

TEACHER
RETIREMENT SYSTEM
OF TEXAS

A COMPONENT UNIT OF
THE STATE OF TEXAS
FISCAL YEAR ENDED
AUGUST 31, 2024



2024 POPULAR ANNUAL **FINANCIAL REPORT**

TRS by the NUMBERS



Our MISSION

IMPROVING the retirement security
of our members by prudently investing
and managing the trust assets and
delivering benefits that make a **POSITIVE**
DIFFERENCE in their lives.



At Your Service

The employees of TRS are proud to
dedicate their time and hard work to
provide members with the services
they've earned serving Texas.

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Brian K. Guthrie
Executive Director

For fiscal year 2024, TRS made pension benefit payments totaling \$15.1 billion to 508,701 retirees and their beneficiaries.

It is my pleasure to present the Teacher Retirement System of Texas' (TRS) Popular Annual Financial Report (PAFR) for fiscal year 2024, the System's 87th year of operation. The PAFR summarizes our Annual Comprehensive Financial Report (ACFR), providing financial highlights of the past year for those wishing to learn more about TRS developments. The 2024 ACFR can be viewed in the Publications Section of the TRS website: trs.texas.gov.

Pension Trust Fund

During the past fiscal year, the System experienced growth as membership increased by 55,636 individuals, ending the year with 2,057,610 participants. The Pension Trust Fund experienced favorable market performance resulting in positive returns for the fund, ending the 2024 fiscal year with a net position of \$210.5 billion compared to \$187.2 billion at the close of the 2023 fiscal year. TRS investment earnings, combined with contribution increases and benefit changes approved by the 87th Texas Legislature, continue to enable TRS to provide secure benefits for current and future retirees.

For fiscal year 2024, TRS made pension benefit payments totaling \$15.1 billion to 508,701 retirees and their beneficiaries. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions.

Retiree Health Benefits Program

TRS administers TRS-Care, a health benefits program established in 1985 for eligible retired public education employees and their eligible dependents. The 85th Legislature, in regular and special sessions, passed legislation that restructured TRS-Care and provided additional funding to address the solvency and affordability of TRS-Care. The state contribution rate to TRS-Care is 1.25 percent of public-school payroll and the district contribution is 0.75 percent. Active employee contributions remained unchanged at 0.65 percent.

Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2001, is a self-funded health benefits program that offers Primary, Primary+ and High Deductible plan options that provide major medical and pharmacy benefit coverage. TRS-ActiveCare covers active employees currently employed by public education employers that participate in the program, along with the employees' eligible dependents.

Investments

For the twelve-month period ended August 31, 2024, the total portfolio delivered investment returns of 12.83 percent, which is 3.55 percent above the Pension Trust Funds (Fund) benchmark. As a result, the total investment value of the Fund as of August 31 was \$209.5 billion, or \$22.9 billion more than this time last year, after contributions and benefit payouts. On a three-year annualized basis, the Fund has returned 3.01 percent, which is 0.90 percent above its benchmark. Annual rates of return for the five and ten-year periods ending August 31, 2024, were 7.94 percent and 7.24 percent, respectively. Both rates surpassed the Board's adopted long-term assumed rate of return of 7.00 percent.

Thank You

We are pleased to report on operational results for the year and to acknowledge the substantial support of state leadership, trustees, members, interested associations, and TRS staff.



Robert H. Walls, Jr. Chair
Business and Legal Executive
Energy, Media and Private Equity Industries
San Antonio
Direct appointment of the governor
Term expires 2025



Nanette Sissney, Vice Chair
Retired School Counselor and Former
Teacher, Whitesboro Independent School
District
Whitesboro
At-Large position
Term expires 2023



Brittney Allred
Principal
Luther King Capital Management
Dallas
Position nominated by the State Board
of Education
Term expires 2027



Michael Ball
Senior Vice President
Hilltop Securities, Inc.
Argyle
Active public education position
Term expires 2025



David Corpus
Executive Vice President-Bank President
Stellar Bank (STEL)
Humble
Position nominated by the State Board
of Education
Term expires 2025



John Elliott
Partner
Elliott Stratmann, PLLC
Austin
Direct appointment of the governor
Term expires 2027



James "Dick" Nance
Former Texas Public School Teacher
Member of Texas Athletic Directors
Association
Hallettsville
Retiree position
Term expires 2023



