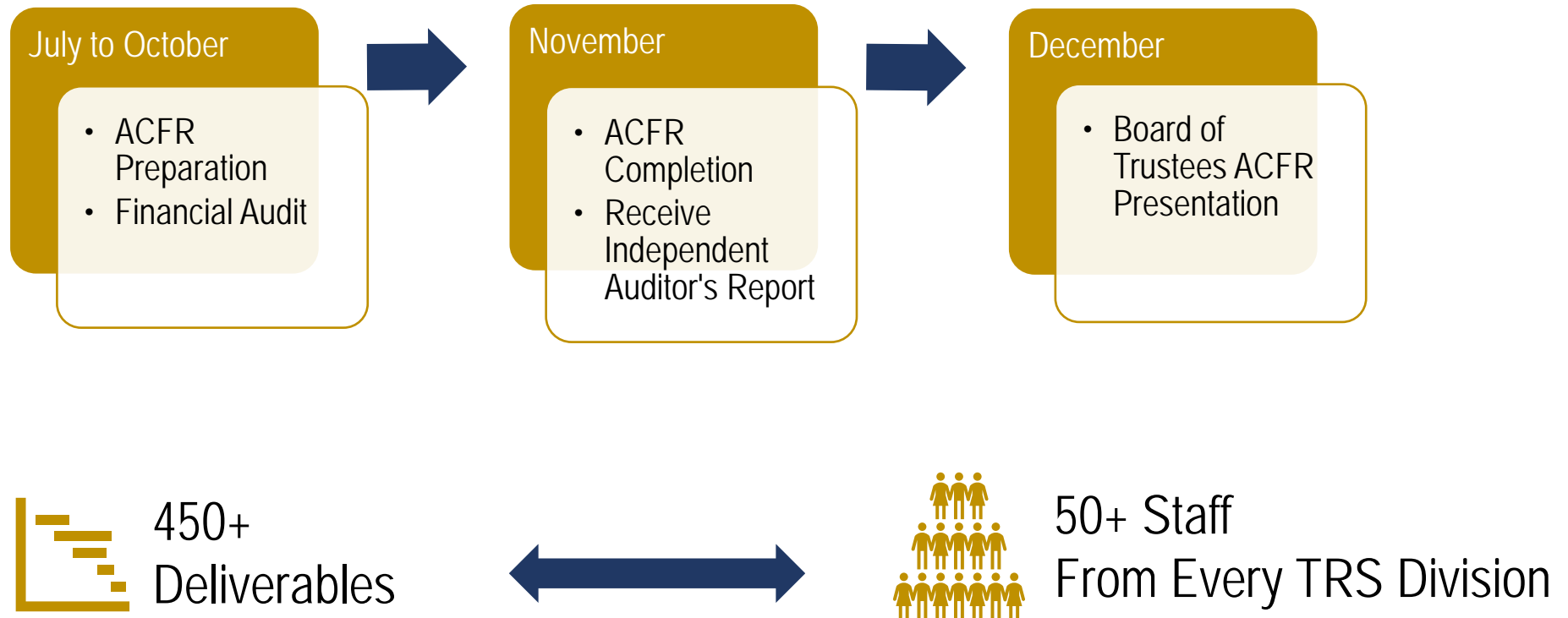
Government Finance Officers Association of the United States and Canada (GFOA) has named **Teacher Retirement System of Texas, TX** as a **2021 Triple Crown Winner**.

GFOA's Triple Crown designation recognizes governments who have received GFOA's **Certificate of Achievement for Excellence in Financial Reporting** or Canadian Award for Financial Reporting, **Popular Annual Financial Reporting Award**, and **Distinguished Budget Presentation Award** for a fiscal year.

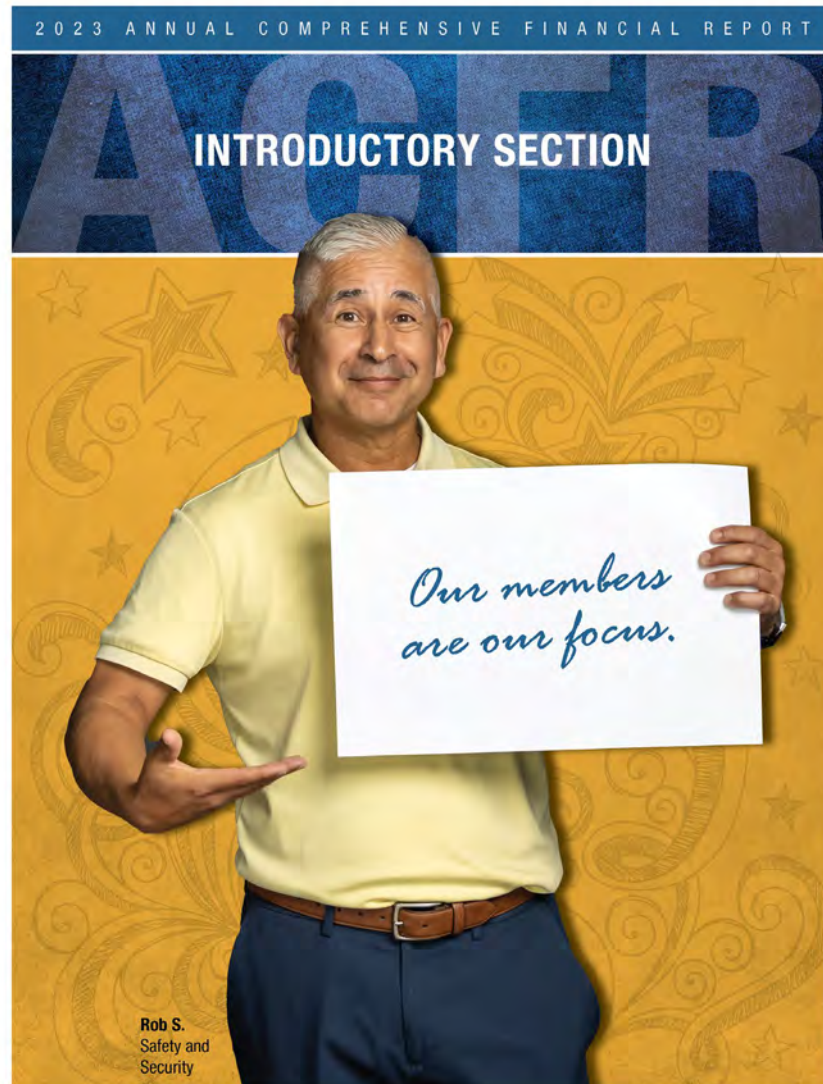
**Teacher Retirement System of Texas** is one of just 331 governments that received the Triple Crown for fiscal year 2021.

The Triple Crown designation represents a significant achievement. To qualify, each entity must meet the high standards of all three separate award programs. Each award program recognizes governments that produce reports which communicate their financial stories in a transparent manner and meet applicable standards.

# 2023 Annual Comprehensive Financial Report- ACFR Timeline



# 2023 Annual Comprehensive Financial Report- Introductory Section



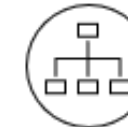
Board of Trustees



Professional Awards



Letter of Transmittal



Organization Chart



Staff and Advisors



Membership Information

# 2023 Annual Comprehensive Financial Report- Membership Information

## Membership Pension Trust Fund

### Current Members

Active Contributing	953,295
Inactive Non-vested	424,658
Inactive Vested	134,100
<b>Total Current Members</b>	<b>1,512,053</b>

### Retirement Recipients

Service	457,779
Disability	11,933
Survivor	20,209
<b>Total Retirement Recipients</b>	<b>489,921</b>
<b>Total Membership</b>	<b>2,001,974</b>

Administrative Cost Per Member	\$	42.55
Investment Cost Per Member	\$	421.57

Participating Employers	1,350
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## Membership TRS-Care

Retirees	178,043
Surviving Spouses	5,813
Surviving Children	106
Dependent Spouses and Children	31,862
<b>Total Membership</b>	<b>215,824</b>

Administrative Cost Per Member	\$	105.64
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Participating Employers	1,241
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## Membership TRS-ActiveCare

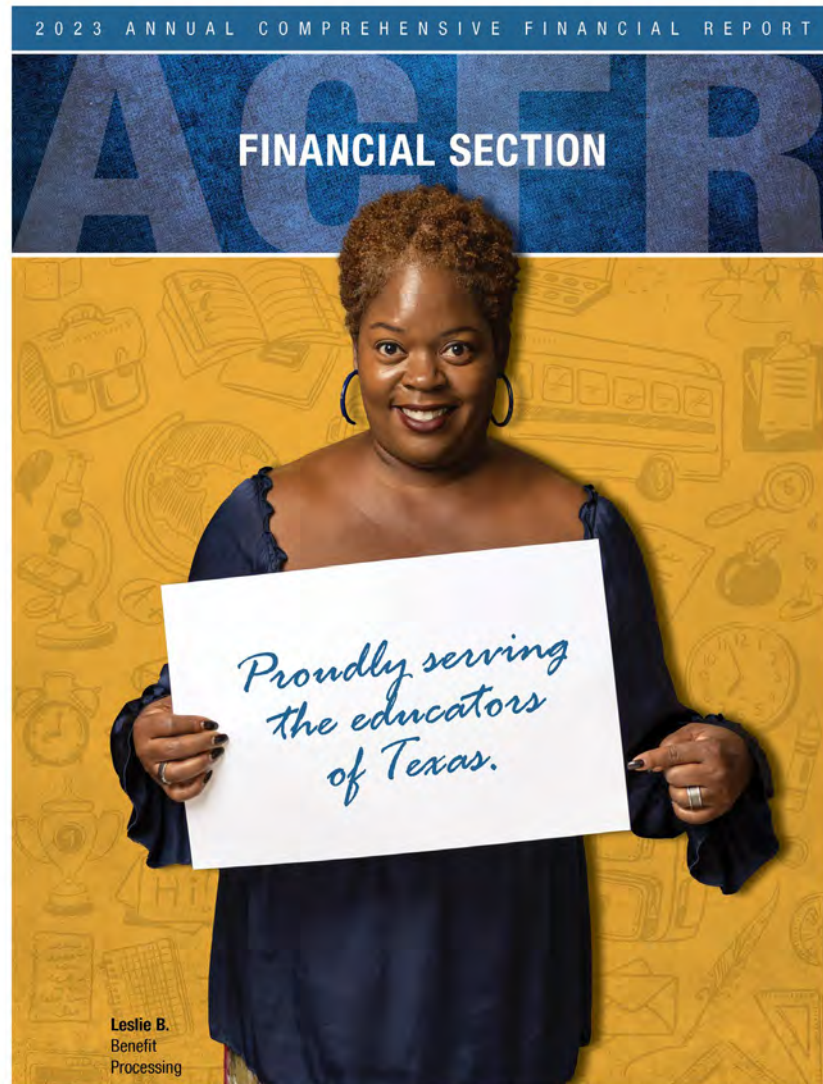
Employees	273,147
Dependents	151,549
<b>Total Membership</b>	<b>424,696</b>

