Serving Our Members

ALL ACROSS TEXAS



Teacher Retirement System of Texas

ADMINISTRATIVE OPERATING BUDGET REPORT

Fiscal Year 2027

TRS

TEACHER RETIREMENT SYSTEM OF TEXAS





COVERING A LOT OF GROUND

With 268,597 square miles of Texas to reach across, serving our members is a big task. One that makes our commitment to them a source of great pride. As a part of this year's Administrative Operating Budget Report, we are pleased to highlight the variety and beauty of the regions of Texas.





FY 2027

Administrative Operating Budget Report

Teacher Retirement System of Texas

Brian K. Guthrie

Executive Director

Prepared by the Finance Division

Don Green, Chief Financial Officer

Janie Duarte, Deputy Chief Financial Officer

Jessica Brown, Budget Director

Erica Muñoz, Budget Analyst Lead

Michelle McCallum, Senior Budget Analyst

Isaac Bazan, Budget Analyst

Juan Campos, Associate Budget Analyst

TABLE OF CONTENTS

Distinguished Budget Presentation Award 6

Message from the Chief Financial Officer (CFO) 7

Budget in Brief 8

Teacher Retirement System of Texas Overview 10

Board of Trustees 11

TRS Organizational Chart 12

89th Legislature 2026-2027 14

TRS Strategic Plan Highlights 18

Financial Policies and Guidelines 38

- Budget Development 45
- Budget Controls and Monitoring 48
- Stakeholder Expectations 49

Fund Structure and Long-Term Financial Planning 52

- Fund Structure 53
- Long-Term Financial Plan 55
- Administrative Operating Budget Structure 65

FY 2026 Administrative Operating Budget 66

- Expenses by Fund 67
- Expenses by Division 70
- Full-Time Equivalent Employees (FTEs) 85
- Capital Projects 88

Appendix 98

- Appendix A: Cost Drivers, Statistical and Supplemental Data 100
- Appendix B: Glossary 114
- Appendix C: General Appropriations Act 121
- Appendix D: General Provisions 127

INTRODUCTION

For 90 years, TRS has proudly supported Texas public education employees by helping provide retirement security and reliable service to members across the state.



EAST TEXAS



The East Texas region ranges from the piney woods bordering Louisiana and Arkansas to the prairies on the eastern edge of the Dallas-Fort Worth Metroplex.

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Teacher Retirement System of Texas

For the Fiscal Year Beginning

September 1, 2025



Executive Director

Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Teacher Retirement System of Texas for its annual budget for the fiscal year beginning September 1, 2025. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another award.

Message from the CFO

October 15, 2026

I am proud to present the Teacher Retirement System of Texas (TRS) Fiscal Year (FY) 2027 Administrative Operating Budget Report, which was prepared in accordance with TRS' General Provisions and adopted by the TRS Board of Trustees (the Board). Key components of the FY 2027 Administrative Operating Budget Report include estimated revenue projections for the pension and health care funds, administrative operating budget summaries, financial policies and guidelines, and information on capital projects.

The FY 2027 Administrative Operating Budget (FY 2027 Budget), effective September 1, 2026, represents the second year of the FY 2026-27 biennial legislative appropriations. The FY 2027 Budget reflects TRS' continued focus on responsible cost management, operational efficiency, and high-quality service to more than 2 million members and retirees.

The FY 2027 Administrative Operating Budget is flat year over year, down $5.2M (-1%) from FY26's $417,909,100 and remains within the parameters of the FY26–27 General Appropriations Act. Through a 6-month budget cycle built on collaboration, analysis, and strategic alignment, TRS has identified opportunities to reallocate existing resources to support strategic priorities, including artificial intelligence initiatives, while maintaining core operations.

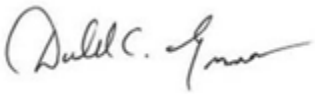
Looking ahead, TRS will continue to modernize operations through practical investments in technology, cybersecurity, data management, and innovation. These efforts are intended to improve service, strengthen security, enhance transparency, and support sound decision-making. The FY27 Administrative Operating Budget is allocated across the following categories:

- **Administrative Payroll** – Supports estimated payroll growth and 24 new FTEs within the flexibility provided by the FY 2026–27 General Appropriations Act. These positions support AI, member services, cybersecurity, and data management priorities.
- **Administrative Operating** – Includes funding for strategic AI technology initiatives while maintaining support for core operating needs such as facilities, technology, professional services, travel, equipment, and staff development.
- **Capital Projects** – Carries forward $26 million for planned projects, including regional offices, Investment Data Modernization, IT infrastructure upgrades, and the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.
- **Contingency** – Funding to address unforeseen needs and potential in-year opportunities.

The FY 2027 Budget emphasizes sustainability, efficiency, and innovation while keeping pension administrative costs low at $75 per member well below the $139 industry average, ensuring competitiveness and fiscal responsibility. TRS also continues to monitor the long-term financial impact of legislative changes affecting the Pension Trust Fund. Maintaining fund stability and sustainability remains central to protecting benefits for current and future retirees.