John R. Rutherford
Executive
Finance and Energy Sectors
Houston
Direct appointment of the governor
Term expires 2029



Elvis Williams
Assistant Superintendent of Operations
Edgewood Independent School District
Fair Oaks Ranch
Active public education position
Term expires 2027



Government Finance Officers Association

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Popular Annual
Financial Reporting**

Presented to

Teacher Retirement System of Texas

For its Annual Financial Report
For the Fiscal Year Ended

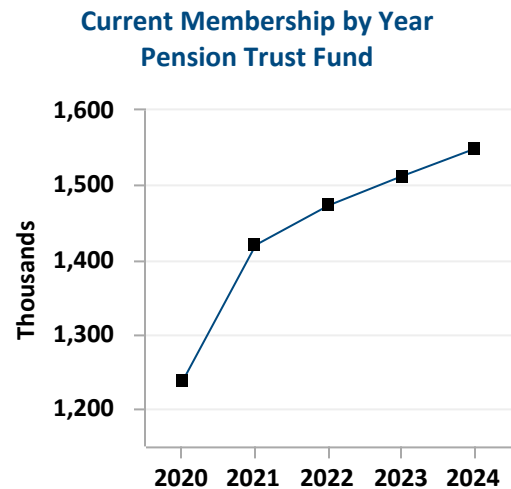
August 31, 2023

Christopher P. Morill

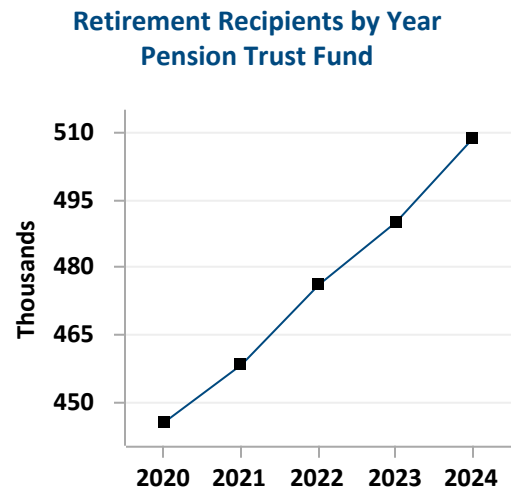
Executive Director/CEO

Membership of the Teacher Retirement System of Texas includes employees and retirees of state-supported educational institutions in Texas. The following tables represent TRS Pension Trust Fund participating employer and membership information for fiscal year 2024.

Number of Participating Employers	
Participating Employers	2024
Public Schools	1,020
Charter Schools	199
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Other Education Districts	2
Other Entities	1
Total Participating Employers	1,349



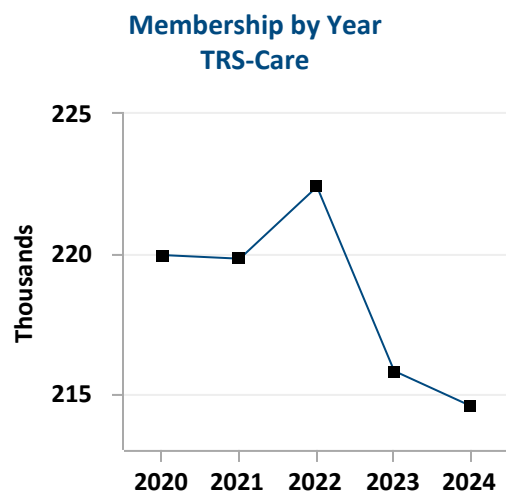
Membership Numbers by Category		
As of August 31,		
Member Categories	2024	2023
Current Members		
Active Contributing	970,874	953,295
Inactive Non-vested	439,889	424,658
Inactive Vested	138,146	134,100
Total Current Members	1,548,909	1,512,053
Retirement Recipients		
Service	475,891	457,779
Disability	12,127	11,933
Survivor	20,683	20,209
Total Retirement Recipients	508,701	489,921
Total Membership	2,057,610	2,001,974



Texas Public School Retired Employees Group Insurance Program (TRS-Care)

Membership of TRS-Care is eligible to TRS public school retirees. There were 1,240 participating employers during fiscal year 2024.