Administrative Cost Per Member	\$	12.18
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Participating Employers	982
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# 2023 Annual Comprehensive Financial Report- Financial Section



-  Independent Auditor's Report
-  Management's Discussion and Analysis
-  Basic Financial Statements
-  Notes to the Financial Statements
-  Required Supplementary Information
-  Other Supplementary Information

# 2023 Annual Comprehensive Financial Report- Financial Highlights Pension Trust Fund

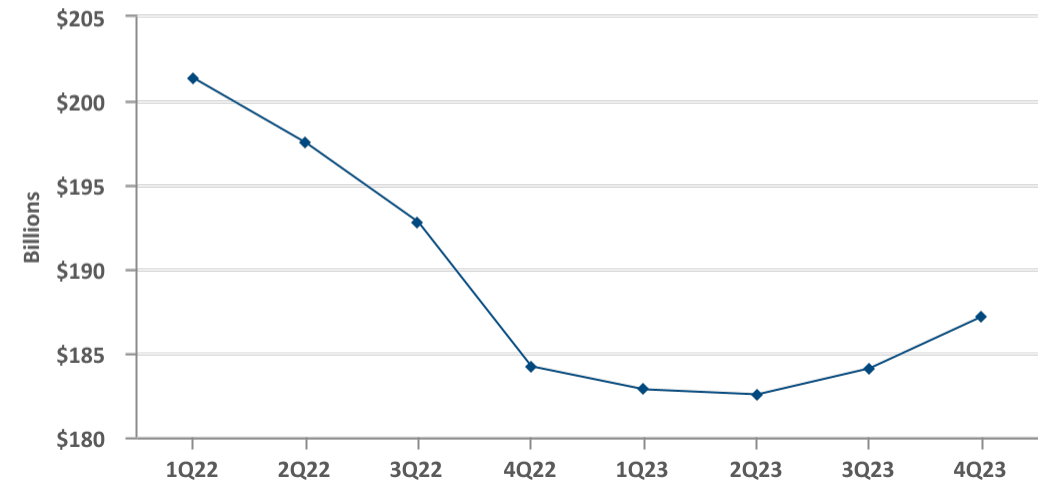
## Financial Highlights

### Pension Trust Fund

(Dollars in Billions)

<b>Beginning Net Position - September 1, 2022</b>	<b>\$</b>	<b>184.2</b>
<b>Additions</b>		
Member Contributions	\$	4.5
Non-Employer Contributing Entity Contributions		2.3
Employer Contributions		2.9
Other Revenue		0.1
Investment Income		6.9
<b>Total Additions</b>	<b>\$</b>	<b>16.7</b>
<b>Deductions</b>		
Retirement Benefits and Other	\$	(12.9)
Refunds of Contributions		(0.7)
Administrative Expenses		(0.1)
<b>Total Deductions</b>	<b>\$</b>	<b>(13.7)</b>
<b>Ending Net Position - August 31, 2023</b>	<b>\$</b>	<b>187.2</b>

Quarterly Net Position  
Pension Trust Fund  
Fiscal Years 2021-2022



# 2023 Annual Comprehensive Financial Report- Financial Highlights TRS-Care

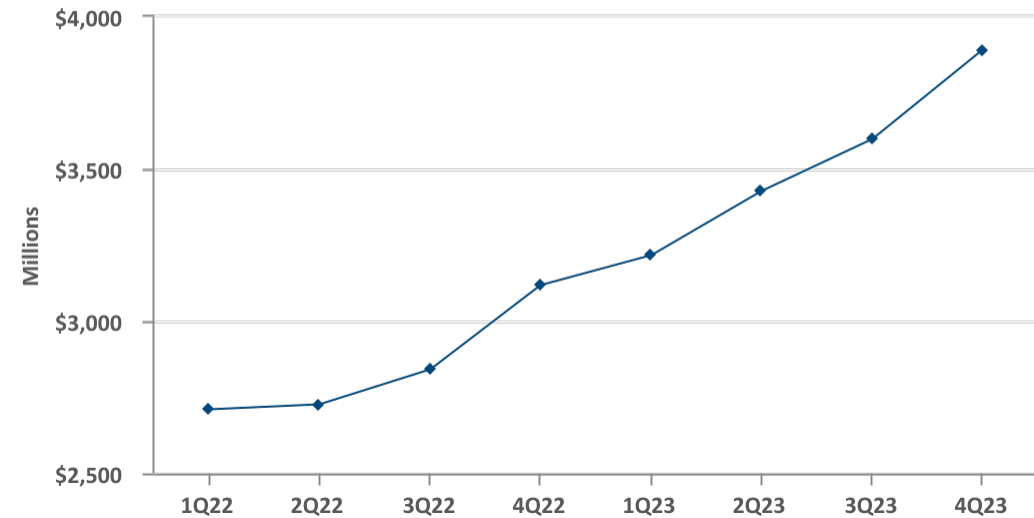
## Financial Highlights

### TRS-Care

(Dollars in Millions)

<b>Beginning Net Position - September 1, 2022</b>	<b>\$ 3,117.9</b>
<b>Additions</b>	
Member Contributions	277.5
Non-Employer Contributing Entity Contributions	474.4
Participating Employers Contributions	394.0
Rebates and Discount Income	578.0
Federal Revenue	188.2
Supplemental Funding - Appropriations	21.3
Other Revenue	40.1
Investment Income	130.1
<b>Total Additions</b>	<b>\$ 2,103.6</b>
<b>Deductions</b>	
Health Care Claims	\$ (1,781.3)
Less: Health Care Premiums Paid by Retirees	502.2
Health Care Claims Processing	(29.6)
Health Care Fees	(0.2)
Administrative Expenses	(22.8)
<b>Total Deductions</b>	<b>\$ (1,331.7)</b>
<b>Ending Net Position - August 31, 2023</b>	<b>\$ 3,889.8</b>

Quarterly Net Position  
TRS-Care  
Fiscal Years 2020-2021





# 2023 Annual Comprehensive Financial Report- Financial Highlights TRS-ActiveCare

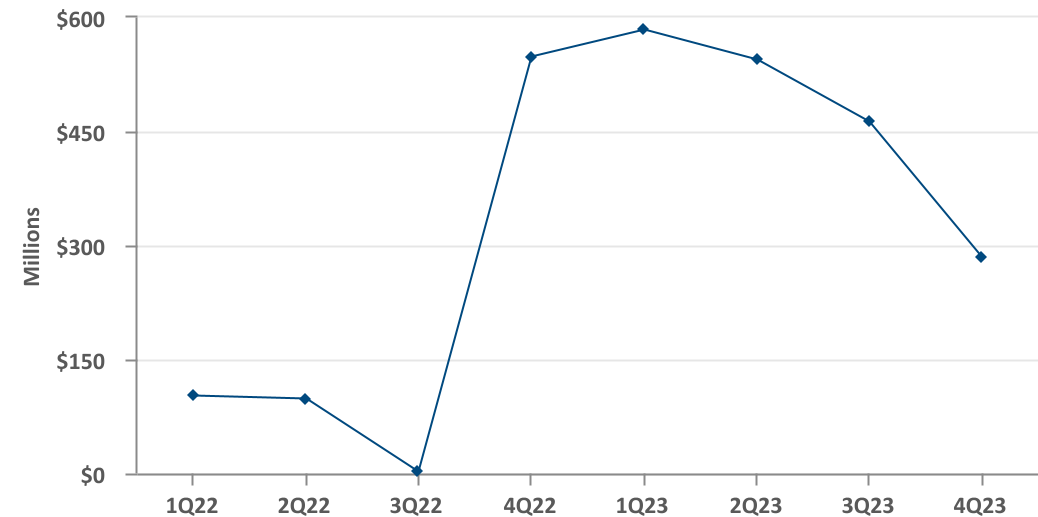
## Financial Highlights

### TRS-ActiveCare

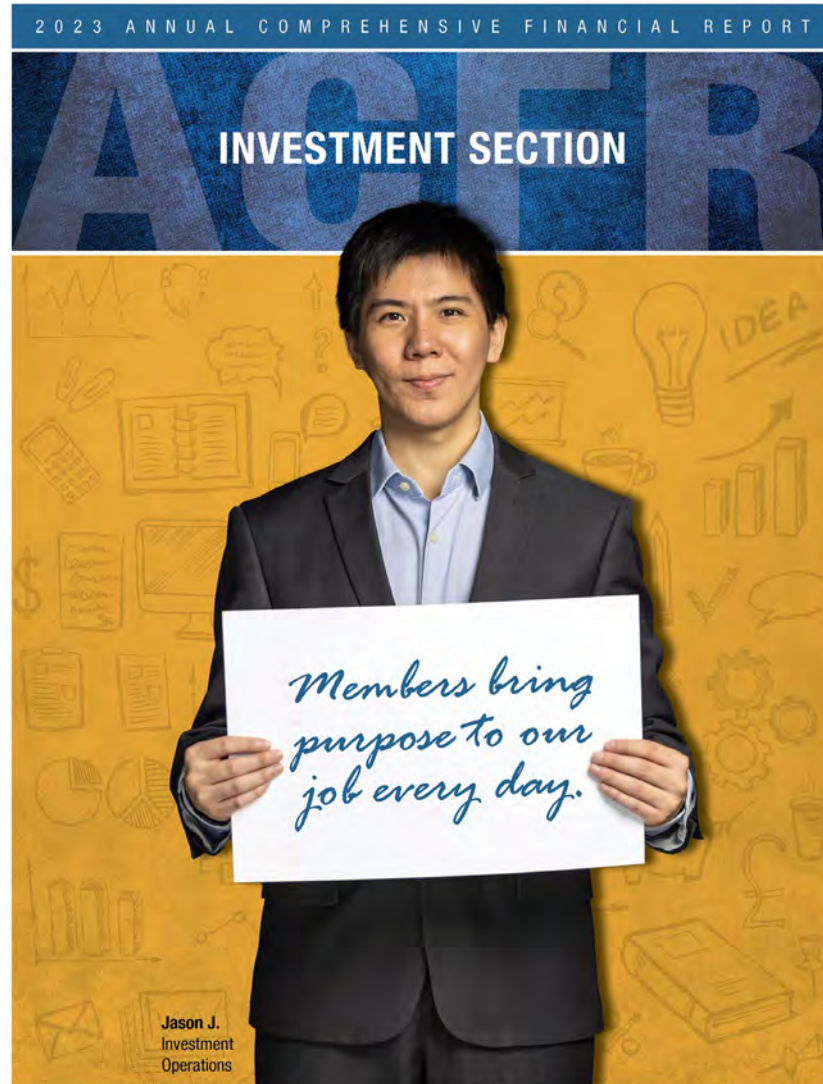
(Dollars in Millions)

