AUGUST 10 2018

Legislative Appropriations Request

Fiscal Years 2020-2021

LEGISLATIVE

TEACHER RETIREMENT SYSTEM OF TEXAS

TRS
TEACHER RETIREMENT SYSTEM OF TEXAS

Legislative Appropriations Request

For Fiscal Years 2020 and 2021

Submitted to the
Office of the Governor, Budget Division,
and the Legislative Budget Board

by

Teacher Retirement System of Texas

Board Members	**Term Expires**	**Hometown**
Jarvis V. Hollingsworth (Chairman)	August 31, 2023	Missouri City
Dolores Ramirez (Vice Chair)	August 31, 2019	San Benito
Joe Colonnetta	August 31, 2019	Dallas
David Corpus	August 31, 2019	Humble
John Elliott	August 31, 2021	Austin
Dr. Greg Gibson	August 31, 2021	Schertz
Christopher Moss	August 31, 2021	Lufkin
James Dick Nance	August 31, 2023	Hallettsville
Nanette Sissney	August 31, 2023	Whitesboro

August 10, 2018

TABLE OF CONTENTS

	PAGE
Budget Overview – Biennial Amounts	**1. A**
Administrator's Statement	**1. B**
Organizational Chart	**1. C**
Certification of Dual Submission	**1. D**
Summary of Base Request by:	
Strategy	**2. A**
Method of Finance	**2. B**
Object of Expense	**2. C**
Objective Outcomes	**2. D**
Summary of Exceptional Items Request	**2. E**
Summary of Total Request by:	
Strategy	**2. F**
Objective Outcomes	**2. G**
Strategy Request	
SOUND RETIREMENT SYSTEM:	
Contributions for Public Education Employees	**3. A 1**
Contributions for Higher Education Employees	**3. A 3**
Administrative Operations	**3. A 6**
HEALTH CARE PROGRAM FOR:	
Public Education Retirees -- Funded by Statute	**3. A 10**
Rider Revisions and Additions Request	**3. B**
Exceptional Items:	
Request Schedule – Retiree Health Funding for Solvency	**4. A**
Strategy Allocation Schedule – Retiree Health Funding for Solvency	**4. B**
Strategy Request – Health Care Program for Public Education Retirees	**4. C**

Capital Budget:

Project Schedule…… **5. A**
Project Information…… **5. B**
Allocation to Strategies by Project (Baseline)..……..…….. **5. C**
Object of Expense and Method of Financing by Strategy…….. **5. E**

Supporting Schedules:

Historically Underutilized Business …… **6. A**
Advisory Committee ……..…… **6. F**
Estimated Total of All Agency Funds Outside of the GAA Bill Pattern…… **6. H**

323 Teacher Retirement System

Appropriation Years: 2020-21

	GENERAL REVENUE FUNDS		GR DEDICATED		FEDERAL FUNDS		OTHER FUNDS		ALL FUNDS		EXCEPTIONAL ITEM FUNDS
	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2018-19	2020-21	2020-21
Goal: 1. To Administer the System as an Employee Benefit Trust											
1.1.1. Trs - Public Education Retirement	3,544,224,289	3,691,506,666							3,544,224,289	3,691,506,666	1,317,361,202
1.1.2. Trs - Higher Education Retirement	324,139,802	399,806,256	85,551,314	117,916,089			8,261,122	9,072,548	417,952,238	526,794,893	364,670,176
1.1.3. Administrative Operations							231,596,666	283,504,890	231,596,666	283,504,890	
1.2.1. Retiree Health - Statutory Funds	997,597,636	835,961,673							997,597,636	835,961,673	409,800,000
1.3.1. Retiree Health - Supplemental Funds	212,000,000								212,000,000		
Total, Goal	**5,077,961,727**	**4,927,274,595**	**85,551,314**	**117,916,089**			**239,857,788**	**292,577,438**	**5,403,370,829**	**5,337,768,122**	**2,091,831,378**
Total, Agency	**5,077,961,727**	**4,927,274,595**	**85,551,314**	**117,916,089**			**239,857,788**	**292,577,438**	**5,403,370,829**	**5,337,768,122**	**2,091,831,378**
Total FTEs									**574.3**	**745.3**	**0.0**

323 Teacher Retirement System

August 10, 2018

Ms. Ursula Parks, Director
Legislative Budget Board

Ms. Sarah Hicks, Director
Governor's Office, Budget Division

Dear Ms. Parks and Ms. Hicks:

We are pleased to submit the legislative appropriations request (LAR) for the Teacher Retirement System (TRS) for the FY 2020-21 biennium. This request primarily represents funding needs for two programs that receive contributions from the state: the Teacher Retirement Pension Trust Fund and TRS-Care, the Retired Public School Employees Group Insurance Program.

This LAR also includes a request for appropriations for the administrative operations of TRS. Section 825.312 of the Texas Government Code provides that the retirement system shall pay from the expense account of the retirement system all administrative expenses of the retirement system. Previous legislatures have chosen to fund TRS administrative operations from the Teacher Retirement Pension Trust Fund, and the accompanying request continues that practice.

Total requested general revenue and general revenue-related funding for the FY 2020-21 biennium including exceptional items is $7.1 billion.

By comparison, TRS will pay out in excess of $26 billion in retiree benefit and health care payments to more than 400,000 retirement recipients and many health care providers, primarily in the State of Texas, over the same time period. An economic analysis from 2017 concluded that TRS annuity payments alone will generate an additional $1.3 billion in annual tax revenues for both the state and local governments and will support approximately 131,000 permanent jobs in Texas.

The average TRS annuitant receives $2,060 monthly with 31% of retirees receiving less than $1,000 per month. Currently, around 95% of public education employees are not covered by Social Security. For the majority of Texas educators, a TRS annuity is their only source of consistent retirement income.

According to the policy letter dated June 22, 2018, along with information provided by your staff, the baseline request uses the current state contribution rate of 6.8% for the Pension Trust Fund and incorporates projected covered salary growth of 3.0% per year. Also, the baseline request for TRS-Care is calculated at a contribution rate of 1.25% per year including projected covered salary growth of 3.0% per year.

Teacher Retirement Pension Trust Fund

TRS is currently the 13th largest pension fund in the world and is actively managed by a team of investment professionals whose long term, risk-adjusted returns have exceeded the benchmark by 0.3% over the past 20 years and have generated an estimated $21 billion more than a purely passive strategy. The investment management function has undergone more than 80 audits and independent reviews over the past 6 years with no major findings. The TRS trust fund earned a return of 12.9% last year and ended FY 2017 with a market value of $147 billion. The period of time necessary to amortize the unfunded liability decreased from 33.6 years in FY 2016 to 32.2 years in

FY 2017. As of that point in time, the trust fund had an unfunded liability of $35.5 billion and a funded ratio of 80.5%. However, since that time, TRS has conducted an experience study that necessitated assumption set changes which added approximately $10 billion to the unfunded liability and increased the amortization period to 86 years.

The historical context of these recent assumption set changes is important. Six years ago, TRS was asked to conduct a study of different pension plan designs and report the results to the 83rd Legislature. The study concluded that defined benefit plans are generally more efficient and less expensive than other plan designs. Actuarial modeling showed that to provide the same levels of benefits, defined contribution plans are 60% to 130% more expensive than the TRS defined benefit plan. In response, the Legislature passed SB 1458 in 2013, which made modest benefit changes and increased contributions to help achieve long-term solvency. Member contributions increased incrementally from 6.4% in FY 2014 to 7.7% in FY 2017, state contributions were increased from 6.4% to 6.8%, and school districts that did not pay in to social security began contributing an additional 1.5% of employee pay. TRS has collected $1.1 billion since FY 2015 as a result of this school district contribution.

Although SB 1458 put the TRS pension plan on a path to reach full funding by 2041, the TRS Board of Trustees and staff have a fiduciary obligation to routinely monitor the assumptions used to determine the fund's actuarial health. Since 2012, TRS has conducted two experience studies to determine if actual behavior, plan provisions, and investment returns have matched assumptions or if adjustments are necessary. These studies also examined whether certain assumptions match anticipated future experience and observable economic data.

Based on a 2015 experience study, the TRS Board of Trustees adopted new mortality assumptions reflecting increased life expectancy and added an explicit assumption for continued future mortality improvement. Most recently, the TRS board examined the assumption set beginning in January 2018. The actuary, in consultation with independent investment advisors, recommended lowering the investment return assumption from 8.0% to 7.25% due to changes in the global economic outlook. The Board adopted the lowered return assumption at its July 2018 meeting.

As a result of this vote, the expected funding period is now estimated to be 86 years at current funding levels. In order to lower the funding period to a range of 31-35 years, a 1.5% – 2.0% increase in the contribution rate (from any or all sources) would be required. Each 0.25% increase in the contribution rate equates to an additional biennial contribution of $231 million. If the Legislature were to increase contribution rates, one option is to gradually fund the increase over a four-year period. Half of a percent increase in contribution rates beginning in the second year of the biennium would result in a funding period of around 31 years and position the fund for actuarial soundness in the near future. This increase would bring the total contribution rate from all sources to just over 17%. By comparison, the combined national average contribution rate for public pension funds that cover employees without social security is 26%.

Therefore, the funding request in this LAR assumes a continuation of the contribution rate of 6.8%, and also assumes a 3.0% annual covered payroll growth based on long term demographic trending. An exceptional item is included to increase the contribution rate to a recommended 8.62% costing an estimated $1.68 billion in additional funding.

TRS-Care and TRS-ActiveCare

TRS-Care, the Retired Employees Group Insurance Program, currently receives state funding equal to 1.25% of active public school employee payroll per year. Our request includes funding for the 1.25% contribution and assumes covered payroll growth of 3.0%. Additionally, TRS is requesting an exceptional item in the amount of $409.8

million to provide for fiscal solvency through the end of FY 2021 based on revenue estimates and cost trends as of March 2018.

Before the last legislative session, we concluded that without design plan changes and additional funding, the program would become unsustainable. The Legislature responded by instituting changes via HB 3976. Among them were a single, high deductible plan for non-Medicare participants, a Medicare Advantage and Part D plan for Medicare participants, no-cost coverage for certain generic preventive drugs, and $695.9 million in additional funding from state and district contributions; $394.6 million of which was one-time funding.

In spite of implementing a new Medicare Advantage program that resulted in substantial cost savings, enhancing our data analytics capabilities to support cost management and resource maximization, and with the plan design changes, the current structure of TRS-Care is still not sustainable. We currently project that an additional $400-600 million in funding, over the current base request, is needed to maintain the same level of benefits and premiums during the FY 2020-21 biennium. We will monitor the funding status as additional revenue and cost data becomes available.

TRS is also responsible for the administration of TRS-ActiveCare, but does not request funding for this activity through the LAR. TRS does not receive direct appropriations for ActiveCare. State funding is provided through the Foundation School Program to the school districts who in turn pay premiums to TRS . The issues surrounding ActiveCare revolve around affordability due to the fact that statutory contributions from the state and school districts have not changed since 2002. As a result, the employee share of ActiveCare premiums paid has risen 238% since the plan inception, assuming the $75 state contribution and $150 minimum district contribution per employee per month. While it is important to note that some districts opt to pay in more than the minimum contribution per employee, the statutory minimum has not changed.

Administrative Operations

To adequately serve members and to prudently manage pension fund assets, TRS requests funding for Administrative Operations of $139.9 million for fiscal year 2020 and $143.6 million for fiscal year 2021. This request includes an additional 48 positions we believe are necessary to effectively serve members' needs, keep pace with growing plan complexity, and pursue appropriate, risk-adjusted investments.

The past 12 months have seen a host of extraordinary member service and communication challenges. Call volume has increased more than 35% as we anticipate receiving over 700,000 calls during FY 2018. E-mail traffic has increased more than 50%. The average hold time has grown to over 23 minutes while the average time it takes to service a call has grown from 10 to 30 minutes. And the percentage of calls answered in three minutes has dipped below 25% compared to an expectation of 80%.

TRS is spending an additional $3 million of agency funds to address these issues and has added 43 positions in the current biennium that will become a part of the base. The resources requested in this document will allow us to address our current and future customer service challenges.

Future administrative needs are driven substantially by the growing complexity of member service requirements and the growth in membership. Changes to the retirement plan over the past decade have added five additional tiers of membership and the biggest changes to employer reporting in a generation leading to a need for increased data systems security and additional accountability. Meanwhile, membership growth of 60% since the year 2000 has eclipsed member services staffing growth of 11% over the same period. 25 of the additional positions requested will address these issues.

323 Teacher Retirement System

The resources requested will also allow TRS to become a best-in-class investment management fund and potentially reduce external manager fees by $1 billion or more over the next five years. The demand for private market investments from pension and sovereign wealth funds has dramatically increased. As a result, high quality and appropriately risk-adjusted investments are becoming harder to find in scale for the portfolio. Over the past five years, in order to maintain our competitive advantage, we have implemented a risk parity approach, launched a co-investment platform and pursued alternative investments including direct investing.

However, economies of scale are not infinite. Deploying additional capital in the future will take additional resources. As a result, our investments focused headcount will need to increase. Doing so will allow us to reduce external management fees while preserving risk appropriate returns and will allow TRS to sustainably increase the likelihood of meeting actuarial assumptions. Twenty-three of the additional positions requested will address these issues.

TRS has been named one of the top places to work in Austin by the Austin American Statesman six times in the past seven years. While this has allowed us to attract quality employees, a burgeoning Austin job market will hamper our ability to retain in-demand employees. The investment management division alone has lost 40 people in the past 3 years who on average had 13 years of experience. To assist in this effort, TRS has continued to focus on fostering its culture including the TRS core values along with a refocused effort on employee development.

Improving the member experience and continuing to strengthen the TRS trust fund are primary components TRS' strategic goals. This request represents our anticipated needs as we work towards those goals. Your consideration of these funding requests on behalf of the members of the Teacher Retirement System is greatly appreciated.