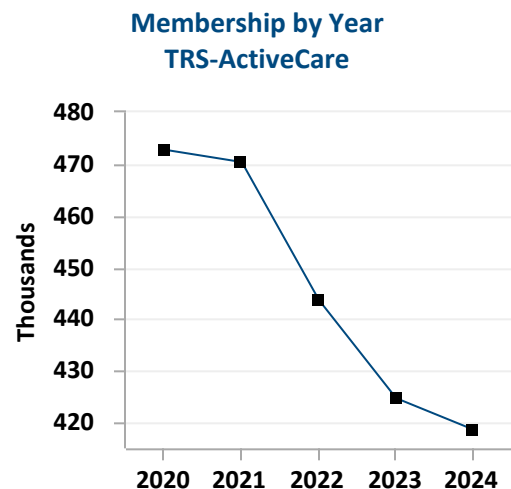
Membership Numbers by Category		
Member Categories	As of August 31,	
	2024	2023
Retirees	177,603	178,043
Surviving Spouses	5,832	5,813
Surviving Children	11	106
Dependent Spouses and Children	31,114	31,862
Total Membership	214,560	215,824



Texas School Employees Uniform Group Health Coverage (TRS-ActiveCare)

Membership of TRS-ActiveCare includes employees of public school districts, open enrollment charter schools, regional service centers, and other educational districts. There were 968 participating employers during fiscal year 2024.

Membership Numbers by Category		
Member Categories	As of August 31,	
	2024	2023
Employees	268,767	273,147
Dependents	149,855	151,549
Total Membership	418,622	424,696



Pension Trust Fund Overview

The Teacher Retirement System of Texas (TRS or System) is a separate legal entity and considered a discrete component unit of the State of Texas. The System is governed by a nine member board of trustees which has significant independence in the operation and management of the System under the provisions of the state constitution and laws.

TRS administers retirement and related benefits to employees and beneficiaries of employees of public, state-supported, educational institutions of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The Pension Trust Fund is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation that is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

Funding Status

As of August 31, 2024, the System had a funded ratio of 77.8 percent with an Unfunded Actuarial Accrued Liability (UAAL) of \$60.6 billion. The UAAL increased \$2.7 billion during the year largely due to larger than expected salary increases for active TRS members and continuing to recognize the deferred liabilities incurred in fiscal year 2022. Even with these events, the UAAL is anticipated to be fully amortized by 2052. The System still meets the statutorily determined actuarial soundness definition by having a funding period of less than 31 years.

Senate Bill 12 (86R) increased contribution rates for the State, employers, and members in a phased approach that concluded on September 1, 2024, the beginning of fiscal year 2025. As part of the stair-step approach, the State's base rate increased from 6.8% of payroll in fiscal year 2019 to 8.25% in fiscal year 2024. In addition, public education employer contributions increased from 1.5% of payroll in fiscal year 2019 to 2.00% in fiscal year 2025. Active member contributions increased from 7.70% of payroll in fiscal year 2019 to 8.25% of payroll in fiscal year 2024. These supplemental contributions equal approximately 1.24 percent of total payroll.

The contributions provided by the increased contribution rate pattern are sufficient to amortize the current UAAL of the System over a period of 28 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the Statute are expected to be met, assuming all assumptions are realized.

Statement of Fiduciary Net Position
Pension Trust Fund

As of August 31

(Dollars in Thousands)

	2024	2023	Percentage Change
Assets			
Cash and Receivables	\$ 9,908,993	\$ 4,309,938	129.9 %
Investments	227,535,738	203,296,402	11.9
Invested Securities Lending Collateral	5,276,749	5,675,099	(7.0)
Prepaid Expenses and Deposits	410	345	18.8
Capital Assets	367,256	190,742	92.5
Total Assets	\$ 243,089,146	\$ 213,472,526	13.9 %
Total Deferred Outflow of Resources	\$ 54,605	\$ 50,173	8.8 %
Liabilities			
Benefits Payable	\$ 340,677	\$ 317,818	7.2 %
Net Other Post-Employment Benefits Liability	108,784	104,207	4.4
Investments Purchased Payable and Other Investment Liabilities	26,514,125	19,841,413	33.6
Collateral Obligations	5,348,701	5,786,409	(7.6)
Accounts Payable and Other	219,301	213,067	2.9
Total Liabilities	\$ 32,531,588	\$ 26,262,914	23.9 %
Total Deferred Inflow of Resources	\$ 68,905	\$ 89,249	(22.8)%
Total Net Position	\$ 210,543,258	\$ 187,170,536	12.5 %