<b>Beginning Net Position - September 1, 2022</b>	<b>\$</b>	<b>547.5</b>
<b>Additions</b>		
Health Care Premiums		1,830.9
Rebates and Discount Income		227.9
Investment Income		27.7
<b>Total Additions</b>	<b>\$</b>	<b>2,086.5</b>
<b>Deductions</b>		
Health Care Claims	\$	(2,192.8)
Health Care Claims Processing		(67.4)
Health Care Fees		(1.1)
Premium Payments to HMOs		(83.7)
Administrative Expenses		(5.2)
<b>Total Deductions</b>	<b>\$</b>	<b>(2,350.2)</b>
<b>Ending Net Position - August 31, 2023</b>	<b>\$</b>	<b>283.8</b>

Quarterly Net Position  
TRS-ActiveCare  
Fiscal Years 2020-2021



# 2023 Annual Comprehensive Financial Report- Investment Section



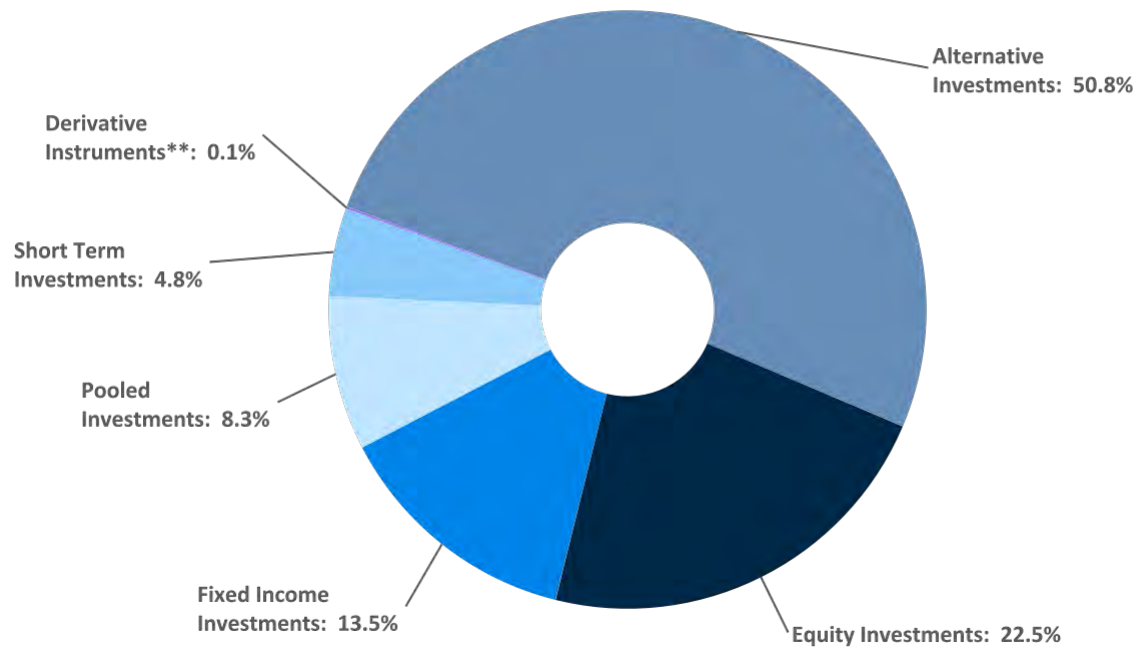
Investment Section Overview



Report on Investment Activities

# 2023 Annual Comprehensive Financial Report- Asset Allocation

Asset Allocation of Investments based on the  
Statement of Fiduciary Net Position\*

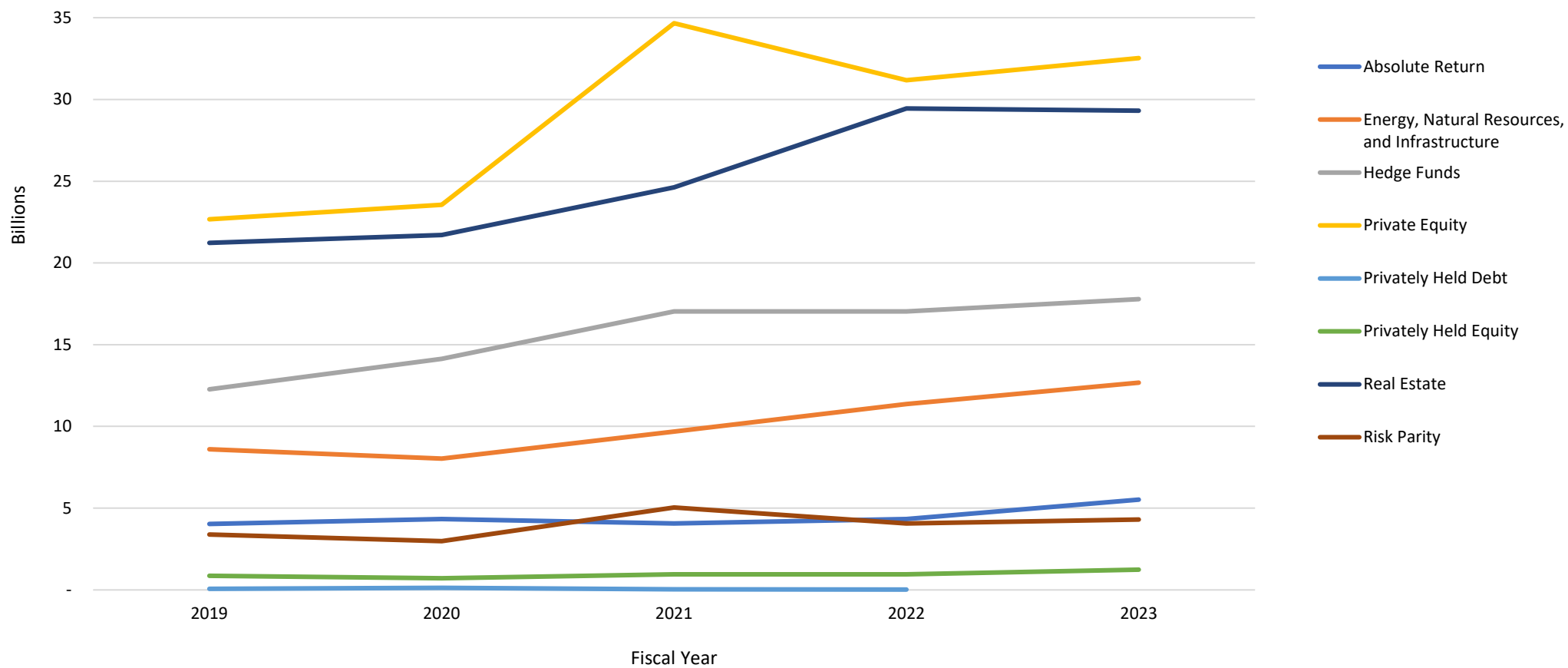


\*An overview of each investment type is provided in Note 3.C. of the Notes to the Financial Statements, including the fair value of each component.

\*\*Derivative instruments are reported on a net basis in the chart above. Please refer to Note 3.D. of the Notes to the Financial Statements for more information.

# 2023 Annual Comprehensive Financial Report- Alternative Investments

Trend of Alternative Investments over the 5-year period from Fiscal Years 2019 to 2023



# 2023 Annual Comprehensive Financial Report- Statistical Section



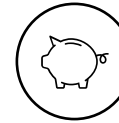
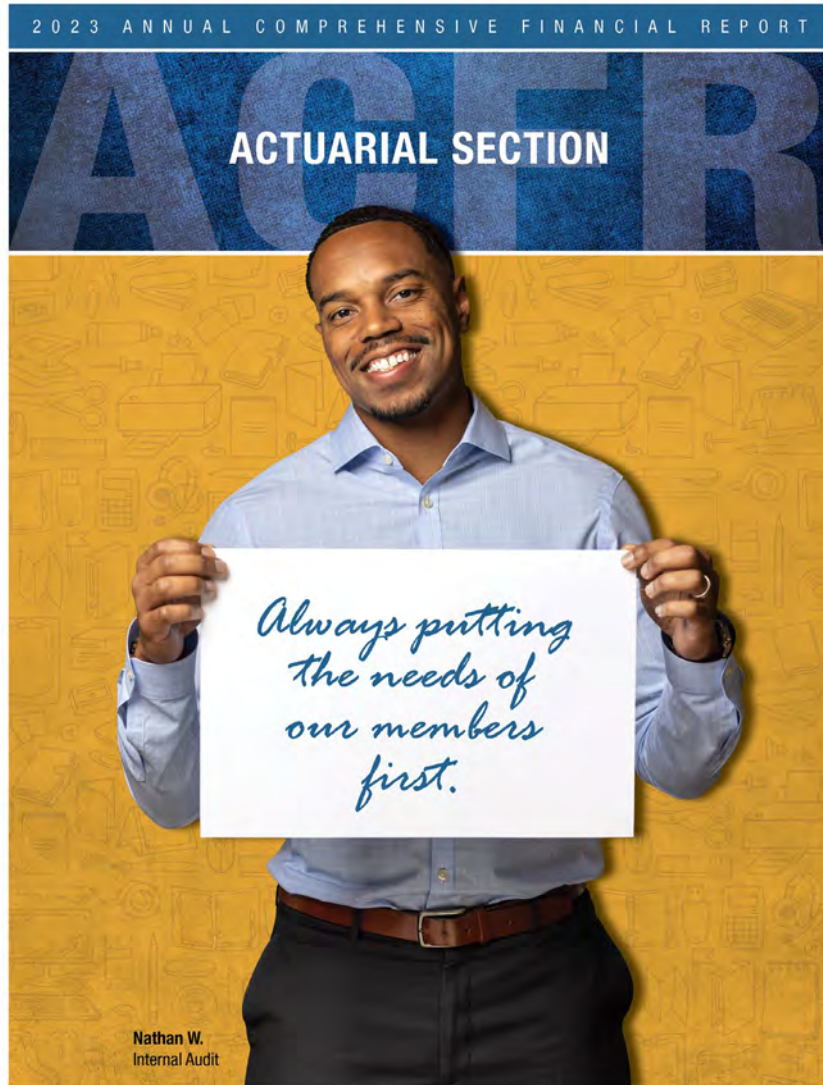
-  Statistical Section Overview
-  Financial Trends
-  Operating Information
-  List of Participating Employers