Sincerely,

Brian K. Guthrie
Executive Director

Teacher Retirement System of Texas
2018 Organizational Chart

TRS Board of Trustees

Chief Audit Executive
Amy Barrett
(12)

Executive Director
Brian Guthrie
(4)

Special Advisor to the Executive Director
Ray Spivey
(1)

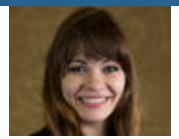
Chief Investment Officer
Jerry Albright (154)

General Counsel
Carolina de Onís
(23)

Chief Health Care Officer
Katrina Daniel (92)

Deputy Director
Ken Welch
(472.25)

Director of Governmental Relations
Merita Zoga (1)



Chief Benefit Officer
Barbie Pearson
(214.5)

Chief Strategy Officer
Rebecca Merrill (8)

Chief Compliance Officer & Compliance Counsel
Heather Traeger (3)

Project Management Office Director
David Cook (11)

Chief Information Officer
Chris Cutler (79)

Chief Organization Excellence Officer
Janet Bray (19.5)

Chief Financial Officer (70.8)
Don Green

Director of Communications (6.5)
Carolyn Perez

C E R T I F I C A T E

Agency Name Teacher Retirement System

This is to certify that the information contained in the agency Legislative Appropriations Request filed with the Legislative Budget Board (LBB) and the Governor's Office Budget Division (Governor's Office) is accurate to the best of my knowledge and that the electronic submission to the LBB via the Automated Budget and Evaluation System of Texas (ABEST) and the PDF file submitted via the LBB Document Submission application are identical.

Additionally, should it become likely at any time that unexpended balances will accrue for any account, the LBB and the Governor's Office will be notified in writing in accordance with Article IX, Section 7.01 (2018-19 GAA).

Chief Executive

Signature

Brian K. Guthrie
Printed Name

Executive Director
Title

August 10, 2018
Date

Board Chair

Signature

Jarvis V. Hollingsworth
Printed Name

Chair, Board of Trustees
Title

August 10, 2018
Date

Chief Financial Officer

Signature

Don Green
Printed Name

Chief Financial Officer
Title

August 10, 2018
Date

323 Teacher Retirement System

Goal / *Objective* / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
1 To Administer the System as an Employee Benefit Trust					
1 *Sound Retirement System*					
1 TRS - PUBLIC EDUCATION RETIREMENT	1,647,084,847	1,741,633,557	1,802,590,732	1,818,476,190	1,873,030,476
2 TRS - HIGHER EDUCATION RETIREMENT	213,934,509	199,815,204	218,137,034	258,000,932	268,793,961
3 ADMINISTRATIVE OPERATIONS	107,871,245	110,567,897	121,028,769	139,882,675	143,622,215
2 *Health Care Program for Public Education Retirees Funded by Statute*					
1 RETIREE HEALTH - STATUTORY FUNDS	319,412,143	583,729,797	413,867,839	411,803,780	424,157,893
3 *Health care for Public Ed Retirees Funded by Supplemental State Funds*					
1 RETIREE HEALTH - SUPPLEMENTAL FUNDS	0	212,000,000	0	0	0
TOTAL, GOAL 1	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**
TOTAL, AGENCY STRATEGY REQUEST	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				**$0**	**$0**
GRAND TOTAL, AGENCY REQUEST	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**

323 Teacher Retirement System

Goal / *Objective* / STRATEGY	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
METHOD OF FINANCING:					
General Revenue Funds:					
1 General Revenue Fund	2,148,551,115	2,698,626,937	2,379,334,790	2,427,704,750	2,499,569,845
SUBTOTAL	**$2,148,551,115**	**$2,698,626,937**	**$2,379,334,790**	**$2,427,704,750**	**$2,499,569,845**
General Revenue Dedicated Funds:					
770 Est. Other Educational & General	28,323,318	34,505,388	51,045,926	56,150,519	61,765,570
SUBTOTAL	**$28,323,318**	**$34,505,388**	**$51,045,926**	**$56,150,519**	**$61,765,570**
Other Funds:					
960 TRS Trust Account Fund	111,428,311	114,614,130	125,243,658	144,308,308	148,269,130
SUBTOTAL	**$111,428,311**	**$114,614,130**	**$125,243,658**	**$144,308,308**	**$148,269,130**
TOTAL, METHOD OF FINANCING	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**

*Rider appropriations for the historical years are included in the strategy amounts.

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
GENERAL REVENUE					
1 General Revenue Fund					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2016-17 GAA)	$2,046,454,786	$0	$0	$0	$0
Comments: Matches 2016-17 GAA (Conference Committee Report on House Bill 1).					
Regular Appropriations from MOF Table (2018-19 GAA)	$0	$2,486,626,937	$2,379,334,790	$0	$0
Comments: Matches 2018-19 GAA (Conference Committee Report on Senate Bill 1).					
Regular Appropriation	$0	$0	$0	$2,427,704,750	$2,499,569,845
TRANSFERS					
Adjustment per Section 1575.201(b), Insurance Code	$19,889,709	$0	$0	$0	$0

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
GENERAL REVENUE					
Comments: Insurance Code Sec. 1575.201(b) requires TRS to collect premiums for retiree health care coverage above basic coverage and for covered dependents. Monthly draws are based on estimated appropriations and settled up each year end. FY2017 was estimated based on 2% growth in covered payroll while actual growth was 2.2%. (See FY 2017 Settle-up letter date 9/26/17)					
Adjustment per Section 403.093(c), Government Code	$66,647,068	$0	$0	$0	$0
Comments: Government Code 403.093(c) requires CPA to transfer to TRS monthly amounts based on the estimated appropriation, settled up each year end with amounts owed based on actual active member payroll. The FY 2017 amount matches FY 2017 year-end settle up for state contributions to public education in the amount of $64,793,651 and higher education in the amount of $1,853,417. The actual growth was 5.3% and 2.2% respectively. (See FY 2017 Settle-up letter date 9/26/17)					
Rider 14-Settle Up Dollars Directed to TRS-Care (Art III-33, 2016-17 GAA).	$15,559,552	$0	$0	$0	$0
Comments: Rider 14 allows that any settle up payments made in excess of state's actual statutory obligations are re-appropriated to TRS-Care.					
HB 30, 85th Legislature, Special Session, Sec 10 Supplemental Appropriations, TRS Care Funding	$0	$212,000,000	$0	$0	$0

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
GENERAL REVENUE					
TOTAL, General Revenue Fund	**$2,148,551,115**	**$2,698,626,937**	**$2,379,334,790**	**$2,427,704,750**	**$2,499,569,845**
TOTAL, ALL GENERAL REVENUE	**$2,148,551,115**	**$2,698,626,937**	**$2,379,334,790**	**$2,427,704,750**	**$2,499,569,845**
GENERAL REVENUE FUND - DEDICATED					
770 GR Dedicated - Estimated Other Educational and General Income Account No. 770					
REGULAR APPROPRIATIONS					
Rider 7 - Transfer of Other Educ & Gen Income (2016-17 GAA)	$48,024,760	$0	$0	$0	$0
Comments: Matches 2016-17 GAA (Conference Committee Report on House Bill 1).					
Rider 7 - Transfer of Other Educ & Gen Income (2018-19 GAA)	$0	$46,405,388	$51,045,926	$0	$0
Comments: Matches 2018-19 GAA (Conference Committee Report on Senate Bill 1).					
Regular Appropriation	$0	$0	$0	$56,150,519	$61,765,570
LAPSED APPROPRIATIONS					

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
GENERAL REVENUE FUND - DEDICATED					
Regular Appropriations from MOF Table (2016-17 GAA)	$(19,701,442)	$(11,900,000)	$0	$0	$0
TOTAL, GR Dedicated - Estimated Other Educational and General Income Account No. 770	**$28,323,318**	**$34,505,388**	**$51,045,926**	**$56,150,519**	**$61,765,570**
TOTAL GENERAL REVENUE FUND - DEDICATED - 704, 708 & 770	**$28,323,318**	**$34,505,388**	**$51,045,926**	**$56,150,519**	**$61,765,570**
TOTAL, ALL GENERAL REVENUE FUND - DEDICATED	**$28,323,318**	**$34,505,388**	**$51,045,926**	**$56,150,519**	**$61,765,570**
TOTAL, GR & GR-DEDICATED FUNDS	**$2,176,874,433**	**$2,733,132,325**	**$2,430,380,716**	**$2,483,855,269**	**$2,561,335,415**
OTHER FUNDS					
960 Teacher Retirement System Trust Account Fund No. 960					
REGULAR APPROPRIATIONS					
Administrative Operations of the Pension Trust Fund (2016-17 GAA)	$77,162,229	$0	$0	$0	$0
Comments: Matches 2016-17 GAA (Conference Committee Report on House Bill 1).					
Employer Contributions for TRS Employees (2016-17 GAA)					

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
OTHER FUNDS					
	$3,440,790	$0	$0	$0	$0
Administrative Operations of the Pension Trust Fund (2018-19 GAA)	$0	$119,459,196	$95,193,887	$0	$0
Comments: Matches 2018-19 GAA (Conference Committee Report on Senate Bill 1).					
Employer Contributions for TRS Employees (2018-19 GAA)	$0	$4,067,277	$4,214,889	$0	$0
Regular Appropriation	$0	$0	$0	$144,308,308	$148,269,130
RIDER APPROPRIATION					
Art IX, Sec 14.03(i), Capital Budget UB (2016-17 GAA)	$25,703,547	$0	$0	$0	$0
Comments: Capital Budget UB related to TEAM, carry forward into FY2017.					
Art IX, Sec 14.03(i), Capital Budget UB (2016-17 GAA)	$4,530,071	$0	$0	$0	$0

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
OTHER FUNDS					
Comments: Capital Budget UB related to all other Capital Budget Appropriations carry forward in FY 2017, excluding appropriation for TEAM shown above. Primarily building and facilities funding.					
Art IX, Sec 14.03(i), Capital Budget UB (2018-19 GAA)	$0	$(14,474,882)	$14,474,882	$0	$0
Comments: FY 18 Capital Budget authority UB into FY 19.					
Rider 13, Performance Incentive Compensation (2016-17 GAA)	$6,644,225	$0	$0	$0	$0
Comments: TRS Rider 13 authorizes payment of performance incentive compensation. The amount shown was paid out of pension trust fund assets as a result of the payment plan.					
Rider 13, Performance Incentive Compensation (2018-19 GAA)	$0	$6,683,583	$11,360,000	$0	$0
Comments: TRS Rider 13 authorizes payment of performance incentive compensation. The amount shown for FY 2018 was paid out of pension trust fund assests as a result of the payment plan. The Board has approved a FY 2019 budget with a maximum payout of $11.36 million.					
LAPSED APPROPRIATIONS					
Administrative Operations of the Pension Trust Fund	$(4,258,827)	$(1,100,000)	$0	$0	$0

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
OTHER FUNDS					
Comments: FY 2017 lapse includes $1.9M in operating costs (utilities, supplies, facility expenses), $1.1M hardware and software, $650K travel, $300K capital, and $280K in Professional Fees. FY 2018 expected lapse due to lapsed FTEs and operating costs.					
Savings Due to Hiring Freeze	$(1,910,000)	$0	$0	$0	$0
Comments: Lapsed 7.3 FTEs and $600K in operating expenses in FY2017 due to hiring freeze. The remainder of the lapse was due to operating costs.					
BASE ADJUSTMENT					
Employer Retirement Contributions for TRS Employees	$116,276	$(21,044)	$0	$0	$0
Comments: Adjusting the employer contributions for TRS employees to actual spending.					
TOTAL, Teacher Retirement System Trust Account Fund No. 960	**$111,428,311**	**$114,614,130**	**$125,243,658**	**$144,308,308**	**$148,269,130**
TOTAL, ALL OTHER FUNDS	**$111,428,311**	**$114,614,130**	**$125,243,658**	**$144,308,308**	**$148,269,130**
GRAND TOTAL	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
FULL-TIME-EQUIVALENT POSITIONS					
REGULAR APPROPRIATIONS					
Regular Appropriations from MOF Table (2016-17 GAA) **Comments:** Matches 2016-17 GAA (Conference Committee Report on House Bill 1).	503.3	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2018-19 GAA) **Comments:** Matches 2018-19 GAA (Conference Committee Report on Senate Bill 1).	0.0	524.3	524.3	0.0	0.0
Regular Appropriations from MOF Table (2020-21 GAA)	0.0	0.0	0.0	666.3	666.3
RIDER APPROPRIATION					
Rider 16 (2016-17 GAA), Enterprise Application Modernization (TEAM) FTE	83.9	0.0	0.0	0.0	0.0
Rider 16 (2016-17 GAA), Enterprise Application Modernization (TEAM) FTE	(83.9)	0.0	0.0	0.0	0.0
Rider 15 (2018-19 GAA), Enterprise Application Modernization (TEAM) FTE	0.0	69.0	79.0	0.0	0.0
Rider 15 (2018-19 GAA), Enterprise Application Modernization (TEAM) FTE	0.0	(69.0)	(79.0)	0.0	0.0
Proposed New Rider 22 (2020-21 GAA)Enterprise Application Modernization FTE Inclusion in Limitation	0.0	0.0	0.0	79.0	79.0

Agency code: **323** Agency name: **Teacher Retirement System**

METHOD OF FINANCING	Exp 2017	Est 2018	Bud 2019	Req 2020	Req 2021
LAPSED APPROPRIATIONS					
Unfilled full-time-equivalent positions attributable to the Governor's hiring freeze. **Comments:** FY17 lapses are due to the Governor's hiring freeze.	(7.3)	0.0	0.0	0.0	0.0
Regular Appropriations from MOF Table (2018-19 GAA) **Comments:** Lapses are largely due to vacancies resulting from agency-wide attrition.	0.0	(10.0)	0.0	0.0	0.0
REQUEST TO EXCEED ADJUSTMENTS					
Art IX, Sec 6.10(a), FTE Request to Exceed (2018-19 GAA) **Comments:** 54 additional FTEs were authorized by agency leadership to address extraordinary customer service issues.	0.0	0.0	50.0	0.0	0.0
TOTAL, ADJUSTED FTES	**496.0**	**514.3**	**574.3**	**745.3**	**745.3**
NUMBER OF 100% FEDERALLY FUNDED FTEs	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