Statement of Changes in Fiduciary Net Position
Pension Trust Fund

For the Fiscal Years Ended August 31

(Dollars in Thousands)

	2024	2023	Percentage Change
Additions			
Member Contributions	\$ 4,921,798	\$ 4,492,518	9.6 %
Non-Employer Contributing Entity Contributions	2,483,581	2,279,409	9.0
Employer Contributions	3,151,326	2,859,870	10.2
Supplemental Funding - Appropriations	5,000,000		
Gain on Capital Assets	27,157	46,564	(41.7)
Other Revenue	86,839	91,927	(5.5)
Investment Income	23,789,442	6,885,963	245.5
Total Additions	\$ 39,460,143	\$ 16,656,251	136.9 %
Deductions			
Retirement Benefits and Other	\$ 15,244,135	\$ 12,866,847	18.5 %
Refunds of Contributions	744,484	707,817	5.2
Other Post-Employment Benefits Expense	14,084	12,242	15.0
Administrative Expenses	84,717	85,188	(0.6)
Total Deductions	\$ 16,087,420	\$ 13,672,094	17.7 %
Change in Net Position	\$ 23,372,723	\$ 2,984,157	683.2 %
Total Net Position	\$ 210,543,258	\$ 187,170,536	12.5 %

TRS-Care is considered an other post-employment benefits trust fund and provides health care coverage for certain persons, and their dependents, who retire under TRS. The inception of the plan was fiscal year 1986. The net position of TRS-Care at August 31, 2024 was \$4.8 billion, an increase of \$926.9 million from the \$3.9 billion at August 31, 2023.

Financial highlights for fiscal year 2024 with prior year comparisons are presented in the tables below.

Statement of Fiduciary Net Position					
TRS-Care					
As of August 31					
(Dollars in Thousands)					
	2024		2023		Percentage Change
Assets					
Cash and Receivables	\$	4,984,483	\$	4,094,274	21.7 %
Capital Assets		4,994		7,600	(34.3)
Total Assets	\$	4,989,477	\$	4,101,874	21.6 %
Liabilities					
Accounts Payables and Other	\$	38,003	\$	25,529	48.9 %
Health Care Fees Payable		8,130		8,123	0.1
Health Care Claims Payables		126,698		178,457	(29.0)
Total Liabilities	\$	172,831	\$	212,109	(18.5)%
Total Net Position	\$	4,816,646	\$	3,889,765	23.8 %

Statement of Changes in Fiduciary Net Position					
TRS-Care					
For the Fiscal Years Ended August 31					
(Dollars in Thousands)					
	2024		2023		Percentage Change
Additions					
Member Contributions	\$	290,205	\$	277,468	4.6 %
Non-Employer Contributing Entity Contributions		505,173		474,357	6.5
Participating Employers Contributions		404,083		393,951	2.6
Rebates and Discount Income		645,294		578,020	11.6
Federal Revenue		221,928		188,173	17.9
Supplemental Funding - Appropriations				21,285	(100.0)
Other Revenue		15,133		40,306	(62.5)
Investment Income		202,197		130,070	55.5 %
Total Additions	\$	2,284,013	\$	2,103,630	8.6 %
Deductions					
Health Care Claims	\$	1,898,950	\$	1,781,336	6.6 %
Less: Health Care Premiums Paid by Retirees		(583,752)		(502,154)	16.2
Health Care Claims Processing		18,588		29,615	(37.2)
Insurance Premium Payments		5		5	
Health Care Fees		209		201	4.0
Administrative Expenses		23,132		22,799	1.5
Total Deductions	\$	1,357,132	\$	1,331,802	1.9 %
Change in Net Position	\$	926,881	\$	771,828	20.1 %
Total Net Position	\$	4,816,646	\$	3,889,765	23.8 %

TRS-ActiveCare provides health care coverage to eligible employees (and their dependents) of participating public education entities. The plan began operations on September 1, 2002. The net position was \$688.5 million at August 31, 2024, an increase of \$404.7 million from \$283.8 million the previous fiscal year.

Financial highlights for fiscal year 2024 with prior year comparisons are presented in the tables below.