# 2023 Annual Comprehensive Financial Report- Retirement Benefits

Retired Members by Type of Retirement Benefit								
Pension Trust Fund								
For the Fiscal Year Ended August 31, 2023								
Amounts of Monthly Benefits	Number of Retired Members	1	2	3	4	5	6	7
Type of Retirement*								
\$ 1-200	14,924	5,909	6,526	138	2,269	46	21	15
201-400	46,163	12,563	11,517	536	3,520	870	1,239	15,918
401-600	28,783	15,206	8,571	1,131	3,206	480	189	
601-800	27,041	17,031	5,578	1,179	2,575	490	188	
801-1,000	26,722	18,633	3,936	1,078	2,406	523	146	
1,001-1,200	24,946	18,553	2,748	914	2,216	406	109	
1,201-1,400	21,679	16,439	1,920	761	2,166	320	73	
1,401-1,600	21,160	16,101	2,009	692	1,982	319	57	
1,601-1,800	20,903	16,482	1,788	595	1,714	270	54	
1,801-2,000	21,846	18,039	1,454	520	1,518	285	30	
2,001-3,000	111,111	98,509	3,966	1,323	6,218	1,041	54	
3,001-4,000	74,143	69,709	741	234	2,933	519	7	
4,001-5,000	30,572	29,155	161	29	1,017	208	2	
Over 5,000	19,928	19,144	65	6	588	124	1	
<b>Totals</b>	<b>489,921</b>	<b>371,473</b>	<b>50,980</b>	<b>9,136</b>	<b>34,328</b>	<b>5,901</b>	<b>2,170</b>	<b>15,933</b>
<b>*Type of Retirement:</b>								
1 Normal Retirement of Age and Service			5 Survivor Payment, Death in Service					
2 Early Retirement			6 Survivor Payment, After Disability Retirement					
3 Disability Retirement			7 Survivor Payment, After Service Retirement					
4 Survivor Payment, Joint Life or Guarantee								



# 2023 Annual Comprehensive Financial Report- Actuarial Section



## Pension Trust Fund

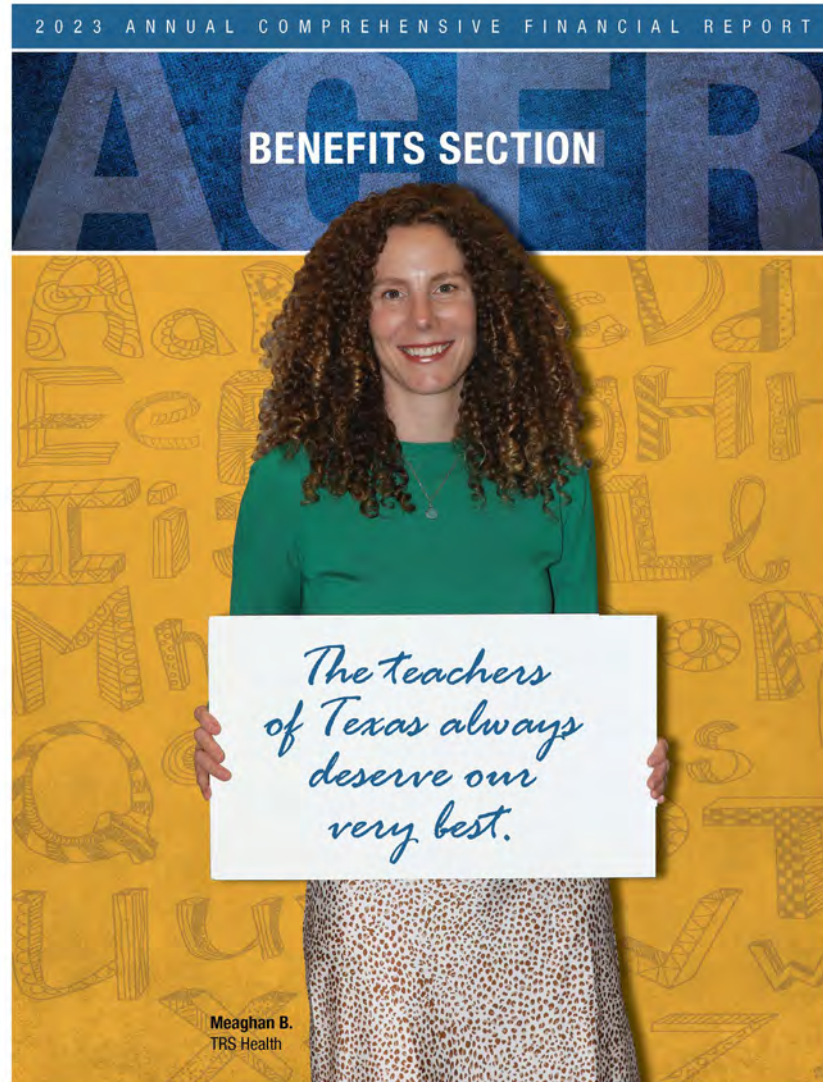
- Actuary's Certification Letter
- Financing Objective and Funding Policy
- Plan Provisions
- Actuarial Methods and Assumptions
- Funding of Unfunded Actuarial Accrued Liability
- Solvency Test
- Schedule of Funding Progress







## TRS-Care

- Actuary's Certification Letter
- Actuarial Disclosure
- Funding Objective and Funding Policy

# 2023 Annual Comprehensive Financial Report- Benefits Section



-  Changes in State Law
-  Changes in Federal Law
-  Summary of Benefits
-  Health Benefits

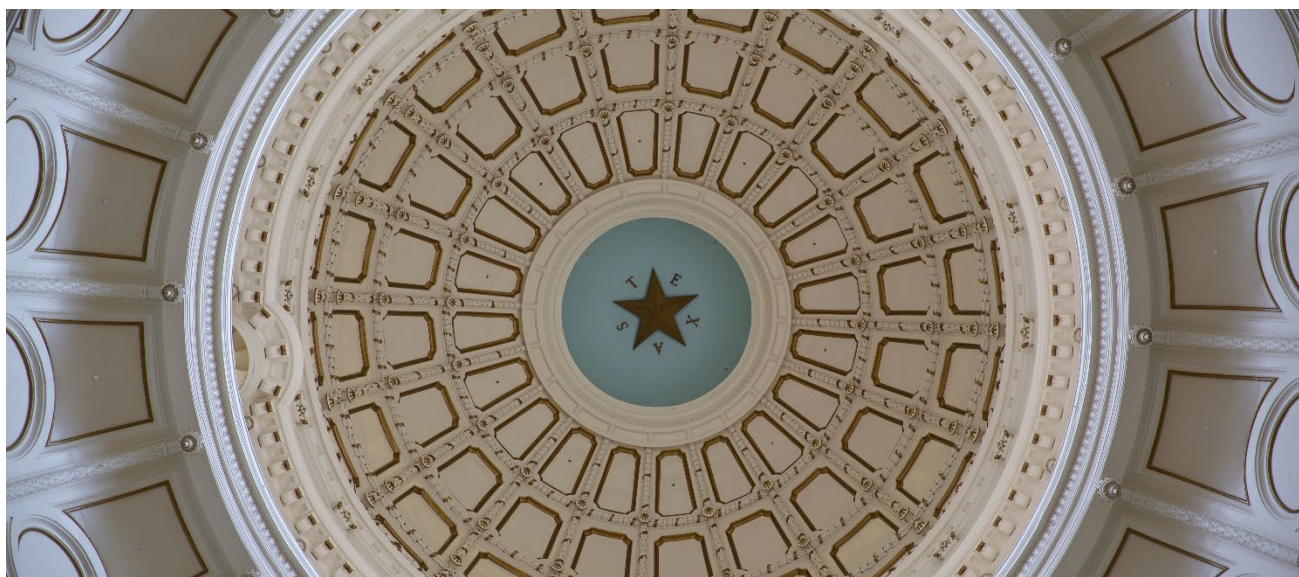


# 2023 Annual Comprehensive Financial Report- What's Coming Up

- GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62, effective fiscal 2024.
  - a. Enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability
  - b. Requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature
  - c. Addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI)
- GASB Statement No. 101, *Compensated Absences*, effective fiscal 2025.
  - a. Updates the recognition and measurement guidance for compensated absences by:
    - i. Aligning the recognition and measurement guidance under a unified model
    - ii. Amending certain previously required disclosures
  - b. Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability
  - c. Supersedes GASB 16

Any Questions?

**TAB 4**



## FY23 Administrative Operations Budget Year-End Review

## FY24 Administrative Operations Budget and FTE update

**Don Green, Chief Financial Officer**  
**December 2023**



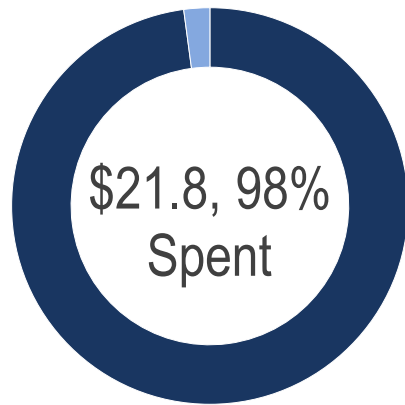
# Agenda

- FY23 Administrative Operations Budget Year-End Review
- FY24 Administrative Operating Budget Update
- FY24 FTE Update
- Incentive Compensation

# FY23 % of Budget Spent by Fund

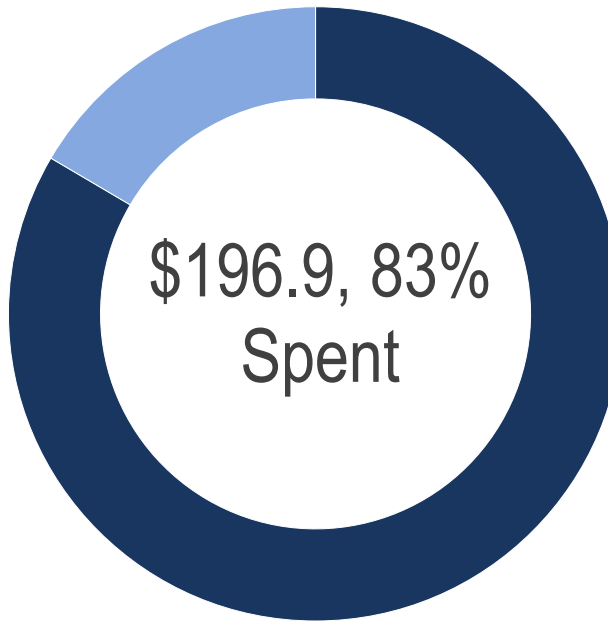
## Health Care

Budget, \$22.3



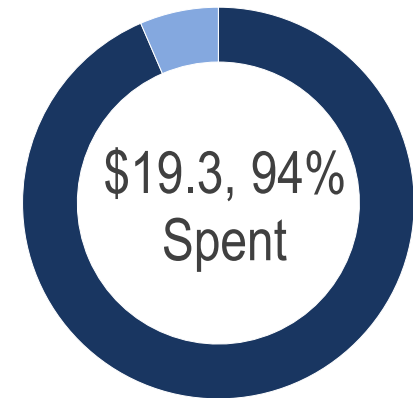
## Pension

Budget, \$235.9



## Commission Credits

Budget, \$20.6



■ FY23 Budget Spent    ■ FY23 Budget Lapsed

Total operating budget is \$278.8 million across all funds

*Amounts in millions*

# FY23 Pension Trust Fund

(Amounts in millions)