2.C. Summary of Base Request by Object of Expense

86th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

323 Teacher Retirement System

OBJECT OF EXPENSE	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
1001 SALARIES AND WAGES	$59,531,329	$63,223,761	$69,613,199	$81,257,408	$84,356,961
1002 OTHER PERSONNEL COSTS	$2,181,853,948	$2,738,538,355	$2,435,747,045	$2,489,477,904	$2,567,216,806
2001 PROFESSIONAL FEES AND SERVICES	$23,690,487	$16,231,500	$16,460,205	$13,314,936	$13,114,680
2002 FUELS AND LUBRICANTS	$1,038	$3,794	$3,453	$3,453	$3,453
2003 CONSUMABLE SUPPLIES	$406,135	$441,523	$595,814	$596,133	$596,484
2004 UTILITIES	$995,240	$1,219,462	$1,219,685	$1,245,231	$1,245,282
2005 TRAVEL	$865,327	$1,610,559	$1,845,860	$1,997,569	$2,234,874
2006 RENT - BUILDING	$2,222,055	$2,470,513	$3,179,051	$3,796,962	$4,942,155
2007 RENT - MACHINE AND OTHER	$502,608	$690,451	$663,315	$676,115	$685,795
2009 OTHER OPERATING EXPENSE	$12,947,578	$18,144,537	$18,230,309	$26,535,866	$25,746,055
5000 CAPITAL EXPENDITURES	$5,286,999	$5,172,000	$8,066,438	$9,262,000	$9,462,000
OOE Total (Excluding Riders)	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**
OOE Total (Riders)					
Grand Total	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**

323 Teacher Retirement System

Goal/ *Objective* / **Outcome**	**Exp 2017**	**Est 2018**	**Bud 2019**	**BL 2020**	**BL 2021**
1 To Administer the System as an Employee Benefit Trust					
1 Sound Retirement System					
1 # of Years-Amortize TRS Retiremt. Fund Unfunded Actuarial Accrued Liab	32.20	30.99	31.00	31.00	31.00
2 TRS Retiremt. Fund 5-yr Avg Time-weighted Rate of ROI Performance	8.98%	9.35%	7.25%	7.25%	7.25%
3 TRS Retirement. Fund 20-yr Avg Time-weighted Rate of ROI Performance	6.99%	8.00%	7.25%	7.25%	7.25%
4 Investment Performance Relative to Board Approved Benchmark	100.00	101.40	100.00	100.00	100.00
KEY 5 TRS Retiremt. Fund Ann. Op. Exp. Per Member	28.60	26.15	32.00	32.00	32.00
KEY 6 TRS Retirement Fund Investment Expense as Basis Points of Net Assets	15.72	23.84	17.00	17.00	19.00
KEY 7 Service Level Percentage of Calls Answered in Specified Time Interval	69.00%	11.00%	56.00%	79.00%	80.00%
2 Health Care Program for Public Education Retirees Funded by Statute					
1 Participation Rate in Disease Mgmt Program by Non-Medicare Enrollees	5.20%	5.50%	5.00%	5.00%	5.00%
2 Generic Substitution Rate for TRS-Care Prescription Drug Benefits	98.00%	98.00%	98.00%	98.00%	98.00%

Agency code: **323** Agency name: **Teacher Retirement System**

Priority	Item	2020 GR and GR/GR Dedicated	2020 All Funds	2020 FTEs	2021 GR and GR Dedicated	2021 All Funds	2021 FTEs	Biennium GR and GR Dedicated	Biennium All Funds
1	Retiree Health Funding for Solvency	$409,800,000	$409,800,000	0.0	$0	$0	0.0	$409,800,000	$409,800,000
2	State Retirement Contributions	$828,861,978	$828,861,978	0.0	$853,169,400	$853,169,400	0.0	$1,682,031,378	$1,682,031,378
Total, Exceptional Items Request		**$1,238,661,978**	**$1,238,661,978**	**0.0**	**$853,169,400**	**$853,169,400**	**0.0**	**$2,091,831,378**	**$2,091,831,378**
Method of Financing									
	General Revenue	$1,238,661,978	$1,238,661,978		$853,169,400	$853,169,400		$2,091,831,378	$2,091,831,378
	General Revenue - Dedicated								
	Federal Funds								
	Other Funds								
		$1,238,661,978	**$1,238,661,978**		**$853,169,400**	**$853,169,400**		**$2,091,831,378**	**$2,091,831,378**
Full Time Equivalent Positions				**0.0**			**0.0**		
Number of 100% Federally Funded FTEs				**0.0**			**0.0**		

2.F. Summary of Total Request by Strategy
86th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE : **8/9/2018**
TIME : **10:09:02AM**

Agency code: **323** Agency name: **Teacher Retirement System**

Goal/*Objective*/**STRATEGY**	**Base 2020**	**Base 2021**	**Exceptional 2020**	**Exceptional 2021**	**Total Request 2020**	**Total Request 2021**
1 To Administer the System as an Employee Benefit Trust						
1 *Sound Retirement System*						
1 TRS - PUBLIC EDUCATION RETIREMENT	$1,818,476,190	$1,873,030,476	$648,946,405	$668,414,797	$2,467,422,595	$2,541,445,273
2 TRS - HIGHER EDUCATION RETIREMENT	258,000,932	268,793,961	179,915,573	184,754,603	437,916,505	453,548,564
3 ADMINISTRATIVE OPERATIONS	139,882,675	143,622,215	0	0	139,882,675	143,622,215
2 *Health Care Program for Public Education Retirees Funded by Statu*						
1 RETIREE HEALTH - STATUTORY FUNDS	411,803,780	424,157,893	409,800,000	0	821,603,780	424,157,893
3 *Health care for Public Ed Retirees Funded by Supplemental State Fu*						
1 RETIREE HEALTH - SUPPLEMENTAL FUNDS	0	0	0	0	0	0
TOTAL, GOAL 1	**$2,628,163,577**	**$2,709,604,545**	**$1,238,661,978**	**$853,169,400**	**$3,866,825,555**	**$3,562,773,945**
TOTAL, AGENCY STRATEGY REQUEST	**$2,628,163,577**	**$2,709,604,545**	**$1,238,661,978**	**$853,169,400**	**$3,866,825,555**	**$3,562,773,945**
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST						
GRAND TOTAL, AGENCY REQUEST	**$2,628,163,577**	**$2,709,604,545**	**$1,238,661,978**	**$853,169,400**	**$3,866,825,555**	**$3,562,773,945**

Agency code: **323** Agency name: **Teacher Retirement System**

Goal/*Objective*/**STRATEGY**	**Base 2020**	**Base 2021**	**Exceptional 2020**	**Exceptional 2021**	**Total Request 2020**	**Total Request 2021**
General Revenue Funds:						
1 General Revenue Fund	$2,427,704,750	$2,499,569,845	$1,238,661,978	$853,169,400	$3,666,366,728	$3,352,739,245
	$2,427,704,750	**$2,499,569,845**	**$1,238,661,978**	**$853,169,400**	**$3,666,366,728**	**$3,352,739,245**
General Revenue Dedicated Funds:						
770 Est. Other Educational & General	56,150,519	61,765,570	0	0	56,150,519	61,765,570
	$56,150,519	**$61,765,570**	**$0**	**$0**	**$56,150,519**	**$61,765,570**
Other Funds:						
960 TRS Trust Account Fund	144,308,308	148,269,130	0	0	144,308,308	148,269,130
	$144,308,308	**$148,269,130**	**$0**	**$0**	**$144,308,308**	**$148,269,130**
TOTAL, METHOD OF FINANCING	**$2,628,163,577**	**$2,709,604,545**	**$1,238,661,978**	**$853,169,400**	**$3,866,825,555**	**$3,562,773,945**
FULL TIME EQUIVALENT POSITIONS	**745.3**	**745.3**	**0.0**	**0.0**	**745.3**	**745.3**

Agency code: **323** Agency name: **Teacher Retirement System**

Goal/ *Objective* / **Outcome**

		BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
1	To Administer the System as an Employee Benefit Trust						
1	*Sound Retirement System*						
	1 # of Years-Amortize TRS Retiremt. Fund Unfunded Actuarial Accrued Liab	31.00	31.00			31.00	31.00
	2 TRS Retiremt. Fund 5-yr Avg Time-weighted Rate of ROI Performance	7.25%	7.25%			7.25%	7.25%
	3 TRS Retirement. Fund 20-yr Avg Time-weighted Rate of ROI Performance	7.25%	7.25%			7.25%	7.25%
	4 Investment Performance Relative to Board Approved Benchmark	100.00	100.00			100.00	100.00
KEY	**5 TRS Retiremt. Fund Ann. Op. Exp. Per Member**	32.00	32.00			32.00	32.00
KEY	**6 TRS Retirement Fund Investment Expense as Basis Points of Net Assets**	17.00	19.00			17.00	19.00
KEY	**7 Service Level Percentage of Calls Answered in Specified Time Interval**	79.00%	80.00%			79.00%	80.00%
2	*Health Care Program for Public Education Retirees Funded by Statute*						
	1 Participation Rate in Disease Mgmt Program by Non-Medicare Enrollees	5.00%	5.00%			5.00%	5.00%

Agency code: **323** Agency name: **Teacher Retirement System**

Goal/ *Objective* / **Outcome**

	BL 2020	BL 2021	Excp 2020	Excp 2021	Total Request 2020	Total Request 2021
2 Generic Substitution Rate for TRS-Care Prescription Drug Benefits						
	98.00%	98.00%			98.00%	98.00%

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 1 Retirement Contributions for Public Education Employees. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$1,647,084,847	$1,741,633,557	$1,802,590,732	$1,818,476,190	$1,873,030,476
TOTAL, OBJECT OF EXPENSE		**$1,647,084,847**	**$1,741,633,557**	**$1,802,590,732**	**$1,818,476,190**	**$1,873,030,476**
Method of Financing:						
1	General Revenue Fund	$1,647,084,847	$1,741,633,557	$1,802,590,732	$1,818,476,190	$1,873,030,476
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$1,647,084,847**	**$1,741,633,557**	**$1,802,590,732**	**$1,818,476,190**	**$1,873,030,476**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$1,818,476,190**	**$1,873,030,476**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$1,647,084,847**	**$1,741,633,557**	**$1,802,590,732**	**$1,818,476,190**	**$1,873,030,476**

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 1 Retirement Contributions for Public Education Employees. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021

Article 16, Section 67 of the Texas Constitution provides that the financing of benefits to the Teacher Retirement System must be based on sound actuarial principles. Section 821.006 of Title 8, Texas Government Code prohibits a reduction in member or state contributions to the retirement system or any change in benefits if, as a result of the particular action, the time required to amortize the unfunded actuarial accrued liabilities of the retirement system, as determined by an actuarial valuation, would be increased to a period that equals or exceeds 31 years. This strategy continues the agency's efforts to maintain an actuarially sound retirement system by providing funding for promised benefits and investing for future benefits. This strategy contributes to the agency's objective to manage an actuarially sound retirement system that maintains an amortization period of less than 31 years and generates a 20-year average investment return equal to or exceeding the board approved actuarial rate of return.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Total membership in TRS is approximately 1.5 million members and is expected to increase by approximately 6% during the 2020-21 biennium. Active membership in Public Education has recently been experiencing faster growth which is expected to continue over the 2020-21 biennium. Based on current trends, we are assuming covered payroll growth in Public Education of 3% for FY 2019 as well as for 2020 and 2021.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$3,544,224,289	$3,691,506,666	$147,282,377	$147,282,377	Includes 3% per year assumed payroll growth.
			$147,282,377	**Total of Explanation of Biennial Change**

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 2 Retirement Contributions for Higher Education Employees. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$213,934,509	$199,815,204	$218,137,034	$258,000,932	$268,793,961
TOTAL, OBJECT OF EXPENSE		**$213,934,509**	**$199,815,204**	**$218,137,034**	**$258,000,932**	**$268,793,961**
Method of Financing:						
1	General Revenue Fund	$182,054,125	$161,263,583	$162,876,219	$197,424,780	$202,381,476
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$182,054,125**	**$161,263,583**	**$162,876,219**	**$197,424,780**	**$202,381,476**
Method of Financing:						
770	Est. Other Educational & General	$28,323,318	$34,505,388	$51,045,926	$56,150,519	$61,765,570
SUBTOTAL, MOF (GENERAL REVENUE FUNDS - DEDICATED)		**$28,323,318**	**$34,505,388**	**$51,045,926**	**$56,150,519**	**$61,765,570**
Method of Financing:						
960	TRS Trust Account Fund	$3,557,066	$4,046,233	$4,214,889	$4,425,633	$4,646,915
SUBTOTAL, MOF (OTHER FUNDS)		**$3,557,066**	**$4,046,233**	**$4,214,889**	**$4,425,633**	**$4,646,915**

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 2 Retirement Contributions for Higher Education Employees. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$258,000,932**	**$268,793,961**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$213,934,509**	**$199,815,204**	**$218,137,034**	**$258,000,932**	**$268,793,961**

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Article 16, Section 67 of the Texas Constitution provides that the financing of benefits to the Teacher Retirement System must be based on sound actuarial principles. Section 821.006 of Title 8, Texas Government Code prohibits a reduction in member or state contributions to the retirement system or any change in benefits if, as a result of the particular action, the time required to amortize the unfunded actuarial accrued liabilities of the retirement system, as determined by an actuarial valuation, would be increased to a period that equals or exceeds 31 years. This strategy continues the agency's efforts to maintain an actuarially sound retirement system by providing funding for promised benefits and investing for future benefits. This strategy contributes to the agency's objective to manage an actuarially sound retirement system that maintains an amortization period of less than 31 years and generates a 20-year average investment return equal to or exceeding the board approved actuarial rate of return.