Overall, the FY 2027 Budget reflects a balanced and prudent approach to fulfilling our fiduciary obligation to prudently manage TRS Pension Trust Fund and the TRS-Care and TRS-ActiveCare health insurance programs. With continued support from the Board of Trustees, the Legislature, and stakeholders, TRS remains focused on responsible stewardship, effective service, and long-term financial strength for more than 2 million members and retirees.

Don Green,



Chief Financial Officer

Administrative Operating Budget

Fiscal Year 2027

TEACHER RETIREMENT SYSTEM OF TEXAS

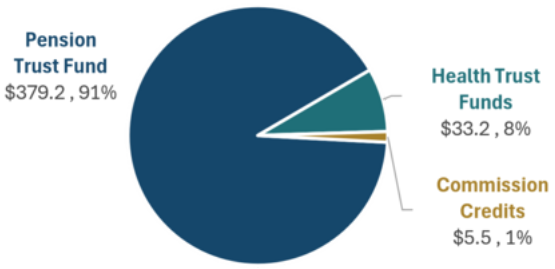
$412.6M
FY 2027 operating budget

1,340.3
Budgeted FTEs, including 24 new positions

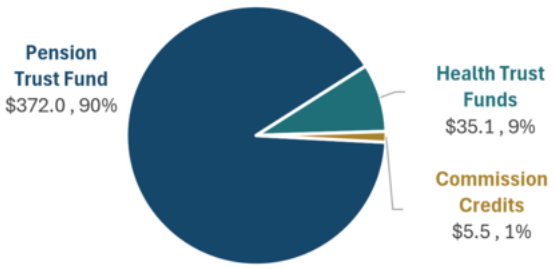
$26.4M
Capital projects budget

0.17%
FY 2027 operating budget as a share of the Pension Trust Fund value

FY 2026 Operating Budget
$417,909,100



FY 2027 Operating Budget
$412,647,800



BUDGET HIGHLIGHTS

- Budget is flat year over year, a 1% decrease from FY 2026.
- Budget focuses on advancing strategic initiatives in artificial intelligence (AI), cyber security, and data management.
- 24 new FTEs added, bringing the total to 1,340.3.
- Incentive compensation payout budgeted at $42.2 million.
- Contingency account established for unforeseen challenges and pursue in-year opportunities.

LEGISLATIVE HIGHLIGHTS

- SB1 funded administrative operations as submitted.
- SB1 funded the capital request, including $32.1M for the final phase of IDM.
- FTE adjustment per the FY 2025 fiduciary finding, invoking Rider 19.
- Rider 20 contingency for an additional regional office.

ADMINISTRATIVE OPERATING BUDGET & FTEs BY DIVISION

Administrative Operations funded by the Pension Trust Fund and balanced to the General Appropriations Act

	FY 2026		FY 2027	
	Budget[1]	FTEs	Budget[1]	FTEs
Investment Management Division	$123.0	260.0	$126.5	263.0
Pension Services	$40.7	429.5	$44.2	431.5
Health Division	$31.4	76.0	$33.2	76.0
Administrative Services	$26.5	74.8	$24.0	75.8
Contract Services	$3.9	27.0	$4.3	27.0
Executive	$15.5	19.5	$18.1	20.5
Financial Services	$9.4	51.0	$10.4	52.0
Information Security Office	$4.7	21.0	$5.7	26.0
Information Technology	$64.1	241.5	$84.1	251.5
Internal Audit	$4.8	19.0	$5.4	19.0
Legal & Compliance	$14.1	51.0	$15.1	52.0
Organizational Excellence	$12.7	46.0	$13.7	46.0
TEAM Program	$17.0	-	-	-
Investment Data Modernization Program	$21.9	-	$22.3	-
Contingency	$28.2	-	$5.6	-
Total	**$417.9**	**1,316.3**	**$412.6**	**1,340.3**

1 - $ in millions



The Teacher Retirement System of Texas (TRS) was approved in 1936 by an amendment to the Texas Constitution, followed by enabling legislation in 1937 to improve the retirement security of Texas educators which requires TRS to have a Board of Trustees to administer TRS and invest its funds. The assets of the TRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of plan participants and beneficiaries. The Board of Trustees of TRS, the trustee of all plan assets, is responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board.

TRS Board of Trustees



Dan West Chairman
Houston
Investor
SCF Partners
Position nominated by the State Board of Education
Term expires 2031



Laronda Graf
Queen City
Director of Human Resources
Atlanta Independent School District
At-Large position
Term expires 2029



Elvis Williams Vice Chairman
Cedar Hill
Chief Operations Officer
Waco Independent School District
Active public education position
Term expires 2027



Pete Pape, Ed.D.
Leander
Chief Financial Officer
Eanes Independent School District
Active public education position
Term expires 2031



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



Clayton Ripley
Austin
Vice President
Holt Aerial
Direct appointment of the governor
Term expires 2031



John Elliott
Austin
Partner
Kelly Hart & Hallman L.L.P.
Direct appointment of the governor
Term expires 2027



John R. Rutherford
Houston
Direct appointment of the governor
Term expires 2029

Appointed by the governor of Texas, the nine-member board of trustees acts as a fiduciary of TRS assets. Three are direct appointments of the governor. Two are appointed by the governor from a list prepared by the State Board of Education. Two are appointed by the governor from the three public school district member candidates who have been nominated for each position by employees of public school districts. One is appointed by the governor from the three retired member candidates who are nominated by retired TRS members. One is appointed by the governor from the three at-large candidates who have been nominated for the position. TRS retirees, members in public school districts, and members in higher education institutions may run for nomination to the at-large trustee position.