## Pension Trust Fund

Budget, \$235.9 million

**\$196.9, 83%  
Spent**

■ FY23 Budget Spent ■ FY23 Budget Lapsed

### Explanation of Lapsed Balances, \$ 39 million

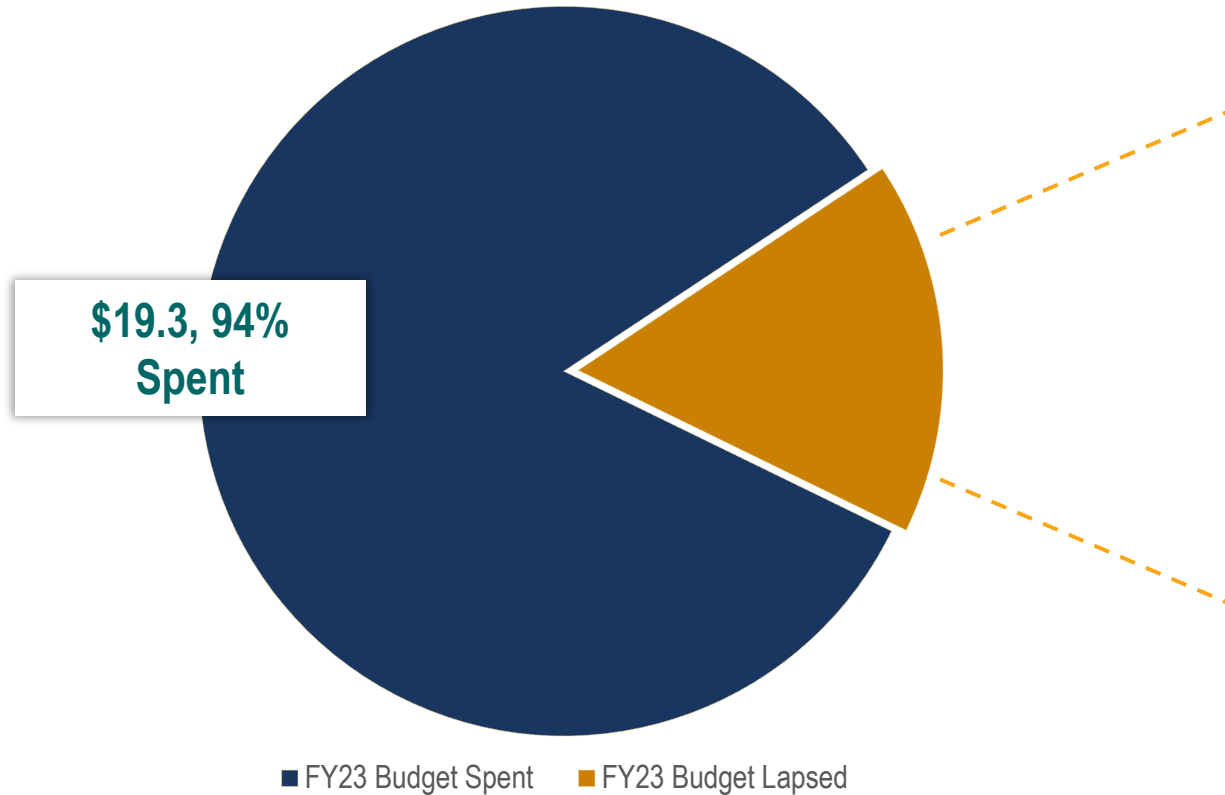
Wages & Benefits	\$20.0	\$12.5 in salaries and wages, \$7.5 in fringe benefits
Professional Fees/Services	\$10.3	\$1.1 in TEAM, \$1.7 in Investment Data Modernization, and \$7.5 in professional services and staff aug contracts
Travel	\$1.4	\$1.4 in travel
Support Costs	\$0.9	\$0.5 in utilities, \$0.4 in rent and building maintenance
Other Operating	\$5.7	\$0.3 in printing services and subscriptions, \$0.4 in staff development, \$1.9 in other operating and equipment, and \$3.1 in software and hardware maintenance
Capital	\$0.7	\$0.7 in capitalized furniture and equipment

# FY23 Commission Credits

(Amounts in millions)

## Commission Credits

Budget, \$20.6 million



### Explanation of Lapsed Balances, \$ 1.3 million

Commission Sharing Arrangements (CSA),	\$0.9 related to software & other operating costs
Commission Recapture Arrangements (CRA)	\$0.4 related to professional investment services

Any unspent commissions will carry forward to FY24

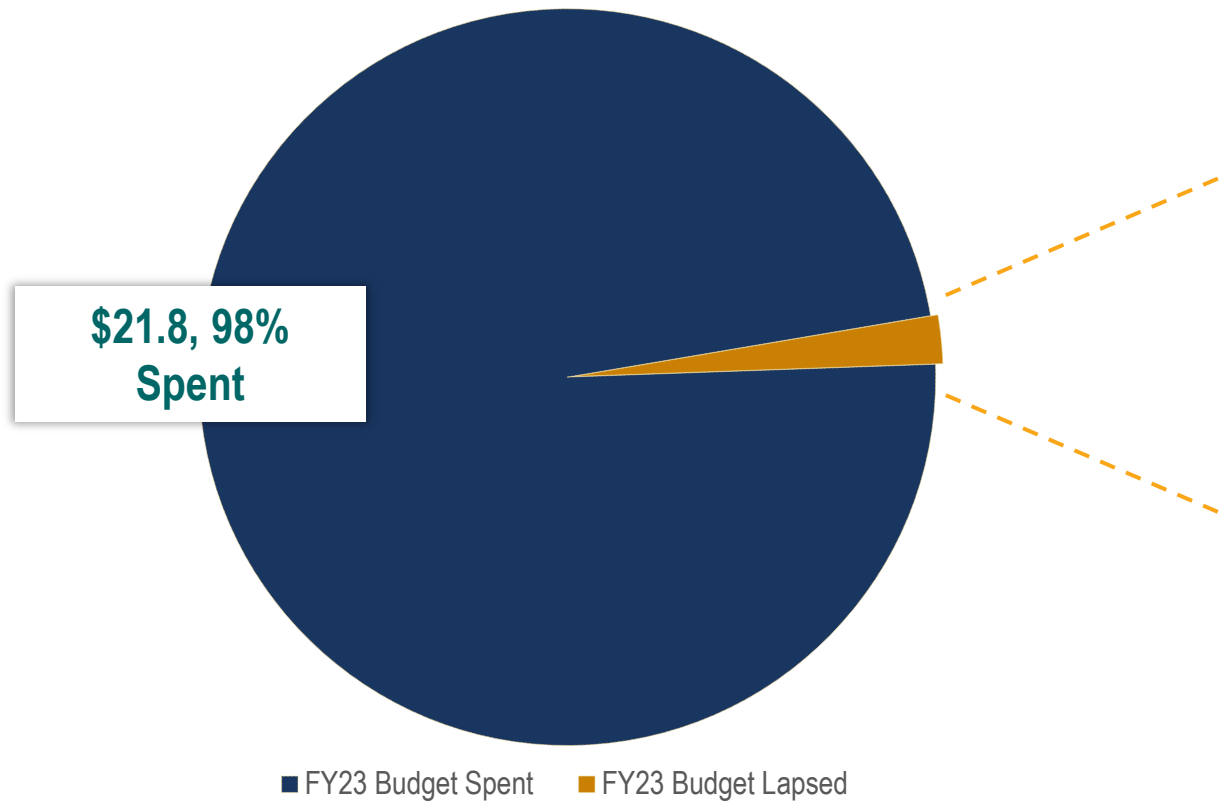


# FY23 Health Care

(Amounts in millions)

## Health Care

Budget, \$22.3 million



### Explanation of Lapsed Balances, \$ 0.5 million

TRS-Care Administrative Operations	\$0.4	\$0.1 in salary and fringe benefits  \$0.3 in support, operating, and travel costs
TRS-ActiveCare Administrative Operations	\$0.1	\$0.1 in travel and operating costs

# 8-Year Lapse History FY16-23

(Amounts in millions)

Program/Category	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
TEAM/CAPPS/HILOB	\$8.8	\$0.7	\$2.4	\$3.9	\$3.0	\$2.6	\$1.7	\$2.3
Commission Credits	\$3.4	\$5.5	\$3.2	\$8.2	\$9.7	\$6.0	\$4.3	\$1.3
Salaries/Benefits	\$6.2	\$8.0	\$7.9	\$9.5	\$12.6	\$18.5	\$7.5	\$18.9
Professional Fees & Services	\$1.1	\$1.5	\$3.3	\$2.7	\$3.7	\$5.9	\$1.8	\$9.2
Travel	\$0.5	\$0.1	\$0.4	\$0.6	\$1.6	\$2.0	\$1.6	\$1.6
Support Costs	\$1.0	\$0.6	\$0.7	\$0.6	\$0.8	\$0.3	\$0.4	\$0.9
Operating Costs	\$8.1	\$2.7	\$5.1	\$3.0	\$4.4	\$2.3	\$1.5	\$6.6
<b>Total Lapse</b>	<b>\$29.1</b>	<b>\$19.1</b>	<b>\$23.0</b>	<b>\$28.5</b>	<b>\$35.8</b>	<b>\$37.6</b>	<b>\$18.8</b>	<b>\$40.8</b>
<b>% of Budget Lapsed</b>	<b>18%</b>	<b>11%</b>	<b>13%</b>	<b>14%</b>	<b>16%</b>	<b>16%</b>	<b>8%</b>	<b>15%</b>