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Total membership in TRS is approximately 1.5 million members and is expected to increase by approximately 6% during the 2020-2021 biennium. Active membership in Higher Education continues to grow. Based on current trends indicating, we are assuming covered payroll growth in Higher Education of 3% for FY 2019 as well as for FY 2020 and 2021.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 2 Retirement Contributions for Higher Education Employees. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$417,952,238	$526,794,893	$108,842,655	$108,842,655	Assumes 3% per year covered payroll growth. $75.7 million of the difference is GR; $20.5 million is GR-D, and $790 thousand is related to fund 960.
			$108,842,655	**Total of Explanation of Biennial Change**

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 3 Administrative Operations — Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Output Measures:						
KEY 1	Number of TRS Benefit Applications Processed	73,608.00	70,995.00	71,000.00	71,000.00	71,000.00
2	Number of TRS Retirement Fund Member Accounts Serviced	10,142,243.00	11,129,312.00	11,351,898.00	10,243,666.00	10,346,102.00
3	Percent of Retirees Whose First Annuity is Paid When It is First Due	98.00 %	99.50 %	98.00 %	98.00 %	98.00 %
Objects of Expense:						
1001	SALARIES AND WAGES	$59,531,329	$63,223,761	$69,613,199	$81,257,408	$84,356,961
1002	OTHER PERSONNEL COSTS	$1,422,449	$1,359,797	$1,151,440	$1,197,002	$1,234,476
2001	PROFESSIONAL FEES AND SERVICES	$23,690,487	$16,231,500	$16,460,205	$13,314,936	$13,114,680
2002	FUELS AND LUBRICANTS	$1,038	$3,794	$3,453	$3,453	$3,453
2003	CONSUMABLE SUPPLIES	$406,135	$441,523	$595,814	$596,133	$596,484
2004	UTILITIES	$995,240	$1,219,462	$1,219,685	$1,245,231	$1,245,282
2005	TRAVEL	$865,327	$1,610,559	$1,845,860	$1,997,569	$2,234,874
2006	RENT - BUILDING	$2,222,055	$2,470,513	$3,179,051	$3,796,962	$4,942,155
2007	RENT - MACHINE AND OTHER	$502,608	$690,451	$663,315	$676,115	$685,795
2009	OTHER OPERATING EXPENSE	$12,947,578	$18,144,537	$18,230,309	$26,535,866	$25,746,055
5000	CAPITAL EXPENDITURES	$5,286,999	$5,172,000	$8,066,438	$9,262,000	$9,462,000

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 3 Administrative Operations — Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
TOTAL, OBJECT OF EXPENSE		**$107,871,245**	**$110,567,897**	**$121,028,769**	**$139,882,675**	**$143,622,215**
Method of Financing:						
960	TRS Trust Account Fund	$107,871,245	$110,567,897	$121,028,769	$139,882,675	$143,622,215
SUBTOTAL, MOF (OTHER FUNDS)		**$107,871,245**	**$110,567,897**	**$121,028,769**	**$139,882,675**	**$143,622,215**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$139,882,675**	**$143,622,215**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$107,871,245**	**$110,567,897**	**$121,028,769**	**$139,882,675**	**$143,622,215**
FULL TIME EQUIVALENT POSITIONS:		**496.0**	**514.3**	**574.3**	**745.3**	**745.3**

STRATEGY DESCRIPTION AND JUSTIFICATION:

Section 825.312 of the Texas 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. The method of finance established in the General Appropriations Act, Senate Bill 1, 85th Legislature, Regular Session provides funding for administrative operations primarily from the Pension Trust Fund. Section 825.313(d) provides that the board of trustees 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.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 3 Administrative Operations — Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

Administrative needs are driven substantially by growth in membership and the prudent management of the investment portfolio. Increased complexity of investment management and benefit services contributes to needs expressed in the LAR.

TRS is continuing efforts in the replacement of its legacy systems for benefits administration and accounting. The multi-year $100+ million initiative will update business processes and core technologies used to deliver benefits and services to members and annuitants.

Total membership is approximately 1.5 million members and is expected to increase by approximately 6% during the 2020-21 Biennium. The amounts requested for investment management translate to an estimated cost of 17 basis points per dollar invested for fiscal year 2020 and 17 basis points per dollar invested for fiscal year 2021. A basis point is one one-hundredth of one percent, or 0.01 percent. The cost for benefit administration is estimated to be $ 31 for fiscal year 2020 and $ 32 for fiscal year 2021. Benefit administration costs continue to be one of the lowest of any major state public pension fund.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System — Service Categories:

STRATEGY: 3 Administrative Operations — Service: 09 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$231,596,666	$283,504,890	$51,908,224	$48,900,000	Cost of 142 Additional FTEs for agency wide initiatives
			$(29,968,862)	TEAM/CAPPS Projects
			$9,080,000	Additional IT and Building Renovation Projects
			$23,897,086	Increased administrative needs based on growth in membership and the increased complexity of operations to include enhancement of data security efforts and additional member outreach
			$51,908,224	**Total of Explanation of Biennial Change**

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 2 Health Care Program for Public Education Retirees Funded by Statute — Service Categories:

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Statute. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$319,412,143	$583,729,797	$413,867,839	$411,803,780	$424,157,893
TOTAL, OBJECT OF EXPENSE		**$319,412,143**	**$583,729,797**	**$413,867,839**	**$411,803,780**	**$424,157,893**
Method of Financing:						
1	General Revenue Fund	$319,412,143	$583,729,797	$413,867,839	$411,803,780	$424,157,893
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$319,412,143**	**$583,729,797**	**$413,867,839**	**$411,803,780**	**$424,157,893**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$411,803,780**	**$424,157,893**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$319,412,143**	**$583,729,797**	**$413,867,839**	**$411,803,780**	**$424,157,893**

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1575 of the Texas Insurance Code designates the Teacher Retirement System as trustee to administer the Texas Public School Employees Group Insurance Program (TRS-Care). The program is established to provide health care services for both retired public school employees and their eligible dependents. This strategy continues the agency's efforts to provide group healthcare benefits to retired public school employees by monitoring the performance of contract benefit providers , communicating healthcare plan features to retired public school employees, and resolving benefit disputes. Funds requested for this strategy relate only to the retiree healthcare program.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 2 Health Care Program for Public Education Retirees Funded by Statute — Service Categories:

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Statute. Estimated. — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The funding request for the retiree health benefits program assumes that the state will fund at the current level of 1.25 % for the 2020-2021 biennium of the active public school employee salaries, that active employees will continue to contribute 0.65 % of their salaries, and that the public schools will continue to contribute 0.75 % of active public school employee salaries. At this level of funding, the Retired Employees Group Insurance Program trust is projected to be depleted by fiscal year 2021.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$997,597,636	$835,961,673	$(161,635,963)	$(161,635,963)	Assumes 3% per year covered payroll growth. Difference is related to $182.6 million supplemental funding received during FY2018-19 biennium.
			$(161,635,963)	**Total of Explanation of Biennial Change**

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 3 Health care for Public Ed Retirees Funded by Supplemental State Funds — Service Categories:

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Supplemental State Funds — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021
Objects of Expense:						
1002	OTHER PERSONNEL COSTS	$0	$212,000,000	$0	$0	$0
TOTAL, OBJECT OF EXPENSE		**$0**	**$212,000,000**	**$0**	**$0**	**$0**
Method of Financing:						
1	General Revenue Fund	$0	$212,000,000	$0	$0	$0
SUBTOTAL, MOF (GENERAL REVENUE FUNDS)		**$0**	**$212,000,000**	**$0**	**$0**	**$0**
TOTAL, METHOD OF FINANCE (INCLUDING RIDERS)					**$0**	**$0**
TOTAL, METHOD OF FINANCE (EXCLUDING RIDERS)		**$0**	**$212,000,000**	**$0**	**$0**	**$0**

FULL TIME EQUIVALENT POSITIONS:

STRATEGY DESCRIPTION AND JUSTIFICATION:

Chapter 1575 of the Texas Insurance Code designates the Teacher Retirement System as trustee to administer the Texas Public School Employees Group Insurance Program (TRS-Care). The program is established to provide health care services for both retired public school employees and their eligible dependents. This strategy continues the agency's efforts to provide group healthcare benefits to retired public school employees by monitoring the performance of contract benefit providers , communicating healthcare plan features to retired public school employees, and resolving benefit disputes. Funds requested for this strategy relate only to the retiree healthcare program.

323 Teacher Retirement System

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 3 Health care for Public Ed Retirees Funded by Supplemental State Funds — Service Categories:

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Supplemental State Funds — Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Exp 2017	Est 2018	Bud 2019	BL 2020	BL 2021

EXTERNAL/INTERNAL FACTORS IMPACTING STRATEGY:

The funding request for the retiree health benefits program assumes that the state will fund at the current level of 1.25 % for the 2020-2021 biennium of the active public school employee salaries, that active employees will continue to contribute 0.65 % of their salaries, and that the public schools will continue to contribute 0.75 % of active public school employee salaries. At this level of funding, the Retired Employees Group Insurance Program trust is projected to be depleted by fiscal year 2021.

EXPLANATION OF BIENNIAL CHANGE (includes Rider amounts):

STRATEGY BIENNIAL TOTAL - ALL FUNDS		BIENNIAL	EXPLANATION OF BIENNIAL CHANGE	
Base Spending (Est 2018 + Bud 2019)	Baseline Request (BL 2020 + BL 2021)	CHANGE	$ Amount	Explanation(s) of Amount (must specify MOFs and FTEs)
$212,000,000	$0	$(212,000,000)	$(212,000,000)	Supplemental funding for TRS-Care program based on cost experience.
			$(212,000,000)	**Total of Explanation of Biennial Change**

SUMMARY TOTALS:

OBJECTS OF EXPENSE:	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**
METHODS OF FINANCE (INCLUDING RIDERS):				**$2,628,163,577**	**$2,709,604,545**
METHODS OF FINANCE (EXCLUDING RIDERS):	**$2,288,302,744**	**$2,847,746,455**	**$2,555,624,374**	**$2,628,163,577**	**$2,709,604,545**
FULL TIME EQUIVALENT POSITIONS:	**496.0**	**514.3**	**574.3**	**745.3**	**745.3**

3.B. Rider Revisions and Additions Request

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
323	Teacher Retirement System	Don Green	08-10-18	Baseline

Current Rider Number	Page Number in 2018-19 GAA	Proposed Rider Language		
1.	III – 35	**Performance Measure Targets.** The following is a listing of the key performance target levels for the Teacher Retirement System. It is the intent of the Legislature that appropriations made by this Act be utilized in the most efficient and effective manner possible to achieve the intended mission of the Teacher Retirement System. In order to achieve the objectives and service standards established by this Act, the Teacher Retirement System shall make every effort to attain the following designated key performance target levels associated with each item of appropriation.		
			2018~~19~~20	**2019~~20~~21**
		A. Goal: TEACHER RETIREMENT SYSTEM		
		Outcome (Results/Impact):		
		TRS Retirement Fund Annual Operating Expense Per Total Member in Dollars (Excluding Investment Expenses)	~~29~~ 32	~~30~~ 32
		TRS Retirement Fund Investment Expense as Basis Points of Net Assets	~~24~~ 17	~~25~~ 17
		Service Level Percentage for Calls Answered in a Specified Time Interval	~~78~~ 79%	80%
		A.1.3. **Strategy** ADMINISTRATIVE OPERATIONS		
		Output (Volume)		
		Number of TRS Benefit Applications Processed	~~72,000~~ 71,000	~~72,000~~ 71,000

3.B. Rider Revisions and Additions Request

2.	III – 35	**Capital Budget.** None of the funds appropriated above for Strategy A.1.3, Administrative Operations, may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes.

	~~2018~~ 2020	~~2019~~ 2021
a. Repair or Rehabilitation of Buildings and Facilities		
(1) Building Renovations ~~FY 2018/2019~~	~~2,000,000~~ 7,000,000	~~2,000,000~~ 7,000,000
(2) Security Renovations	100,000	100,000
Total, Repair or Rehabilitation of Buildings and Facilities	$7,100,00	$7,100,000
b. Acquisition of Information Resource Technologies		
(1) Network Infrastructure Upgrade ~~FY2018/2019~~	~~450,000~~ 500,000	~~450,000~~ 500,000
~~(2) Telephone Counseling Center Upgrade FY2018/2019~~	~~1,500,000~~	~~500,000~~
~~(3)~~(2) Investment Systems Modernization ~~FY2018/2019~~	~~370,000~~ 450,000	~~370,000~~ 450,000
~~(4)~~(3) Pension Legislation ~~FY2019~~	0	200,000
~~(5)~~(4) PC Workstation Refresh ~~FY2018/2019~~	~~370,000~~ 500,000	~~370,000~~ 500,000
~~(6) TEAM Program FY2018/2019~~	~~25,168,862~~	~~0~~
~~(7)~~(5) Data Center Upgrade ~~FY2018/2019~~	~~420,000~~ 600,000	~~420,000~~ 600,000
~~(8) Centralized Accounting and Payroll/Personnel System (CAPPS) - Enterprise Resource Planning (ERP) Project~~	~~$2,400,000~~	~~$2,400,000~~
Total, Acquisition of Information Resource Technologies	$~~30,678,862~~ 2,050,000	$~~4,710,000~~ 2,250,000
Total, Capital Budget	$~~32,678,862~~ 9,150,000	$~~6,710,000~~ 9,350,000
Method of Financing (Capital Budget):		
Teacher Retirement System Trust Account Fund No. 960	$~~32,678,862~~ 9,150,000	$~~6,710,000~~ 9,350,000
Total, Method of Financing	$32,678,862 9,150,000	$~~6,710,000~~ 9,350,000

The proposed revisions to the rider reflect the 2020-21 Capital Budget Request. An explanation of the requested item and impact on agency operations is included in the Capital Budget Supporting Schedules.