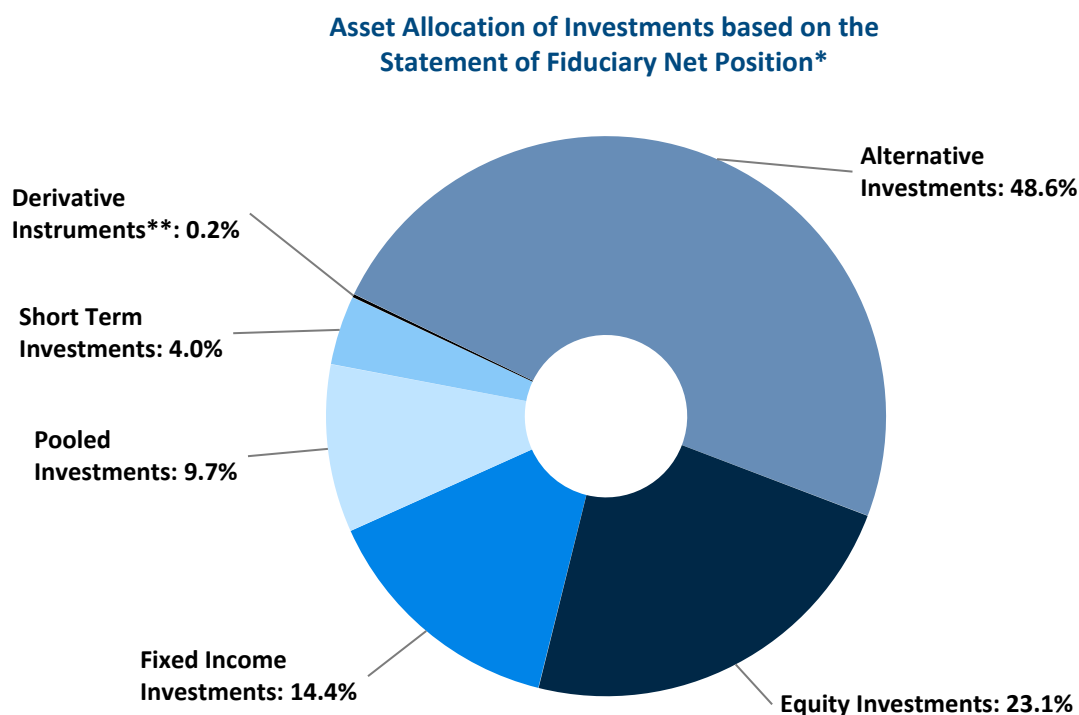
Statement of Net Position				
TRS-ActiveCare				
As of August 31				
(Dollars in Thousands)				
	2024	2023	Percentage Change	
Assets				
Cash	\$ 832,714	\$ 474,317		75.6 %
Receivables	174,047	125,714		38.4
Total Assets	\$ 1,006,761	\$ 600,031		67.8 %
Liabilities				
Accounts Payable and Other	\$ 1,162	\$ 1,378		(15.7)%
Premiums and Fees Payable	1,261	1,211		4.1
Health Care Claims Payable	315,861	313,323		0.8
Total Liabilities	\$ 318,284	\$ 315,912		0.8 %
Total Deferred Inflow of Resources	\$ —	\$ 282		(100.0)%
Total Net Position	\$ 688,477	\$ 283,837		142.6 %

Statement of Revenues, Expenses, and Changes in Net Position				
TRS-ActiveCare				
For the Fiscal Years Ended August 31				
(Dollars in Thousands)				
	2024	2023	Percentage Change	
Revenues (Operating and Non-Operating)				
Health Care Premiums	\$ 1,907,470	\$ 1,830,920		4.2 %
Rebate and Discount Income	289,318	227,884		27.0
Supplemental Funding - Appropriations	588,518			
Investment Income	48,201	27,740		73.8
Total Revenue	\$ 2,833,507	\$ 2,086,544		35.8 %
Operating Expenses				
Health Care Claims	\$ 2,276,218	\$ 2,192,775		3.8 %
Health Care Claims Processing	75,272	67,402		11.7
Health Care Fees	1,132	1,112		1.8
Premium Payments to HMOs	72,525	83,783		(13.4)
Administrative Expenses	3,720	5,175		(28.1)
Total Expenses	\$ 2,428,867	\$ 2,350,247		3.3 %
Change in Net Position	\$ 404,640	\$ (263,703)		(253.4)%
Total Net Position	\$ 688,477	\$ 283,837		142.6 %