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

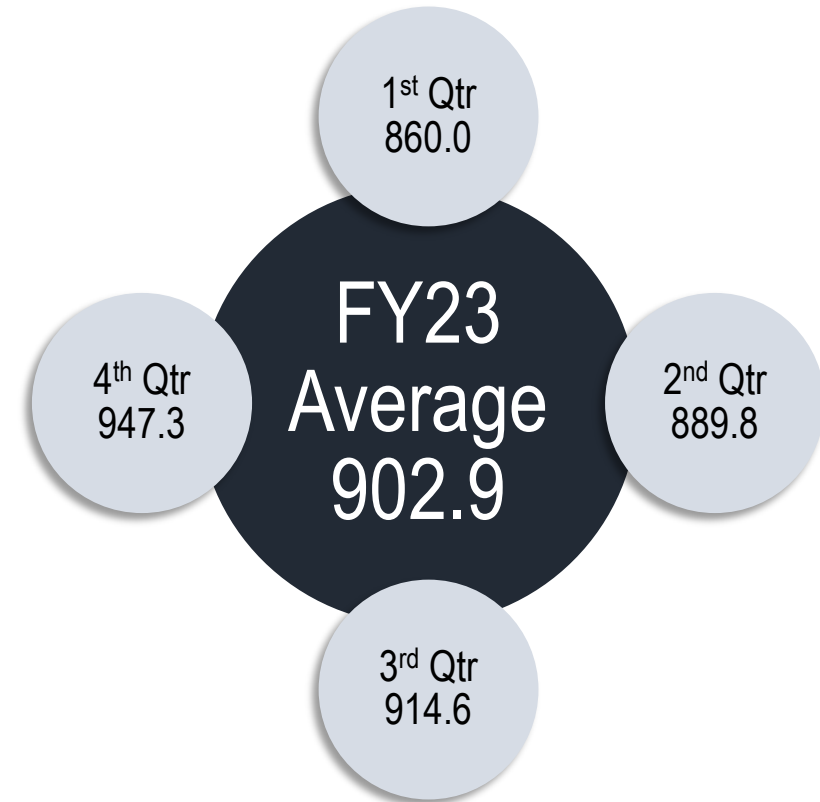
# FY23 FTE Reporting

## Counts against the FTE cap

- Annual average of Pension funded FTEs, 902.9
- Annual average of non-TRS workers counting against the FTE cap, 6.5
- FTE cap was increased from 783.3 to 1,047.3 per a fiduciary finding adopted by the Board per the authority granted by Rider 20 in the 2022-23 GAA.
- Rider 20 report submitted to the LBB and the Office of the Governor on October 31<sup>st</sup> 2023.

## Exempt from the FTE cap

- Annual average of Health Care funded FTEs, 127.2
- Annual average of Fellow/Intern FTEs, 17.7



*FY23 FTEs reported to the SAO that count towards the FTE cap of 1,047.3*

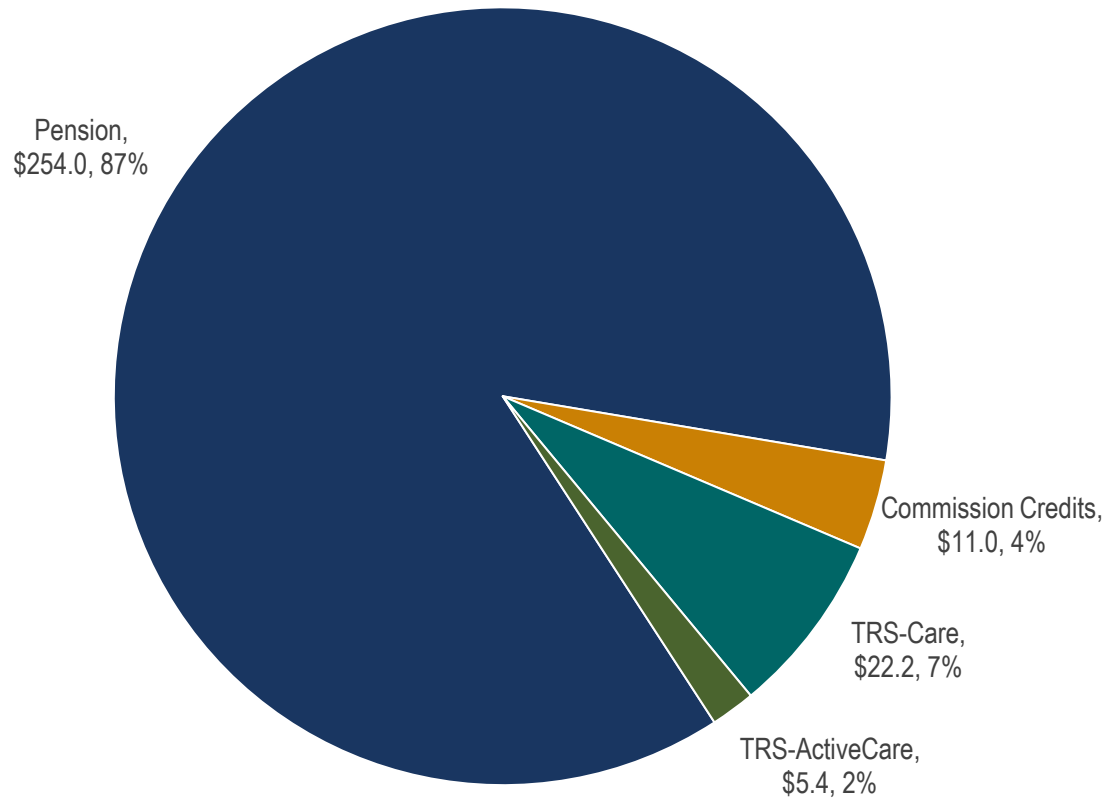
# FY24 Administrative Operations Budget and FTE update



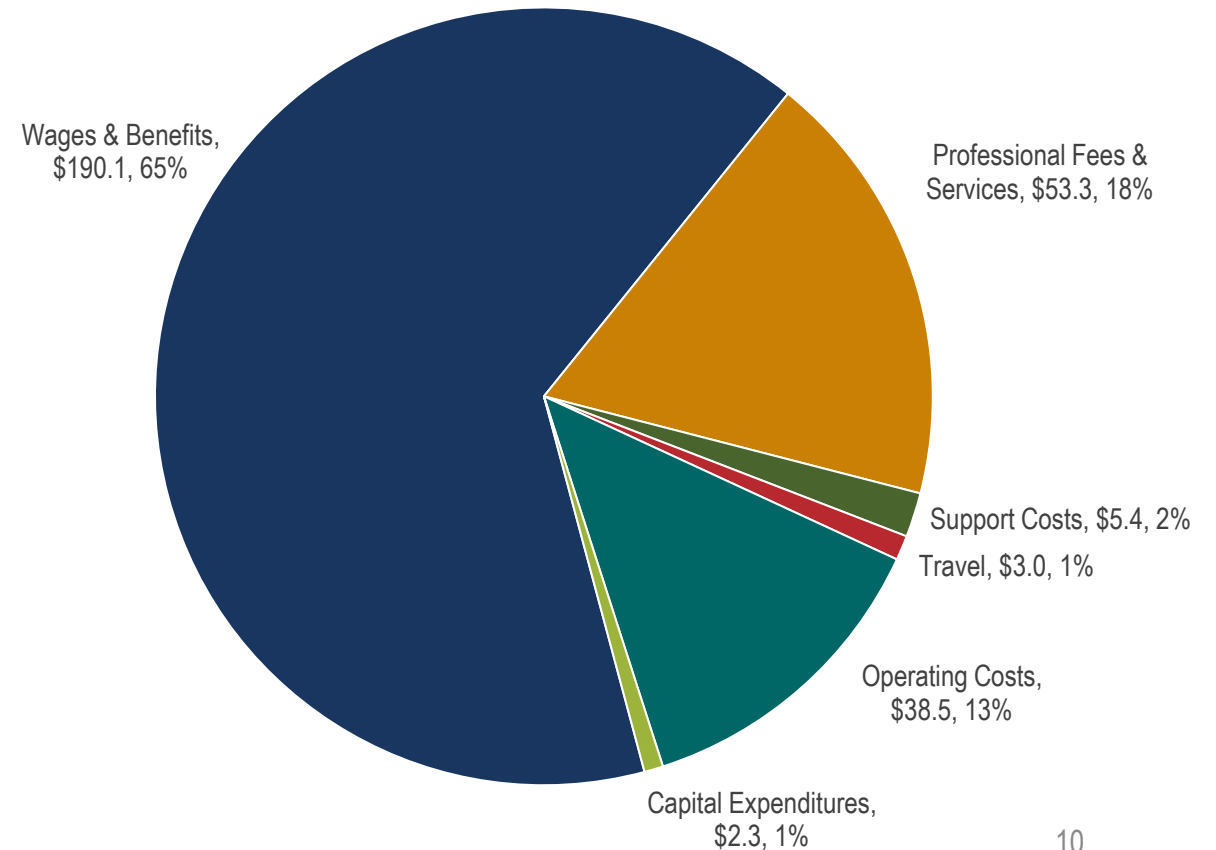
# FY24 Administrative Operating Budget

## FY24 Administrative Operating Budget, \$292.6 million

By Fund



By Budget Category



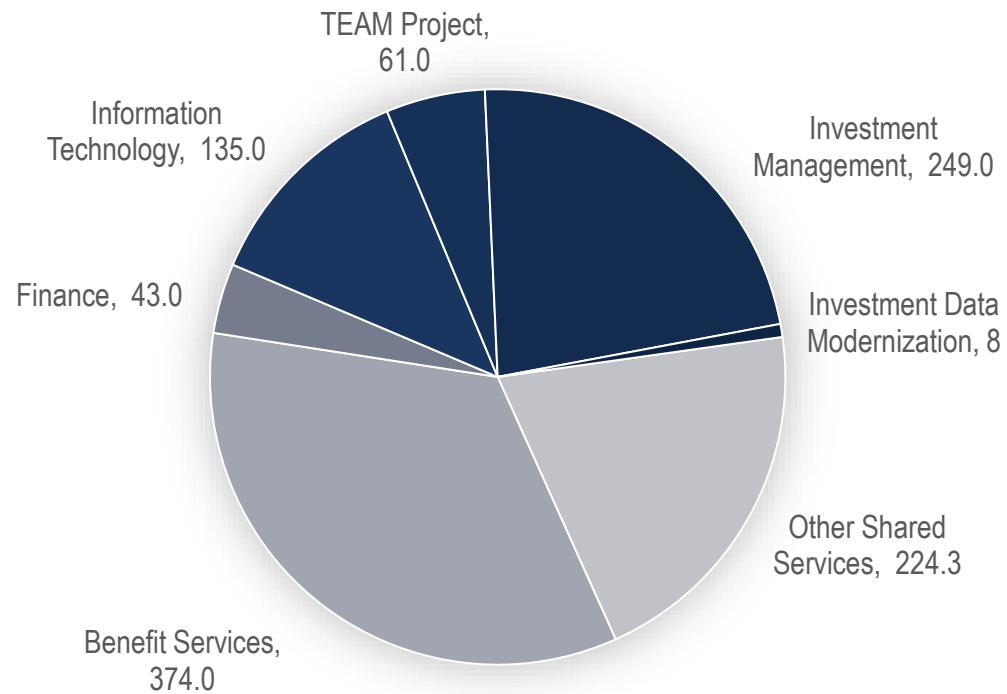
# FY24 Administrative Operating Budget Update