3.B. Rider Revisions and Additions Request

3.	III – 36	**Updated Actuarial Valuation.** The Teacher Retirement System shall contract with an actuary to perform a limited actuarial valuation of the assets and liabilities of the Teacher Retirement System as of February 28 in those years when the Legislature meets in regular session. The purpose of the valuation shall be to determine the effect of investment, salary, and payroll experience on the unfunded liability, the amortization period, and the state contribution rate which results in a 30-year amortization period of the retirement system.
4.	III – 36	**State Contribution to Teacher Retirement Program.** The amounts specified above in Strategy A.1.1, TRS-Public Education Retirement, ~~$1,741,633,557~~ $1,818,476,190 in fiscal year 20~~18~~ 20 and ~~$1,802,590,732~~ $1,873,030,476 in fiscal year 20~~19~~ 21, and A.1.2, TRS-Higher Education Retirement, ~~$211,736,248~~ $258,000,932 in fiscal year 20~~18~~ 20 and ~~$218,137,034~~ $268,793,961 in fiscal year 20~~19~~ 21 are based on a state contribution of 6.8 percent of payroll in each year of the 20~~18–19~~ 20-21 biennium, estimated. *The rider has been revised to reflect fiscal years 2020 and 2021 projected state matching contributions.*
5.	III – 36	**State Contribution to Texas Public School Retired Employees Group Insurance Program.** The amounts specified above in Strategy A.2.1, Retiree Health-Statutory Funds, ~~$795,729,797~~ $411,803,780 in fiscal year 20~~18~~ 20 and ~~$413,867,839~~ $424,157,893 in fiscal year 20~~19~~ 21 are based on a state contribution of 1.25 percent of payroll for each fiscal year, estimated. The retirement system shall notify the Legislative Budget Board, the Governor, and its membership prior to establishing premiums, regarding the impact such premiums will have on retiree costs for TRS-Care insurance. It is the intent of the Legislature that the Teacher Retirement System control the cost of the retiree insurance program by not providing rate increases to health care providers and pharmacy providers during the 20~~18–19~~ 20-21 biennium without providing 60 days notice to the Legislative Budget Board. *The rider has been revised to reflect fiscal years 2020 and 2021 projected state matching contributions.*
6.	III – 36	**Excess Benefit Arrangement Account.** There is hereby appropriated to the Teacher Retirement System all funds transferred or deposited into the Excess Benefit Arrangement Account established in the General Revenue Fund for the purpose of paying benefits as authorized by Government Code § 825.517.

3.B. Rider Revisions and Additions Request

7.	III – 36	**Transfer of Other Educational and General Income.** The Comptroller of Public Accounts is hereby authorized to transfer the necessary appropriations made above in A.1.2, TRS-Higher Education Retirement from Other Educational and General Income to institutions of higher education to meet their obligations and comply with the proportionality policy as expressed in the Article IX provision entitled Benefits Paid Proportional by Method of Finance.
8.	III – 36	**Exempt Positions.** Notwithstanding the limitations contained in the Article IX provision entitled Scheduled Exempt Positions, the TRS Board of Trustees may determine the salaries of the positions listed above in the Schedule of Exempt Positions without limitation.
9.	III – 36	**Annual School District Contribution Rate to TRS-Care**. The annual contribution rate for school districts for fiscal years 20~~18~~ 20 and 20~~19~~ 21 shall be 0.75 percent of total payroll. *The rider has been revised to reflect fiscal years 2020 and 2021.*
10.	III – 36	**Full-Time Equivalent Positions Intern Exemption.** The number of Full-Time Equivalent (FTE) positions held by undergraduate and graduate students in the Intern Program of the Teacher Retirement System (TRS) shall be exempt from Article IX, Sec. 6.10. Limitation on State Employment Levels. This provision will not change the cap on the Number of Full-Time Equivalents (FTE) for TRS listed elsewhere in this Act. TRS shall provide to the Legislative Budget Board, the Governor, the Comptroller of Public Accounts, and the State Auditor's Office a report of the number of FTEs associated with the Intern Program each fiscal year.
11.	III – 36	**Limitation on Funds Appropriated to the Teacher Retirement System (TRS).** It is the intent of the Legislature that none of the funds appropriated by this Act or from Teacher Retirement System Trust Fund Account No. 960 may be used for the purpose of hiring an external communications consultant.

3.B. Rider Revisions and Additions Request

12.	III – 37	**Limitation on Retirement Contributions to Public Community/Junior Colleges.** The limitation on General Revenue related funds appropriated above in Strategy A.1.2, TRS – Higher Education Retirement, for retirement contributions for Public Community/Junior Colleges are limited to 50 percent of the state contribution of 6.8 percent in fiscal year 20~~18~~ 20 and 6.8 percent in fiscal year 20~~19~~ 21 of the total covered payroll for Public Community and Junior Colleges, in accordance with Government Code Section 825.4071**.** *The rider has been revised to reflect fiscal years 2020 and 2021.*
13.	III – 37	**Performance Pay Plan ~~Incentive Compensation~~ Payments.** The Teacher Retirement System Board of Trustees may make performance pay plan ~~incentive compensation~~ payments to the staff of TRS ~~the Investment Management Division~~ based on ~~investment performance~~ standards adopted by the Board prior to the beginning of the period for which any additional compensation is paid. Such amounts as may be necessary to make performance ~~incentive~~ payments under the plan approved by the Board are hereby appropriated from the Teacher Retirement System Pension Trust Fund Account Fund No. 960. The Teacher Retirement System Board of Trustees shall notify the Legislative Budget Board and the Governor at least 45 days prior to the execution of any performance ~~incentive~~ payments based on ~~the Retirement Trust Fund's investment performance~~ approved standards. Funds shall be appropriated pursuant to this rider for performance ~~incentive~~ payments only in a fiscal year following a year in which the Retirement Trust Fund experiences a positive return. *The rider has been revised to reflect changes in the TRS Board Policy related to performance pay.*
14.	III – 37	**Settle-Up Dollars Directed to TRS-Care.** Any settle-up payments made ~~in the fiscal year ending August 31, 2019~~, from the Teacher Retirement System of Texas pension fund or from the TRSCare program are appropriated to the TRS-Care program. Settle-up funds are all estimated General Revenue appropriations ~~for fiscal year 2018~~ in excess of the state's actual statutory obligations for retirement and retiree insurance contributions, and those funds are re-appropriated to Retiree Health-Statutory Funds, for deposit to the Texas Public School Retired Employees Group Insurance Trust Fund. *The rider has been revised to allow for the transfer regardless of which fiscal year in which the overpayment occurs.*

3.B. Rider Revisions and Additions Request

15.	III – 37	~~**Enterprise Application Modernization FTE Exemption.** Funds appropriated in the capital budget for the TRS Enterprise Application Modernization (TEAM) initiative may be expended for salaries and wages of Full-Time Equivalents (FTEs) and contract workers assigned to the TEAM initiative. Notwithstanding the limitations of Article IX, Sec. 6.10 Limitation on State Employment Levels, for the Teacher Retirement System, it is the intent of the Legislature that the calculation of the number of FTEs and contract workers assigned to the TEAM initiative for reporting purposes be exempt from the calculation. It is the intent of the Legislature that once the TEAM initiative is implemented, the Article IX, Sec. 6.10 limitation will apply to all agency FTE employees and contract workers (estimated to be in fiscal year 2018).~~ *This rider is no longer applicable.*
16.	III – 37	**Appropriation Transfers between Fiscal Years for TRS-Care.** In addition to the transfer authority provided elsewhere in this Act and in order to provide for benefits through the Texas Public School Retired Employees Group Benefits Program (TRS-Care), the Teacher Retirement System is authorized to transfer General Revenue funds appropriated to Strategy A.2.1, Retiree Health - Statutory Funds, in fiscal year 20~~19~~ 21 to fiscal year 20~~18~~ 20 and such funds are appropriated for fiscal year 20~~18~~ 20. Such transfers may only be made subject to the following. a. Transfers under this section may be requested only upon a finding by the TRS Board of Trustees that the fiscal year 20~~18~~ 20 costs associated with providing retiree health benefits will exceed the funds appropriated for these services for fiscal year 20~~18~~ 20. b. A transfer is not authorized by this section unless it receives the prior written approval of the Governor and the Legislative Budget Board. c. The Comptroller of Public Accounts shall cooperate as necessary to assist the completion of a transfer and spending made under this section. *The rider has been revised to reflect fiscal years 2020 and 2021.*

3.B. Rider Revisions and Additions Request

17.	III – 37	**Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation.** Upon a finding of fact by the Teacher Retirement System Board of Trustees that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements, the Teacher Retirement System is appropriated such additional funds as approved by the Board from the Teacher Retirement System Pension Trust Fund Account No. 960 to communicate such guidelines to affected members and employers, and to acquire additional audit and actuarial services as needed for implementation.
18.	III – 38	**TRS-Care Shortfall.** It is the intent of the Legislature that resolving the long-term solvency of TRS-Care be a shared fiscal responsibility between the state, school districts, employees, and retirees.
19.	III – 38	~~**Contingency for House Bill 3976 — Appropriation to TRS-Care.2** Amounts appropriated above in Strategy A.2.1., Retiree Health - Statutory Funds include $376,200,000 in General Revenue for the 2018-19 biennium, contingent on enactment of House Bill 3976, or similar legislation relating to TRS Retiree Health, which increases the state contribution rate to TRS-Care from 1.0 percent to 1.25 percent of active employee payroll, by the Eighty-fifth Legislature, Regular Session. Should House Bill 3976, or similar legislation, fail to be enacted, funds appropriated above in Strategy A.2.1., Retiree Health - Statutory Funds, will be reduced by $376,200,000 in the 2018-19 biennium.~~ ~~Also contingent on enactment of House Bill 3976, or similar legislation relating to TRS Retiree Health, by the Eighty-fifth Legislature, Regular Session, the state contribution rate specified in Rider 5, State Contribution to Texas Public School Retired Employees Group Insurance Program, shall be increased from 1.0 percent to 1.25 percent of active employee payroll, and the annual contribution rate for school districts in fiscal years 2018 and 2019, as specified in Rider 9, Annual School District Contribution Rate to TRS-Care, shall be increased from 0.55 percent to 0.75 percent of active employee payroll.~~ *This rider is no longer applicable.*

3.B. Rider Revisions and Additions Request

20.	III – 38	~~**TRS-Care Health Care Cost Containment Initiatives.** Reflected in General Revenue appropriations made above in Strategy A.2.1., Retiree Health — Statutory Funds, is a reduction of $26,200,000 in the 2018-19 biennium for savings resulting from the following cost containment initiatives: (1) ensuring full enrollment of all eligible TRS-Care members into the Social Security Disability and Medicare Programs, for an estimated savings of $24,000,000; and (2) implementation of value-based payment strategies, for an estimated savings of $2,200,000.~~ *This rider is no longer applicable.*
21.	III – 38	**Medicare Enrollment for Eligible Members of TRS-Care.** Out of funds appropriated above, TRS shall identify members of TRS-Care who are eligible for Social Security Disability or Medicare benefits, and provide information and assistance necessary for eligible members to enroll in the programs to help ensure the solvency of the TRS-Care fund.
22.	III –	**Enterprise Application Modernization FTE Inclusion in Limitation.** Full-Time Equivalents (FTEs) and contract workers previously assigned to the TRS Enterprise Application Modernization (TEAM) Initiative are hereby included in the limitations of Article IX, Sec 6.10 Limitation on State Employment Levels. It is the intent of the Legislature that the Number of Full-Time Equivalents listed above would be adjusted to include any FTEs previously paid for by funding appropriated in the capital budget for TEAM. *This rider would allow for the inclusion of previously exempted FTEs in the Art IX, Sec 6.10 limitation. This exemption has applied to FTEs funded in the capital budget for the TRS Enterprise Application Modernization (TEAM) initiative.*

Agency code: **323** Agency name:

Teacher Retirement System

CODE	DESCRIPTION	Excp 2020	Excp 2021
	Item Name: Retiree Health Funding for Solvency		
	Item Priority: 1		
	IT Component: No		
	Anticipated Out-year Costs: No		
	Involve Contracts > $50,000: No		
	Includes Funding for the Following Strategy or Strategies: 01-02-01 Healthcare for Public Ed Retirees Funded by Statute. Estimated.		
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	409,800,000	0
	TOTAL, OBJECT OF EXPENSE	**$409,800,000**	**$0**
METHOD OF FINANCING:			
1	General Revenue Fund	409,800,000	0
	TOTAL, METHOD OF FINANCING	**$409,800,000**	**$0**

DESCRIPTION / JUSTIFICATION:

Revenues are expected to increase slightly while medical costs are expected to grow faster than revenue. Taking this into account, additional funding is needed to provide for a deficit that could occur as early as FY2020. The cost drivers include a projected 6.75% growth in medical claims and projected 11.5% growth in prescription drug costs.

EXTERNAL/INTERNAL FACTORS:

Claims costs and participation rates.

PCLS TRACKING KEY:

Agency code: **323** Agency name:

Teacher Retirement System

CODE	DESCRIPTION	Excp 2020	Excp 2021
	Item Name: State Retirement Contributions		
	Item Priority: 2		
	IT Component: No		
	Anticipated Out-year Costs: No		
	Involve Contracts > $50,000: No		
	Includes Funding for the Following Strategy or Strategies: 01-01-01 Retirement Contributions for Public Education Employees. Estimated.		
	01-01-02 Retirement Contributions for Higher Education Employees. Estimated.		
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	828,861,978	853,169,400
	TOTAL, OBJECT OF EXPENSE	**$828,861,978**	**$853,169,400**
METHOD OF FINANCING:			
1	General Revenue Fund	828,861,978	853,169,400
	TOTAL, METHOD OF FINANCING	**$828,861,978**	**$853,169,400**

DESCRIPTION / JUSTIFICATION:

TRS examined the assumption set used to determine the actuarial value of the pension trust fund. The actuary, in consultation with independent investment advisors, recommended lowering the investment return and the TRS Board of Trustees adopted a return assumption of 7.25% in July 2018.

As a result, the expected funding period is estimated to be 86 years at current funding levels. A 1.5% -2.0% increase in the contribution rate would be required to lower the funding period to a range of 31-35 years. Each 0.25% increase in the contribution rate equates to an additional biennial contribution of $231 million.

If the Legislature were to increase contribution rates, one option is to gradually fund the increase over a four-year period. Half of a percent increase in contribution rates beginning in the second year of the biennium would result in a funding period of around 31 years and position the fund for actuarial soundness in the near future. This increase would bring the total contribution rate from all sources to just over 17%. Based on national survey data, the combined average employee plus employer contribution rate for public pension funds that cover employees without social security is 26%.

EXTERNAL/INTERNAL FACTORS:

The number of annuitants will increase at a faster rate then the number of active members. The TRS Board of Trustees lowered the investment return assumption to 7.25% due to changes in the global economic outlook at expected market conditions.