Overall, investment returns for the fiscal year ended August 31, 2024 were positive as the TRS Pension Trust Fund returned 12.83% for the one-year period and closed the year with a total of \$209.5 billion in assets under management, a \$22.9 billion increase over last year, net of benefit payments. The annualized rate of return for the five-year period ended August 31, 2024 was 7.94%, while the longer-term ten-year return was 7.24%, both in excess of the pension trust fund's long-term investment return assumption of 7.00%. TRS investments makes up over 62% of the pension trust fund revenue and pays for more than \$1 billion in monthly annuity payments.

TRS investment in global, public, and private stocks proved to be the greatest return factor. Global financial markets and asset values continued to perform well in 2024, driven by lower inflation, robust corporate earnings, and an expectation of lower interest rates. The S&P 500 index recorded a significant gain of 27.14% for the one-year period ended August 31, 2024. This positive performance was underpinned by a combination of factors, including the resolution of supply chain disruptions, which helped to stabilize prices, and strong consumer demand, which bolstered corporate revenues. A notable contributor to the success of the S&P 500 index was the remarkable performance of technology growth trends in artificial intelligence, cloud computing, and cutting-edge hardware and software. These technology advancements drove approximately 50% of the S&P 500 index's overall performance so far in 2024. Despite some geopolitical uncertainties and fiscal policy adjustments, investor confidence remained high, reflecting a broadly optimistic outlook for the global economy.

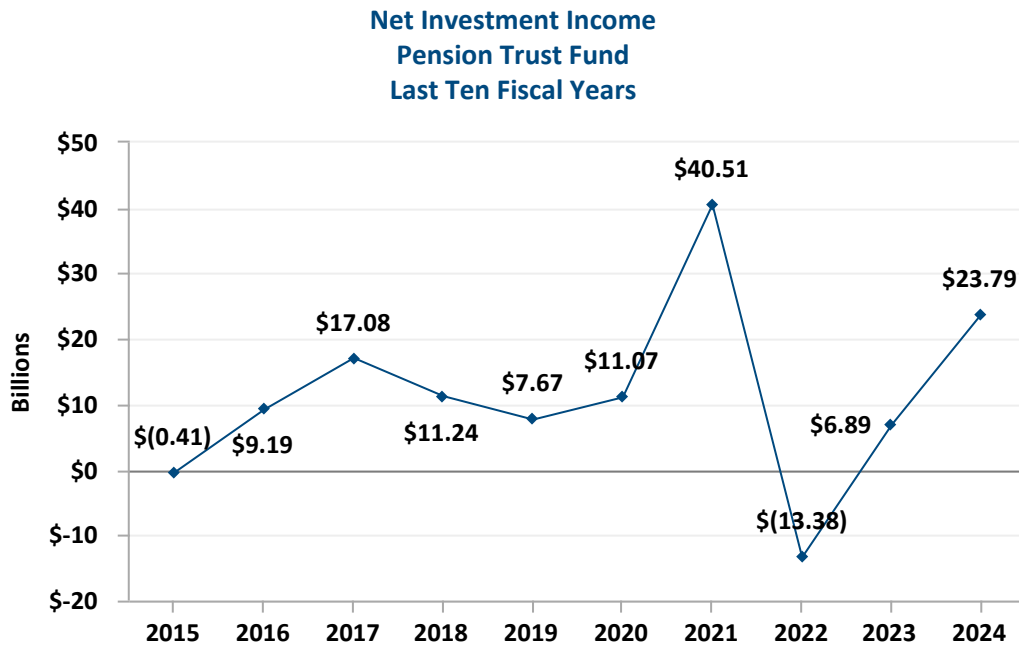
The chart below presents net investments of the System (excluding securities lending collateral and obligations) allocated based on investment classifications within the Statement of Fiduciary Net Position as of August 31, 2024.



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

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

The chart below presents net investment income for the last ten fiscal years.



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Total Commitment

Our members are our mission—the reason nearly 1000 of us are here. We are the largest public retirement system in Texas, serving two million people. We strive to continue earning your trust every day.

TRS improves the retirement security of our Texas public education employees through our “best in class” investment management and diligent delivery of pension and health care benefits.



Teacher Retirement System of Texas

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www.trs.texas.gov