	Current Budget	Expended/ Encumbered	Projected Spend	Available Budget	% of Budget Available
<b>Administrative Budget</b>					
Pension Trust Fund	235,311,700	66,952,571	133,942,664	34,416,465	15%
Capital Projects	18,710,800	5,063,935	13,646,865	-	-%
Commission Credits	10,984,500	-	6,350,155	4,634,345	42%
TRS-Care	22,164,500	7,538,879	13,308,763	1,316,858	6%
TRS-ActiveCare	5,410,500	2,986,297	1,851,637	572,566	11%
<b>Total Administrative Budget</b>	<b>\$ 292,582,000</b>	<b>\$ 82,541,682</b>	<b>\$ 169,100,084</b>	<b>\$ 40,940,234</b>	<b>14%</b>
<b>Budget Category</b>					
Salaries & Wages	148,124,844	22,585,111	121,237,822	4,301,911	3%
Fringe Benefits	41,955,020	7,838,881	26,097,925	8,018,214	19%
Pro Fees & Services	53,292,636	35,638,403	7,814,164	9,840,069	18%
Travel	2,983,940	188,402	-	2,795,538	94%
Operating	38,512,981	12,993,725	10,925,173	14,594,083	38%
Support Costs	5,356,579	3,241,364	725,000	1,390,215	26%
Capital Expenditures	2,356,000	55,796	2,300,000	204	-%
<b>Total Budget Category</b>	<b>\$ 292,582,000</b>	<b>\$ 82,541,682</b>	<b>\$ 169,100,084</b>	<b>\$ 40,940,234</b>	<b>14%</b>

# FY24 Budgeted FTEs

## Pension Funded FTEs

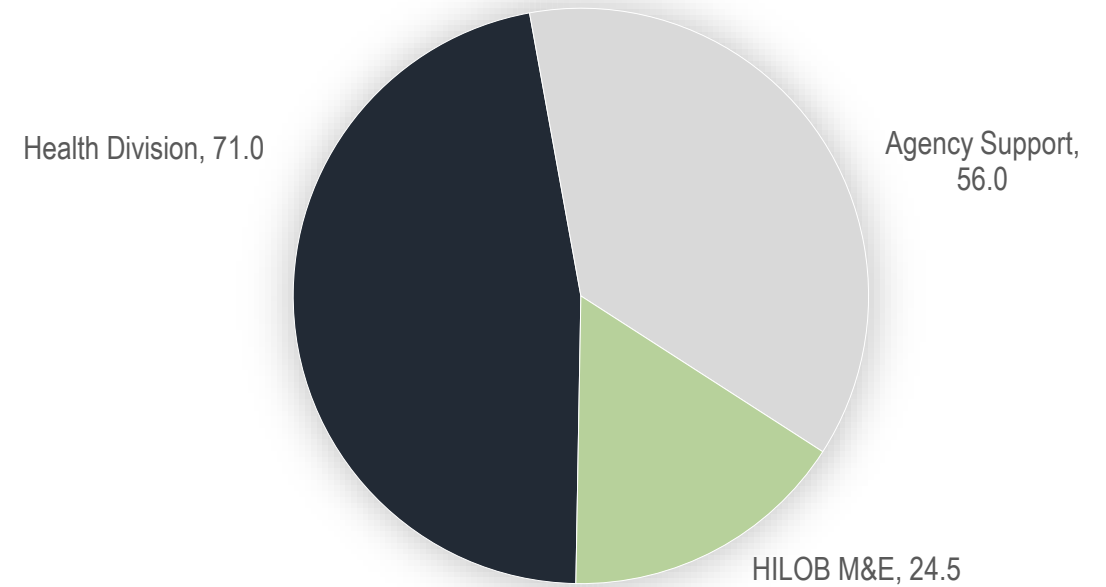
1094.3



**Other Shared Services:** Executive Administration, Information Security, Internal Audit, Legal & Compliance, Governmental Relations, Organizational Excellence, Communications, Business Administration

## Health Care Funded FTEs

151.5



# Status of FTEs by Working Division as of 11.28.2023

Working Division	Total Budgeted	Filled	Offer Accepted/ Background Checks	Interviewing	Posted	Position Planning	Total Vacant	Contractor Conversion	Interns/ Fellows
Benefit Services	395.0	387.0	1.0	4.0	2.0	1.0	8.0		
Business Administration	92.8	85.5	1.0	4.0	1.0	1.3	7.3		6.0
Communications	12.5	12.5							
Executive	12.0	7.0				5.0	5.0		0.5
Financial Services	48.0	43.0		2.0	1.0	2.0	5.0		1.0
Governmental Relations	2.0	2.0							
Health Division	71.0	61.0	1.0	2.0	1.0	4.0	8.0	2.0	0.5
Information Security Office	18.0	15.0		2.0		1.0	3.0		1.5
Information Technology	227.5	191.5	6.0	7.0	1.0	11.0	25.0	11.0	1.0
Internal Audit	19.0	18.0		1.0			1.0		
Investment Management	251.0	220.8	11.0	5.0		2.2	18.2	12.0	
Legal & Compliance	51.0	51.0							6.0
Organizational Excellence	46.0	41.0		2.0	1.0	2.0	5.0		5.0
<b>Total</b>	<b>1,245.8</b>	<b>1,135.3</b>	<b>20.0</b>	<b>29.0</b>	<b>7.0</b>	<b>29.5</b>	<b>85.5</b>	<b>25.0</b>	<b>21.5</b>



# Incentive Compensation

- Incentive Comp Award based on plan year (Oct 1<sup>st</sup> – Sept 30<sup>th</sup> )
  - Returns were 7.06% for the plan year
- Over the last 3 years, Investment Management Division (IMD) has delivered \$7.7 billion in excess value over the trust benchmarks
  - 3-year excess return (+155 bp) is the highest alpha achieved in the last 15 years

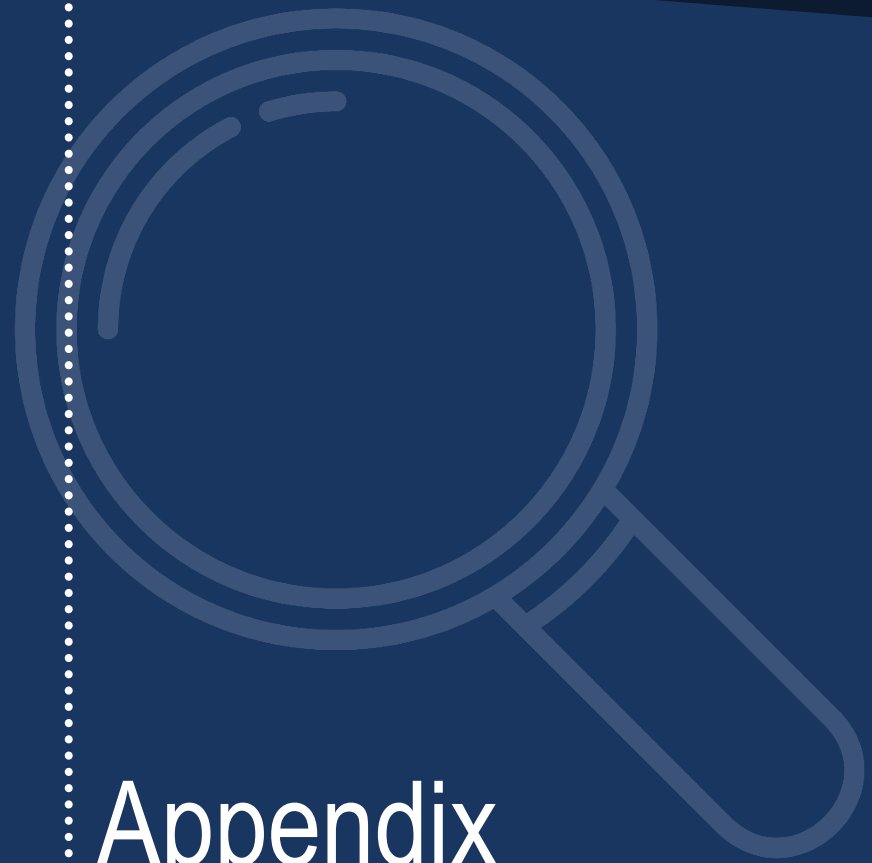
## Summary of Performance Pay Plan Potential Awards and Payout Schedule from Plan Years 2017 to 2023

(Amounts in millions)

Award Plan Year	Realized Award	Estimated Award	Actual Award Payout					FY24 Estimated Payout	FY24 Actual Payout
			FY19	FY20	FY21	FY22	FY23 <sup>1</sup>		
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	\$ 7.8
2022 Plan Year	\$ 16.7							\$ 16.7	\$ 16.7
2023 Plan Year <sup>2</sup>		\$ 22.4						\$ 22.4	\$ 31.0
			\$ 8.7	\$ 10.7	\$ 9.6	\$ 12.1	-	\$ 46.9	\$ 55.5

**Note 1:** No payout in FY23 because the Trust Fund return for 2022 Plan Year 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. 2023 plan year payout percentage compared to maximum award (69.8%).