PCLS TRACKING KEY:

Agency code: **323** Agency name:

Teacher Retirement System

CODE	DESCRIPTION	Excp 2020	Excp 2021

Agency code: **323** Agency name: **Teacher Retirement System**

Code	Description	Excp 2020	Excp 2021
Item Name:	Retiree Health Funding for Solvency		
Allocation to Strategy:	1-2-1 Healthcare for Public Ed Retirees Funded by Statute. Estimated.		
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	409,800,000	0
TOTAL, OBJECT OF EXPENSE		**$409,800,000**	**$0**
METHOD OF FINANCING:			
1	General Revenue Fund	409,800,000	0
TOTAL, METHOD OF FINANCING		**$409,800,000**	**$0**
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

Agency code: **323** Agency name: **Teacher Retirement System**

Code	Description	Excp 2020	Excp 2021
Item Name:	State Retirement Contributions		
Allocation to Strategy:	1-1-1 Retirement Contributions for Public Education Employees. Estimated.		
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	648,946,405	668,414,797
TOTAL, OBJECT OF EXPENSE		**$648,946,405**	**$668,414,797**
METHOD OF FINANCING:			
1	General Revenue Fund	648,946,405	668,414,797
TOTAL, METHOD OF FINANCING		**$648,946,405**	**$668,414,797**
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

Agency code: **323** Agency name: **Teacher Retirement System**

Code	Description	Excp 2020	Excp 2021
Item Name:	State Retirement Contributions		
Allocation to Strategy:	1-1-2 Retirement Contributions for Higher Education Employees. Estimated.		
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	179,915,573	184,754,603
TOTAL, OBJECT OF EXPENSE		**$179,915,573**	**$184,754,603**
METHOD OF FINANCING:			
1	General Revenue Fund	179,915,573	184,754,603
TOTAL, METHOD OF FINANCING		**$179,915,573**	**$184,754,603**
FULL-TIME EQUIVALENT POSITIONS (FTE):		0.0	0.0

Agency Code: **323** Agency name: **Teacher Retirement System**

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System Service Categories:

STRATEGY: 1 Retirement Contributions for Public Education Employees. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Excp 2020	Excp 2021
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	648,946,405	668,414,797
	Total, Objects of Expense	**$648,946,405**	**$668,414,797**
METHOD OF FINANCING:			
1	General Revenue Fund	648,946,405	668,414,797
	Total, Method of Finance	**$648,946,405**	**$668,414,797**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

State Retirement Contributions

Agency Code: **323** Agency name: **Teacher Retirement System**

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 1 Sound Retirement System Service Categories:

STRATEGY: 2 Retirement Contributions for Higher Education Employees. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Excp 2020	Excp 2021
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	179,915,573	184,754,603
	Total, Objects of Expense	**$179,915,573**	**$184,754,603**
METHOD OF FINANCING:			
1	General Revenue Fund	179,915,573	184,754,603
	Total, Method of Finance	**$179,915,573**	**$184,754,603**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

State Retirement Contributions

Agency Code: **323** Agency name: **Teacher Retirement System**

GOAL: 1 To Administer the System as an Employee Benefit Trust

OBJECTIVE: 2 Health Care Program for Public Education Retirees Funded by Statute Service Categories:

STRATEGY: 1 Healthcare for Public Ed Retirees Funded by Statute. Estimated. Service: 06 Income: A.2 Age: B.2

CODE	DESCRIPTION	Excp 2020	Excp 2021
OBJECTS OF EXPENSE:			
1002	OTHER PERSONNEL COSTS	409,800,000	0
	Total, Objects of Expense	**$409,800,000**	**$0**
METHOD OF FINANCING:			
1	General Revenue Fund	409,800,000	0
	Total, Method of Finance	**$409,800,000**	**$0**

EXCEPTIONAL ITEM(S) INCLUDED IN STRATEGY:

Retiree Health Funding for Solvency

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE		Est 2018	Bud 2019	BL 2020	BL 2021
5003 Repair or Rehabilitation of Buildings and Facilities					
3/3 Building Renovations					
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$268,108	$3,800,000	$7,000,000	$7,000,000
Capital Subtotal OOE, Project	3	$268,108	$3,800,000	$7,000,000	$7,000,000
Subtotal OOE, Project 3		**$268,108**	**$3,800,000**	**$7,000,000**	**$7,000,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$268,108	$3,800,000	$7,000,000	$7,000,000
Capital Subtotal TOF, Project	3	$268,108	$3,800,000	$7,000,000	$7,000,000
Subtotal TOF, Project 3		**$268,108**	**$3,800,000**	**$7,000,000**	**$7,000,000**
10/10 Security Renovations					
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$0	$0	$100,000	$100,000
Capital Subtotal OOE, Project	10	$0	$0	$100,000	$100,000
Subtotal OOE, Project 10		**$0**	**$0**	**$100,000**	**$100,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$0	$0	$100,000	$100,000
Capital Subtotal TOF, Project	10	$0	$0	$100,000	$100,000

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE	Est 2018	Bud 2019	BL 2020	BL 2021
Subtotal TOF, Project 10	**$0**	**$0**	**$100,000**	**$100,000**
Capital Subtotal, Category 5003	$268,108	$3,800,000	$7,100,000	$7,100,000
Informational Subtotal, Category 5003				
Total, Category 5003	**$268,108**	**$3,800,000**	**$7,100,000**	**$7,100,000**

5005 Acquisition of Information Resource Technologies

1/1 TEAM Program FY2018/2019

OBJECTS OF EXPENSE

Capital

General	1001	SALARIES AND WAGES	$4,890,089	$5,456,346	$0	$0
General	1002	OTHER PERSONNEL COSTS	$85,274	$95,420	$0	$0
General	2001	PROFESSIONAL FEES AND SERVICES	$4,795,207	$14,190,000	$0	$0
General	2003	CONSUMABLE SUPPLIES	$203	$15,000	$0	$0
General	2005	TRAVEL	$1,886	$30,000	$0	$0
General	2009	OTHER OPERATING EXPENSE	$16,732	$102,000	$0	$0
		Capital Subtotal OOE, Project 1	$9,789,391	$19,888,766	$0	$0
		Subtotal OOE, Project 1	**$9,789,391**	**$19,888,766**	**$0**	**$0**

TYPE OF FINANCING

Capital

General	CA	960 TRS Trust Account Fund	$9,789,391	$19,888,766	$0	$0
		Capital Subtotal TOF, Project 1	$9,789,391	$19,888,766	$0	$0
		Subtotal TOF, Project 1	**$9,789,391**	**$19,888,766**	**$0**	**$0**

2/2 Telephone Counseling Center Upgrade FY2018/2019

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE		Est 2018	Bud 2019	BL 2020	BL 2021
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$638,648	$1,361,351	$0	$0
Capital Subtotal OOE, Project	2	$638,648	$1,361,351	$0	$0
Subtotal OOE, Project 2		**$638,648**	**$1,361,351**	**$0**	**$0**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$638,648	$1,361,351	$0	$0
Capital Subtotal TOF, Project	2	$638,648	$1,361,351	$0	$0
Subtotal TOF, Project 2		**$638,648**	**$1,361,351**	**$0**	**$0**
4/4 Data Center Upgrade					
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$254,128	$588,871	$600,000	$600,000
Capital Subtotal OOE, Project	4	$254,128	$588,871	$600,000	$600,000
Subtotal OOE, Project 4		**$254,128**	**$588,871**	**$600,000**	**$600,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$254,128	$588,871	$600,000	$600,000
Capital Subtotal TOF, Project	4	$254,128	$588,871	$600,000	$600,000
Subtotal TOF, Project 4		**$254,128**	**$588,871**	**$600,000**	**$600,000**
5/5 Network Infrastructure					

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE		Est 2018	Bud 2019	BL 2020	BL 2021
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$139,818	$768,096	$500,000	$500,000
Capital Subtotal OOE, Project	5	$139,818	$768,096	$500,000	$500,000
Subtotal OOE, Project 5		**$139,818**	**$768,096**	**$500,000**	**$500,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$139,818	$768,096	$500,000	$500,000
Capital Subtotal TOF, Project	5	$139,818	$768,096	$500,000	$500,000
Subtotal TOF, Project 5		**$139,818**	**$768,096**	**$500,000**	**$500,000**
6/6 PC Workstation Refresh					
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$271,877	$477,097	$500,000	$500,000
Capital Subtotal OOE, Project	6	$271,877	$477,097	$500,000	$500,000
Subtotal OOE, Project 6		**$271,877**	**$477,097**	**$500,000**	**$500,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$271,877	$477,097	$500,000	$500,000
Capital Subtotal TOF, Project	6	$271,877	$477,097	$500,000	$500,000
Subtotal TOF, Project 6		**$271,877**	**$477,097**	**$500,000**	**$500,000**
7/7 Investment System Modernization					

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE		Est 2018	Bud 2019	BL 2020	BL 2021
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$17,150	$709,023	$450,000	$450,000
Capital Subtotal OOE, Project	7	$17,150	$709,023	$450,000	$450,000
Subtotal OOE, Project 7		**$17,150**	**$709,023**	**$450,000**	**$450,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$17,150	$709,023	$450,000	$450,000
Capital Subtotal TOF, Project	7	$17,150	$709,023	$450,000	$450,000
Subtotal TOF, Project 7		**$17,150**	**$709,023**	**$450,000**	**$450,000**
8/8 Pension Legislation					
OBJECTS OF EXPENSE					
Capital					
General 5000 CAPITAL EXPENDITURES		$0	$200,000	$0	$200,000
Capital Subtotal OOE, Project	8	$0	$200,000	$0	$200,000
Subtotal OOE, Project 8		**$0**	**$200,000**	**$0**	**$200,000**
TYPE OF FINANCING					
Capital					
General CA 960 TRS Trust Account Fund		$0	$200,000	$0	$200,000
Capital Subtotal TOF, Project	8	$0	$200,000	$0	$200,000
Subtotal TOF, Project 8		**$0**	**$200,000**	**$0**	**$200,000**

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE	Est 2018	Bud 2019	BL 2020	BL 2021
Capital Subtotal, Category 5005	$11,111,012	$23,993,204	$2,050,000	$2,250,000
Informational Subtotal, Category 5005				
Total, Category 5005	**$11,111,012**	**$23,993,204**	**$2,050,000**	**$2,250,000**

8000 Centralized Accounting and Payroll/Personnel System (CAPPS)

9/9 Centralized Accounting and Payroll/Personnel System (CAPPS) – Enterprise Resource Planning (ERP) Project.

OBJECTS OF EXPENSE

Capital

General	1001 SALARIES AND WAGES	$662,343	$985,580	$0	$0
General	1002 OTHER PERSONNEL COSTS	$12,120	$14,420	$0	$0
General	2001 PROFESSIONAL FEES AND SERVICES	$749,640	$1,200,000	$0	$0
General	2009 OTHER OPERATING EXPENSE	$0	$200,000	$0	$0
	Capital Subtotal OOE, Project 9	$1,424,103	$2,400,000	$0	$0
	Subtotal OOE, Project 9	**$1,424,103**	**$2,400,000**	**$0**	**$0**

TYPE OF FINANCING

Capital

General	CA 960 TRS Trust Account Fund	$1,424,103	$2,400,000	$0	$0
	Capital Subtotal TOF, Project 9	$1,424,103	$2,400,000	$0	$0
	Subtotal TOF, Project 9	**$1,424,103**	**$2,400,000**	**$0**	**$0**

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code / Category Name *Project Sequence/Project Id/ Name* OOE / TOF / MOF CODE	Est 2018	Bud 2019	BL 2020	BL 2021
Capital Subtotal, Category 8000	$1,424,103	$2,400,000	$0	$0
Informational Subtotal, Category 8000				
Total, Category 8000	**$1,424,103**	**$2,400,000**	**$0**	**$0**
AGENCY TOTAL -CAPITAL	**$12,803,223**	**$30,193,204**	**$9,150,000**	**$9,350,000**
AGENCY TOTAL -INFORMATIONAL				
AGENCY TOTAL	**$12,803,223**	**$30,193,204**	**$9,150,000**	**$9,350,000**
METHOD OF FINANCING:				
Capital				
General 960 TRS Trust Account Fund	$12,803,223	$30,193,204	$9,150,000	$9,350,000
Total, Method of Financing-Capital	$12,803,223	$30,193,204	$9,150,000	$9,350,000
Total, Method of Financing	**$12,803,223**	**$30,193,204**	**$9,150,000**	**$9,350,000**
TYPE OF FINANCING:				
Capital				
General CA CURRENT APPROPRIATIONS	$12,803,223	$30,193,204	$9,150,000	$9,350,000
Total, Type of Financing-Capital	$12,803,223	$30,193,204	$9,150,000	$9,350,000
Total,Type of Financing	**$12,803,223**	**$30,193,204**	**$9,150,000**	**$9,350,000**

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**1**	Project Name:	**TEAM Program FY18/19**

PROJECT DESCRIPTION

General Information

The TRS Enterprise Application Modernization (TEAM) Program is a cohesive collection of components designed to meet the business and technology objectives of TRS over the next 10-20 years. The TEAM Program focuses on addressing the changing expectations of a growing membership, providing for the collection and maintenance of accurate and reliable data, expanding the number of automated processes, and incorporating modern technologies. The TEAM Program will re-engineer business processes, revise policies, and provide new ways of working together. The TEAM Program will also deliver tools and techniques that will position TRS to have flexibility in updating our systems in response to growing member demands and future technological and regulatory changes.

This initiative supports the agency's objective to implement modern pension and benefit information systems that allow TRS staff to serve our members and deliver accurate benefits effectively and timely by improving external communications and service delivery, streamlining internal work processes for greater efficiency, modernizing the technical environment to ensure proper support and needed tools, and staffing technical positions to ensure the proper skill sets are in place for the future. It also supports replacing the legacy financial and human resources information systems and manual processes with a commercial off-the-shelf package.

The associated projects under the TEAM Program umbrella are:

1. Data Management Project
2. Financial System Replacement Upgrade
3. Independent Program Assessment
4. Pension Administration Line of Business (LOB) Solution

PLCS Tracking Key

Number of Units / Average Unit Cost N/A

Estimated Completion Date August 31, 2019

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 10-20 years

Estimated/Actual Project Cost $25,158,862

Length of Financing/ Lease Period n/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	MOF_CODE	AVERAGE_AMOUNT

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

These systems are used daily. The external factors affecting the use of this system are membership growth; public and charter school growth; and benefits legislation; and changes in the investment portfolio.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**2**	Project Name:	**Telephone Counseling Upg FY18/19**

PROJECT DESCRIPTION

General Information

The TRS Telephone Counseling Center (TCC) serves as the contact center for TRS member interaction with multiple agency departments. This project will upgrade the TCC's technology used to support the TRS member experience. These upgrades would include the ability for members to call, email, or chat with call center staff for benefit issues and questions. There are multiple sub-projects that would be required to provide the infrastructure necessary to support TCC improvements including the evaluation of cloud-based contact center infrastructure and upgrades to existing telephone devices. The TRS phone system would be modernized by replacing the current TDM (digital) phone system with a Voice over IP (VOIP) system. The current phone system has several limitations, especially related to disaster recovery and remote access. The phone system modernization would include improvements to both quality monitoring and workforce optimization and management.

PLCS Tracking Key

Number of Units / Average Unit Cost Servers - 15 @ $12,000

Estimated Completion Date August 31, 2019

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 3-5 Years

Estimated/Actual Project Cost $2,000,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

This system is used daily. The external factors affecting the use of this system are membership growth and benefits legislation.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5003**	Category Name:	**REPAIR OR REHABILITATION**
Project number:	**3**	Project Name:	**Building Renovations**

PROJECT DESCRIPTION

General Information

TRS owns, operates, and maintains its headquarters facilities. This project provides funds for refreshing and updating facilities to provide a physical work environment that is safe and enhances productivity and to achieve more effective utilization of space.

PLCS Tracking Key	
Number of Units / Average Unit Cost	N/A
Estimated Completion Date	N/A

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing	CA CURRENT APPROPRIATIONS
Projected Useful Life	20 Years
Estimated/Actual Project Cost	$14,000,000
Length of Financing/ Lease Period	N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: This project provides funds for refreshing and updating facilities to provide a physical work environment that is safe and enhances productivity and to achieve more effective utilization of space.

Project Location: 1000 Red River, Austin, TX 78701

Beneficiaries: TRS facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.

Frequency of Use and External Factors Affecting Use:

TRS facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**4**	Project Name:	**Data Center Upgrade**

PROJECT DESCRIPTION

General Information

This project supports upgrading and expanding the Data Center infrastructure and peripherals to reduce capacity constraints and issues with compatibility and obsolescence. This project will provide a strategy for enterprise storage and backup modernization including replacing and upgrading aging equipment and technology. This project will include replacement of legacy storage systems utilizing cloud-based alternatives as appropriate. This project will provide for adequate and ongoing improvements of the agency Disaster Recovery strategy.

PLCS Tracking Key	NA
Number of Units / Average Unit Cost	n/A
Estimated Completion Date	August 31, 2021

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing	CA CURRENT APPROPRIATIONS
Projected Useful Life	5 years
Estimated/Actual Project Cost	$1,200,000
Length of Financing/ Lease Period	N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

These hardware components will be used daily. The external factors affecting the use of this system are membership growth and public and charter school growth.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**5**	Project Name:	**Network Infrastructure**

PROJECT DESCRIPTION

General Information

The Network Infrastructure Upgrade project provides the development, design, implementation and maintenance of the IT infrastructure as relates to premise-based and cloud-based infrastructure application and security requirements. This project includes upgrading the existing virtual server environment for investment and benefit applications; expanding and improving enterprise messaging and collaboration tools; enhancing information security infrastructure access and incident monitoring capability; updating the core networking for both the switched infrastructure and the virtualized server environment. This update would introduce Software Defined Networking (SDN) and Identity and Access Management (IAM). SDN would allow each networked device (virtual or physical) to have its own security protections and assist with Disaster Recovery services. IAM will provide a path to modernizing TRS user provisioning and system access processes.

PLCS Tracking Key

Number of Units / Average Unit Cost Servers - 15 @ $12,000

Estimated Completion Date August 31, 2021

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 3-5 Years

Estimated/Actual Project Cost $1,000,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

These systems are used daily. The external factors affecting the use of this system are membership growth; public and charter school growth; and benefits legislation; and changes in the investment portfolio.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**6**	Project Name:	**PC Workstation Refresh**

PROJECT DESCRIPTION

General Information

This project is an ongoing project focused on upgrading outdated hardware technology. TRS has a Desktop Technology Refresh policy that sets standards for replacing PC and laptop computer systems every two to four years depending on its placement and use requirements. As these workstations and laptops are replaced, the older hardware is surplused or redeployed into less resource intensive areas throughout the agency. During this refresh cycle, the expansion of Virtual Desktop Infrastructure (VDI), workstation-class desktops, and Ultrabook laptops are being implemented. This effort supports increased functionality, performance and reliability of the desktop computing environment. Technology upgrades support the agency's strategic plan in its investment responsibilities and in the timely delivery of benefit services to our membership.

PLCS Tracking Key

Number of Units / Average Unit Cost	PCs/Laptops - 294 @ $1,700 per year
Estimated Completion Date	August 31, 2021

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing	CA CURRENT APPROPRIATIONS
Projected Useful Life	3-4 Years
Estimated/Actual Project Cost	$1,000,000
Length of Financing/ Lease Period	N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

These hardware components will be used daily. The external factors affecting the use of this system are membership growth; public and charter school growth; and changes in the investment portfolio.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**7**	Project Name:	**Investment System Modernization**

PROJECT DESCRIPTION

General Information

The TRS Investment Management Division requires a system to provide timely and reliable financial and historical investment information as well as provide daily data and information to investment managers and external analytical systems used by them. This project provides the technology and technical infrastructure to support the Investment Management Division's ability to achieve the TRS trust fund's actuarial rate of return strategy. This project includes enhanced Trading workflow, Data Warehouse and Business Intelligence capability, as well as the Security Infrastructure to ensure that our data is safe.

PLCS Tracking Key

Number of Units / Average Unit Cost N/A

Estimated Completion Date August 31, 2021

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 3-5 Years

Estimated/Actual Project Cost $900,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	MOF_CODE	AVERAGE_AMOUNT

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

Used daily. The external factors affecting the use of this system are changes in the investment portfolio and external partners.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5005**	Category Name:	**ACQUISITN INFO RES TECH.**
Project number:	**8**	Project Name:	**Pension Legislation**

PROJECT DESCRIPTION

General Information

This project is strategic and has not been specifically defined. TRS must be prepared to implement any legislative changes that affect the benefits available to our members. This project anticipates those changes and supports the agency's mission and strategic plan to provide timely delivery of retirement and related benefits to TRS membership and beneficiaries.

PLCS Tracking Key

Number of Units / Average Unit Cost N/A

Estimated Completion Date August 31, 2021

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life N/A

Estimated/Actual Project Cost $200,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: N/A

Project Location: Austin, TX

Beneficiaries: TRS Membership

Frequency of Use and External Factors Affecting Use:

Used daily. The external factors affecting this project is the legislative changes.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**8000**	Category Name:	**CAPPS Statewide ERP System**
Project number:	**9**	Project Name:	**CAPPS ERP Project FY18/19**

PROJECT DESCRIPTION

General Information

The Centralized Accounting and Payroll/Personnel System of CAPPS is the official name of the statewide Enterprise Resource Planning (ERP) system created by the ProjectONE team. CAPPS provides a single financials and human resource (HR)/payroll administration software solution for Texas state agencies. CAPPS allows aging and inefficient legacy systems to be replaced with an easy-to-use, easy-to-update system that can be scaled to meet the needs of any agency regardless of complexity and size. Reporting is easier and more accurate with CAPPS. Agency functions are recorded in a common data language on an interconnected system that allows financial and HR/payroll departments to exchange information quickly, safely and reliably.

PLCS Tracking Key

Number of Units / Average Unit Cost N/A

Estimated Completion Date August 31, 2019

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing CA CURRENT APPROPRIATIONS

Projected Useful Life 10 Years

Estimated/Actual Project Cost $4,800,000

Length of Financing/ Lease Period N/A

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: CAPPS provides a single financials and human resource (HR)/payroll administration software solution for Texas state agencies. CAPPS allows aging and inefficient legacy systems to be replaced with an easy-to-use, easy-to-update system that can be scaled to meet the needs of any agency regardless of complexity and size.

Project Location: TRS Facilities

Beneficiaries: TRS membership

Frequency of Use and External Factors Affecting Use:

Daily.

Agency Code:	**323**	Agency name:	**Teacher Retirement System**
Category Number:	**5003**	Category Name:	**REPAIR OR REHABILITATION**
Project number:	**10**	Project Name:	**Security Renovations**

PROJECT DESCRIPTION

General Information

TRS must be prepared to replace aging security equipment due to useful life issues which are resulting in equipment failure. This project anticipates useful life issues and supports the agency's overall mission ensuring a safe and secure environment at TRS. The TRS Security Division is responsible for safety and security at TRS and requires surveillance and access managements systems to assist in this responsibility. This system is comprised of cameras and badge access readers located throughout TRS. The objective of this project is to maintain the technological infrastructure that supports the Security Division's ability to ensure continued safety and security at TRS. This project is strategic and will be ongoing.

PLCS Tracking Key	N/a
Number of Units / Average Unit Cost	$3200
Estimated Completion Date	NA

Additional Capital Expenditure Amounts Required	**2022**	**2023**
	0	0

Type of Financing	CA	CURRENT APPROPRIATIONS
Projected Useful Life	NA	
Estimated/Actual Project Cost	$200,000	
Length of Financing/ Lease Period	NA	

ESTIMATED/ACTUAL DEBT OBLIGATION PAYMENTS

2020	**2021**	**2022**	**2023**	**Total over project life**
0	0	0	0	0

REVENUE GENERATION / COST SAVINGS

REVENUE_COST_FLAG	**MOF_CODE**	**AVERAGE_AMOUNT**

Explanation: This project provides funds for refreshing and updating security equipment to provide a safe and secure environment at TRS.

Project Location: 1000 Red River, Austin, TX 78701

Beneficiaries: TRS staff, members, and visitors.

Frequency of Use and External Factors Affecting Use:

TRS utilizes security equipment daily to ensure a safe and secure environment for staff, members, and visitors.

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
5003 Repair or Rehabilitation of Buildings and Facilities					
3/3	***Building Renovations***				
GENERAL BUDGET					
Capital 1-1-3	ADMINISTRATIVE OPERATIONS	268,108	3,800,000	$7,000,000	$7,000,000
	TOTAL, PROJECT	$268,108	$3,800,000	$7,000,000	$7,000,000
10/10	***Security Renovations***				
GENERAL BUDGET					
Capital 1-1-3	ADMINISTRATIVE OPERATIONS	0	0	100,000	100,000
	TOTAL, PROJECT	$0	$0	$100,000	$100,000
5005 Acquisition of Information Resource Technologies					
1/1	***TEAM Program FY18/19***				
GENERAL BUDGET					
Capital 1-1-3	ADMINISTRATIVE OPERATIONS	9,789,391	19,888,766	0	0
	TOTAL, PROJECT	$9,789,391	$19,888,766	$0	$0
2/2	***Telephone Counseling Upg FY18/19***				
GENERAL BUDGET					
Capital 1-1-3	ADMINISTRATIVE OPERATIONS	638,648	1,361,351	0	0
	TOTAL, PROJECT	$638,648	$1,361,351	$0	$0
4/4	***Data Center Upgrade***				

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code/Name

Project Sequence/Project Id/Name

	Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
GENERAL BUDGET						
Capital	1-1-3	ADMINISTRATIVE OPERATIONS	254,128	588,871	$600,000	$600,000
		TOTAL, PROJECT	$254,128	$588,871	$600,000	$600,000
5/5	***Network Infrastructure***					
GENERAL BUDGET						
Capital	1-1-3	ADMINISTRATIVE OPERATIONS	139,818	768,096	500,000	500,000
		TOTAL, PROJECT	$139,818	$768,096	$500,000	$500,000
6/6	***PC Workstation Refresh***					
GENERAL BUDGET						
Capital	1-1-3	ADMINISTRATIVE OPERATIONS	271,877	477,097	500,000	500,000
		TOTAL, PROJECT	$271,877	$477,097	$500,000	$500,000
7/7	***Investment System Modernization***					
GENERAL BUDGET						
Capital	1-1-3	ADMINISTRATIVE OPERATIONS	17,150	709,023	450,000	450,000
		TOTAL, PROJECT	$17,150	$709,023	$450,000	$450,000
8/8	***Pension Legislation***					
GENERAL BUDGET						
Capital	1-1-3	ADMINISTRATIVE OPERATIONS	0	200,000	0	200,000
		TOTAL, PROJECT	$0	$200,000	$0	$200,000

Agency code: **323** Agency name: **Teacher Retirement System**

Category Code/Name

Project Sequence/Project Id/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
8000 Centralized Accounting and Payroll/Personnel System (CAPPS)					
9/9	***CAPPS ERP Project FY18/19***				
GENERAL BUDGET					
Capital 1-1-3	ADMINISTRATIVE OPERATIONS	1,424,103	2,400,000	$0	$0
	TOTAL, PROJECT	$1,424,103	$2,400,000	$0	$0
	TOTAL CAPITAL, ALL PROJECTS	**$12,803,223**	**$30,193,204**	**$9,150,000**	**$9,350,000**
	TOTAL INFORMATIONAL, ALL PROJECTS				
	TOTAL, ALL PROJECTS	**$12,803,223**	**$30,193,204**	**$9,150,000**	**$9,350,000**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
5003	**Repair or Rehabilitation of Buildings and Facilities**				
3 Building Renovations					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	268,108	3,800,000	7,000,000	7,000,000
	TOTAL, OOEs	**$268,108**	**$3,800,000**	**7,000,000**	**7,000,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	268,108	3,800,000	7,000,000	7,000,000
	TOTAL, OTHER FUNDS	**$268,108**	**$3,800,000**	**7,000,000**	**7,000,000**
	TOTAL, MOFs	**$268,108**	**$3,800,000**	**7,000,000**	**7,000,000**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
10 Security Renovations					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	0	0	100,000	100,000
	TOTAL, OOEs	**$0**	**$0**	**100,000**	**100,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	0	0	100,000	100,000
	TOTAL, OTHER FUNDS	**$0**	**$0**	**100,000**	**100,000**
	TOTAL, MOFs	**$0**	**$0**	**100,000**	**100,000**