# Appendix

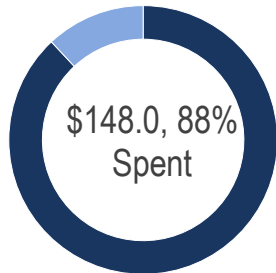
# FY23 Summary By Fund

Fund	Budget	Expended/ Encumbered	% Spent	Lapsed Balance
Pension	235,887,600	196,887,225	83%	39,000,375
Commission Credits	20,625,000	19,286,396	94%	1,338,604
TRS-Care	17,927,000	17,570,158	98%	356,842
TRS-ActiveCare	4,369,000	4,254,536	97%	114,464
Total	\$ 278,808,600	\$ 237,998,315	85%	\$ 40,810,285

# FY23 % of Budget Spent by Budget Category

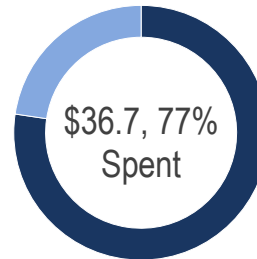
## Wages & Benefits

Budget, \$168.1



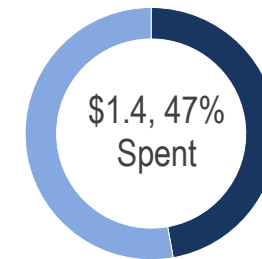
## Pro Fees & Services

Budget, \$47.4



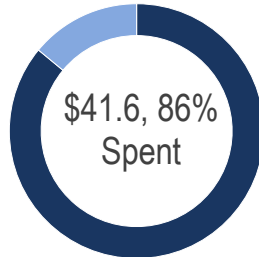
## Travel

Budget, \$3.0



## Operating

Budget, \$48.4



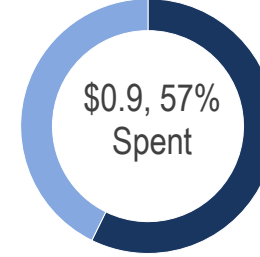
## Support

Budget, \$10.4



## Capital

Budget, \$1.5



■ Expended/Encumbered

■ Lapsed Balance

**Professional Fees & Services:** Contractors, Consultants, Contractual Services, Online Employee Training

**Support:** Rent, Building/Equipment Maintenance, Utilities, Supplies

**Operating Costs:** Software, Hardware, Postage, Printing, Equipment, Reference Materials, In-Person Employee Training

*Amounts in millions*

# FY23 % of Budget Spent by Division

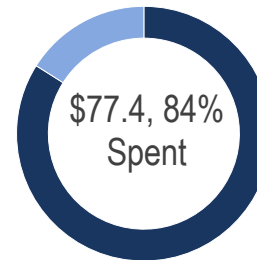
## Benefit Services

Budget, \$30.2



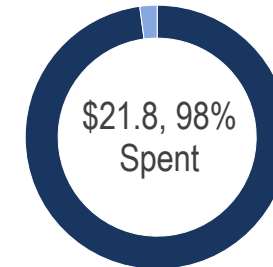
## Investment Management

Budget, \$92.1



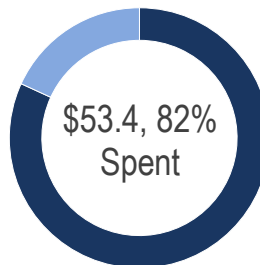
## Health Division

Budget, \$22.3



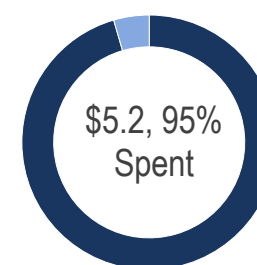
## Information Technology

Budget, \$65.2



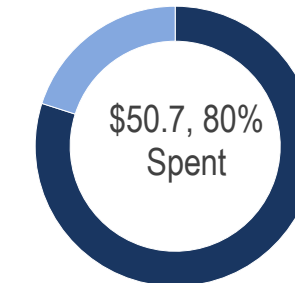
## Finance

Budget, \$5.5



## Other Shared Services

Budget, \$63.5



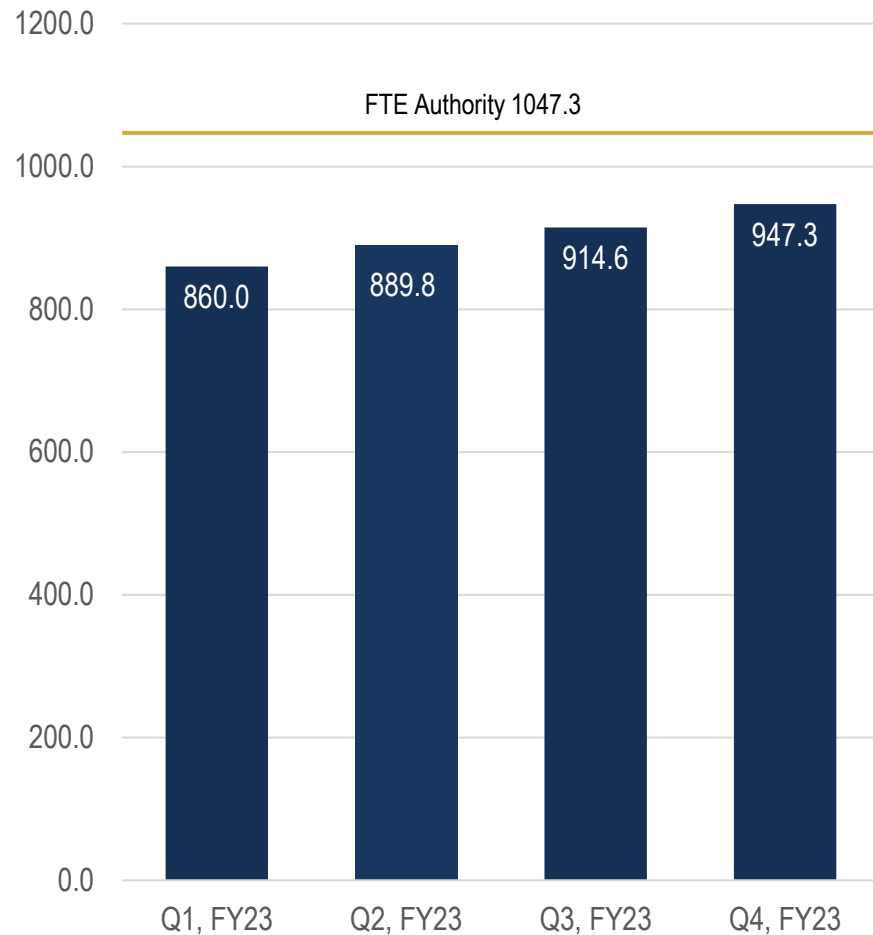
■ Expended/Encumbered ■ Lapsed Balance

**Other Shared Services:** Business Administration, Executive Administration, Governmental Relations, Information Security, Internal Audit, Legal & Compliance, Organizational Excellence, Strategy Office

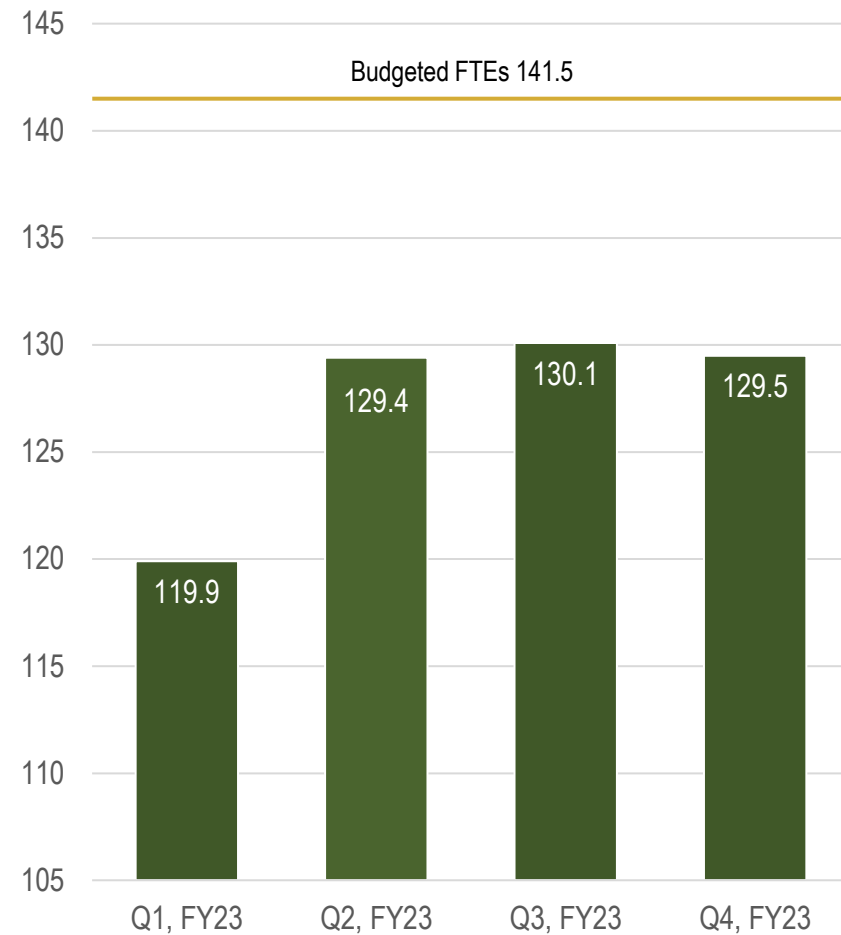
*Amounts in millions*

# FY23 Actual FTEs

## Pension Funded FTEs



## Health Care Funded FTEs



# 11-Year Historical Trend – Administrative Operating Budget

(Amounts in millions)

	FY14 Budget	FY15 Budget	FY16 Budget	FY17 Budget	FY18 Budget	FY19 Budget	FY20 Budget	FY21 Budget	FY22 Budget	FY23 Budget	FY24 Budget
<b>Pension Trust Fund</b>	115.0	119.6	128.2	135.0	139.9	159.6	177.4	170.1	189.7	235.9	254.0
<b>Commission Credit</b>	33.1	33.1	22.1	24.4	24.7	28.7	30.1	25.5	27.1	20.6	11.0
<b>Healthcare</b>	7.2	8.1	8.8	11.0	12.7	14.3	16.3	17.6	20.6	22.3	27.6
<b>Contingency<sup>1</sup></b>	21.7										
<b>Total</b>	<b>\$ 155.3</b>	<b>\$ 160.8</b>	<b>\$ 159.1</b>	<b>\$ 170.4</b>	<b>\$ 177.3</b>	<b>\$ 202.6</b>	<b>\$ 223.8</b>	<b>\$ 234.9</b>	<b>\$ 237.4</b>	<b>\$ 278.8</b>	<b>\$ 292.6</b>
<b>% Year to Year Change</b>		<b>4%</b>	<b>-1%</b>	<b>7%</b>	<b>4%</b>	<b>14%</b>	<b>10%</b>	<b>5%</b>	<b>1%</b>	<b>17%</b>	<b>5%</b>
<b>Budgeted FTEs</b>	<b>458.2</b>	<b>468.2</b>	<b>480.7</b>	<b>491.3</b>	<b>734.9</b>	<b>816.5</b>	<b>847.3</b>	<b>883.3</b>	<b>932.8</b>	<b>1,188.8</b>	<b>1,245.8</b>

<sup>1</sup>Contingency 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