5005 Acquisition of Information Resource Technologies

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
1 TEAM Program FY18/19					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
1001	SALARIES AND WAGES	4,890,089	5,456,346	0	0
1002	OTHER PERSONNEL COSTS	85,274	95,420	0	0
2001	PROFESSIONAL FEES AND SERVICES	4,795,207	14,190,000	0	0
2003	CONSUMABLE SUPPLIES	203	15,000	0	0
2005	TRAVEL	1,886	30,000	0	0
2009	OTHER OPERATING EXPENSE	16,732	102,000	0	0
	TOTAL, OOEs	**$9,789,391**	**$19,888,766**	**0**	**0**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	9,789,391	19,888,766	0	0
	TOTAL, OTHER FUNDS	**$9,789,391**	**$19,888,766**	**0**	**0**
	TOTAL, MOFs	**$9,789,391**	**$19,888,766**	**0**	**0**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
2 Telephone Counseling Upg FY18/19					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	638,648	1,361,351	0	0
	TOTAL, OOEs	**$638,648**	**$1,361,351**	**0**	**0**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	638,648	1,361,351	0	0
	TOTAL, OTHER FUNDS	**$638,648**	**$1,361,351**	**0**	**0**
	TOTAL, MOFs	**$638,648**	**$1,361,351**	**0**	**0**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
4 Data Center Upgrade					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	254,128	588,871	600,000	600,000
	TOTAL, OOEs	**$254,128**	**$588,871**	**600,000**	**600,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	254,128	588,871	600,000	600,000
	TOTAL, OTHER FUNDS	**$254,128**	**$588,871**	**600,000**	**600,000**
	TOTAL, MOFs	**$254,128**	**$588,871**	**600,000**	**600,000**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
5 Network Infrastructure					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	139,818	768,096	500,000	500,000
	TOTAL, OOEs	**$139,818**	**$768,096**	**500,000**	**500,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	139,818	768,096	500,000	500,000
	TOTAL, OTHER FUNDS	**$139,818**	**$768,096**	**500,000**	**500,000**
	TOTAL, MOFs	**$139,818**	**$768,096**	**500,000**	**500,000**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
6 PC Workstation Refresh					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	271,877	477,097	500,000	500,000
	TOTAL, OOEs	**$271,877**	**$477,097**	**500,000**	**500,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	271,877	477,097	500,000	500,000
	TOTAL, OTHER FUNDS	**$271,877**	**$477,097**	**500,000**	**500,000**
	TOTAL, MOFs	**$271,877**	**$477,097**	**500,000**	**500,000**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
7 Investment System Modernization					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	17,150	709,023	450,000	450,000
	TOTAL, OOEs	**$17,150**	**$709,023**	**450,000**	**450,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	17,150	709,023	450,000	450,000
	TOTAL, OTHER FUNDS	**$17,150**	**$709,023**	**450,000**	**450,000**
	TOTAL, MOFs	**$17,150**	**$709,023**	**450,000**	**450,000**

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
8 Pension Legislation					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
5000	CAPITAL EXPENDITURES	0	200,000	0	200,000
	TOTAL, OOEs	**$0**	**$200,000**	**0**	**200,000**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	0	200,000	0	200,000
	TOTAL, OTHER FUNDS	**$0**	**$200,000**	**0**	**200,000**
	TOTAL, MOFs	**$0**	**$200,000**	**0**	**200,000**

8000 Centralized Accounting and Payroll/Personnel System (CAPPS)

323 Teacher Retirement System

Category Code/Name

Project Sequence/Name

Goal/Obj/Str	Strategy Name	Est 2018	Bud 2019	BL 2020	BL 2021
9 CAPPS ERP Project FY18/19					
OOE					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
1001	SALARIES AND WAGES	662,343	985,580	0	0
1002	OTHER PERSONNEL COSTS	12,120	14,420	0	0
2001	PROFESSIONAL FEES AND SERVICES	749,640	1,200,000	0	0
2009	OTHER OPERATING EXPENSE	0	200,000	0	0
	TOTAL, OOEs	**$1,424,103**	**$2,400,000**	**0**	**0**
MOF					
OTHER FUNDS					
Capital					
1-1-3 ADMINISTRATIVE OPERATIONS					
General Budget					
960	TRS Trust Account Fund	1,424,103	2,400,000	0	0
	TOTAL, OTHER FUNDS	**$1,424,103**	**$2,400,000**	**0**	**0**
	TOTAL, MOFs	**$1,424,103**	**$2,400,000**	**0**	**0**

323 Teacher Retirement System

		Est 2018	Bud 2019	BL 2020	BL 2021
CAPITAL					
General Budget					
OTHER FUNDS		$12,803,223	$30,193,204	9,150,000	9,350,000
	TOTAL, GENERAL BUDGET	12,803,223	30,193,204	9,150,000	9,350,000
	TOTAL, ALL PROJECTS	**$12,803,223**	**$30,193,204**	**9,150,000**	**9,350,000**

Agency Code: **323** Agency: **Teacher Retirement System**

COMPARISON TO STATEWIDE HUB PROCUREMENT GOALS

A. Fiscal Year 2016 - 2017 HUB Expenditure Information

Statewide HUB Goals	Procurement Category	HUB Expenditures FY 2016 % Goal	% Actual	Diff	Actual $	Total Expenditures FY 2016	HUB Expenditures FY 2017 % Goal	% Actual	Diff	Actual $	Total Expenditures FY 2017
11.2%	Heavy Construction	0.0 %	0.0%	0.0%	$0	$0	0.0 %	0.0%	0.0%	$0	$0
21.1%	Building Construction	0.0 %	0.0%	0.0%	$0	$0	0.0 %	0.0%	0.0%	$0	$0
32.9%	Special Trade	40.0 %	12.4%	-27.6%	$96,806	$781,449	40.0 %	48.8%	8.8%	$236,777	$485,560
23.7%	Professional Services	5.0 %	0.0%	-5.0%	$0	$2,608,280	5.0 %	2.5%	-2.5%	$84,562	$3,353,800
26.0%	Other Services	15.0 %	12.8%	-2.2%	$2,815,320	$22,014,188	15.0 %	15.4%	0.4%	$3,511,262	$22,736,372
21.1%	Commodities	40.0 %	35.5%	-4.5%	$1,051,295	$2,959,915	40.0 %	37.7%	-2.3%	$1,613,540	$4,278,776
	Total Expenditures		**14.0%**		**$3,963,421**	**$28,363,832**		**17.7%**		**$5,446,141**	**$30,854,508**

B. Assessment of Fiscal Year 2016 - 2017 Efforts to Meet HUB Procurement Goals

Attainment:

The agency made meaningful increases in all the HUB categories from FY16 to FY17. In addition, in FY17, TRS exceeded the goals in Special Trade with an approximate 36% increase and in Other Services with an approximate 2.8% increase. This increase is even more notable due to the fact that not only did TRS increase HUB utilization, but also increased their overall spending.

Applicability:

The "Heavy Construction" and "Building Construction" categories are not applicable to agency operations in either FY 2016 or FY 2017.

Factors Affecting Attainment:

TRS made a significant improvement in utilizing HUB vendors in FY 2017 with a percentage of 17.70%, which is up from 14% in FY16. TRS' overall HUB utilization performance is higher at 17.70% than the overall State of Texas performance of 11.97%.

TRS recognizes the importance of the HUB program and develops initiatives to promote and increase HUB opportunities. TRS is committed to achieving established goals and making a good faith effort in all areas.

"Good-Faith" Efforts:

TRS is committed to achieving HUB goals and continues to make a good faith effort in all areas. Annual status reports of the HUB Program are made to the TRS Board of Trustees and HUB goals are included in the Strategic Plan. TRS has established the Emerging Mangers Program to facilitate investments with qualified emerging managers (including minority-, woman- and disabled veteran-owned organizations). TRS continues to host an annual HUB forum and attends economic forums locally and across the state. The TRS HUB Coordinator assists HUB vendors with certification and is a resource for HUBs trying to earn business opportunities with TRS as well as other state agencies.

Agency Code: **323** Agency: **Teacher Retirement System**

TRS MEDICAL BOARD

Statutory Authorization: Texas Government Code, § 825.204
Number of Members: 3
Committee Status: Ongoing
Date Created: 7/01/1937
Date to Be Abolished: 9/1/2019

Strategy (Strategies): 1-1-3 ADMINISTRATIVE OPERATIONS

Advisory Committee Costs	**Expended Exp 2017**	**Estimated Est 2018**	**Budgeted Bud 2019**	**Requested BL 2020**	**Requested BL 2021**
Committee Members Direct Expenses					
Contracted Fee for Service	$109,890	$109,890	$126,000	$126,000	$126,000
Other Expenditures in Support of Committee Activities					
Personnel (1.0 FTE)	48,269	50,680	53,151	55,745	58,470
Medical Examinations	192	2,000	2,000	2,000	2,000
Total, Committee Expenditures	**$158,351**	**$162,570**	**$181,151**	**$183,745**	**$186,470**
Method of Financing					
TRS Trust Account Fund	$158,351	$162,570	$181,151	$183,745	$186,470
Total, Method of Financing	**$158,351**	**$162,570**	**$181,151**	**$183,745**	**$186,470**
Meetings Per Fiscal Year	6	6	6	6	6

Agency Code: **323** Agency: **Teacher Retirement System**

Description and Justification for Continuation/Consequences of Abolishing

Section 824.301 of the Texas Government Code contains a provision for disability retirement benefits. Members who apply for disability retirement must file with the Board of Trustees the results of a medical examination of the member. Based on medical information submitted by the member, the Medical Board rules on the application for disability retirement. The Medical Board, authorized under section 825.204 of the Texas Government Code and comprised of three physicians, receives information throughout the year on applications for disability retirement and may request additional medical information on specific cases. The Medical Board meets with staff on a bi-monthly basis to review disability retirement applications. TRS Law requires that members of the Medical Board be physicians licensed to practice medicine in this state and be of good standing in the medical profession. Their expertise is invaluable to the integrity of the disability retirement process. Abolishing the Medical Board would result in the staff and/or Board of Trustees having to rule on disability applications without benefit of the medical expertise provided by this board. This very likely would result in increased appeals of decisions made by laypersons with ultimate increased costs and risk to the system.

6.H. Estimated Total of All Agency Funds Outside of the GAA Bill Pattern

Teacher Retirement System of Texas (323)

ESTIMATED GRAND TOTAL OF AGENCY FUNDS OUTSIDE THE 2020-21 GAA BILL PATTERN	$	206,845,311,585

Pension Trust Fund -960

Beginning Balance in FY 2018	$	147,361,922,120
Estimated Revenues FY 2018		16,583,953,938
Estimated Revenues FY 2019		17,373,773,376
FY 2018-19 Total	$	181,319,649,434
Estimated Beginning Balance in FY 2020	$	158,975,806,646
Estimated Revenues FY 2020		18,204,727,456
Estimated Revenues FY 2021		19,079,231,945
FY 2020-21 Total	$	196,259,766,048

Constitutional or Statutory Creation and Use of Fund:

Consitutional Provision is Article XVI, Section 67 for the creation of TRS. The Texas Government Code, Title 8, Sections 825.403 through 825.411 for contributions.

Method of Calculations and Revenue Assumptions:

The calculations were made based on historical data. On the revenue side, contributions have increased by 6% annually over the past decade. The investment return is projected to be 6.5% annually after inflation. On the expenditure side, benefit claims are projected to grow by 5% annually.

Retired Health Benefits - 989

Beginning Balance in FY 2018	$	399,535,986
Estimated Revenues FY 2018		2,068,375,431
Estimated Revenues FY 2019		1,823,682,328
FY 2018-19 Total	$	4,291,593,745
Estimated Beginning Balance in FY 2020	$	409,485,655
Estimated Revenues FY 2020		1,930,302,820
Estimated Revenues FY 2021		2,040,624,119
FY 2020-21 Total	$	4,380,412,594

Constitutional or Statutory Creation and Use of Fund:

Texas Insurance Code Title 8, Subtitle H, Section 1575.001. Section 1575.201 through 1575.210 for contributions

Method of Calculations and Revenue Assumptions:

Revenue and expenditure assumptions are based on historical trends.

6.H. Estimated Total of All Agency Funds Outside of the GAA Bill Pattern

Teacher Retirement System of Texas (323)

Active Health Benefits - 855

Beginning Balance in FY 2018	$	97,804,829
Estimated Revenues FY 2018		2,447,048,309
Estimated Revenues FY 2019		2,667,282,657
FY 2018-19 Total	$	5,212,135,796
Estimated Beginning Balance in FY 2020	$	128,415,968
Estimated Revenues FY 2020		2,907,338,096
Estimated Revenues FY 2021		3,168,998,525
FY 2020-21 Total	$	6,204,752,590

Constitutional or Statutory Creation and Use of Fund:

Texas Insurance Code Title 8, Subtitle H, Chapter 1579. Section 1579.251 through 1575.210 for contributions. Note this is a self funded plan and revenues are paid from reporting entities as premiums.

Method of Calculations and Revenue Assumptions:

Revenue growth assumed at 9% annually through FY2021. Expenditures assumed at 10% annually.

403(b) Certification - 864

Beginning Balance in FY 2018	$	254,593
Estimated Revenues FY 2018		600,300
Estimated Revenues FY 2019		75,000
FY 2018-19 Total	$	929,893
Estimated Beginning Balance in FY 2020	$	235,354
Estimated Revenues FY 2020		115,000
Estimated Revenues FY 2021		30,000
FY 2020-21 Total	$	380,354

Constitutional or Statutory Creation and Use of Fund:

Vernon's Texas Civil Statutes Title 109. Section 7 fee collections.

Method of Calculations and Revenue Assumptions:

Certification Fees and Product Registration Fees are paid once every 5 years as firms renew or choose to participate.