**A trustee whose term expires shall continue to perform the duties of the office, with few exceptions, until the successor is appointed.*

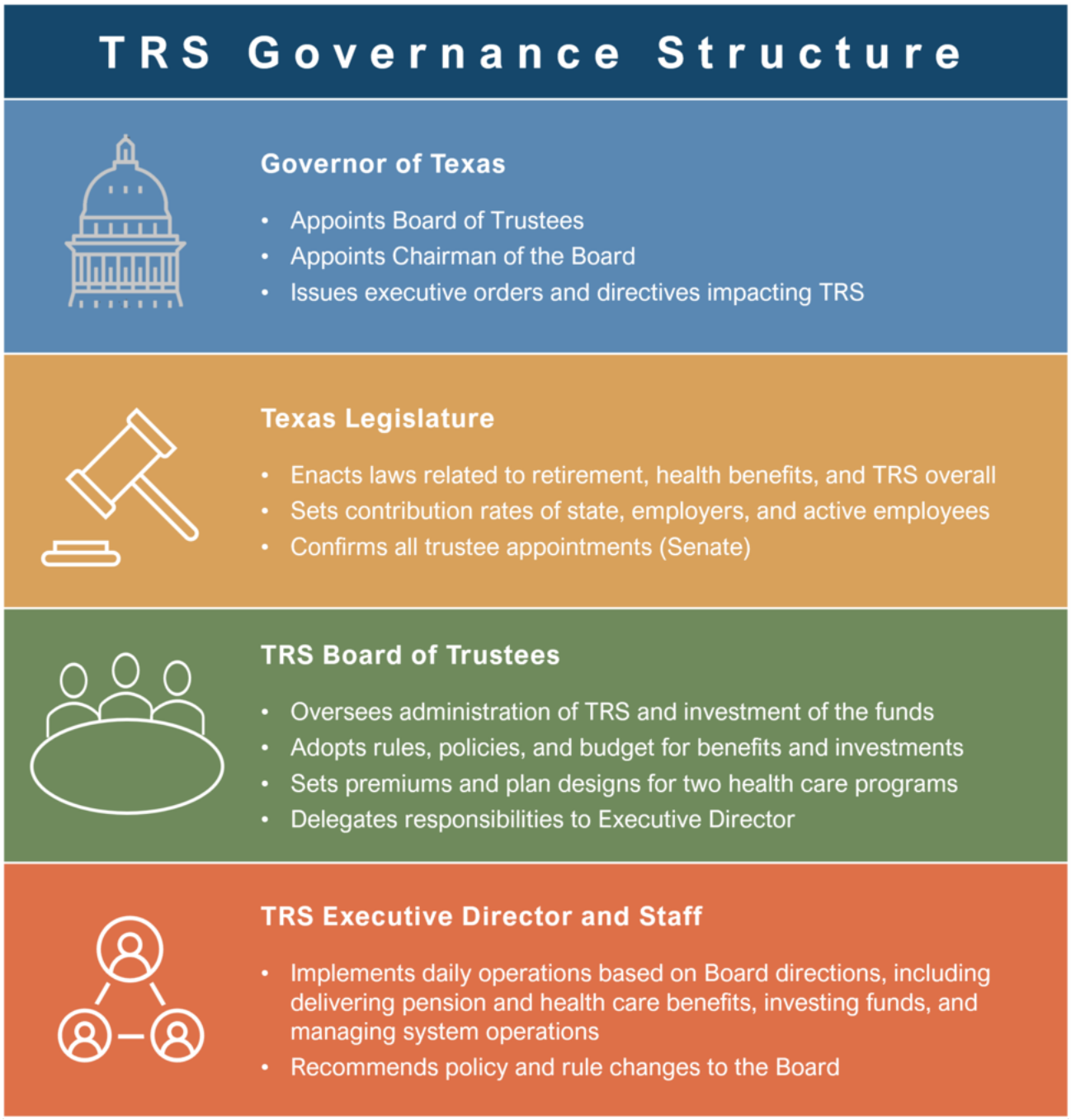
TRS Organizational Chart



Straight line indicates direct report. Dotted line indicates Divisions who report administratively to the Executive Director. Organizational structure consists of divisions with each containing the departments needed to deliver on agency goals. Further descriptions and goals for each division are included in the Division Expenses and Goals section.

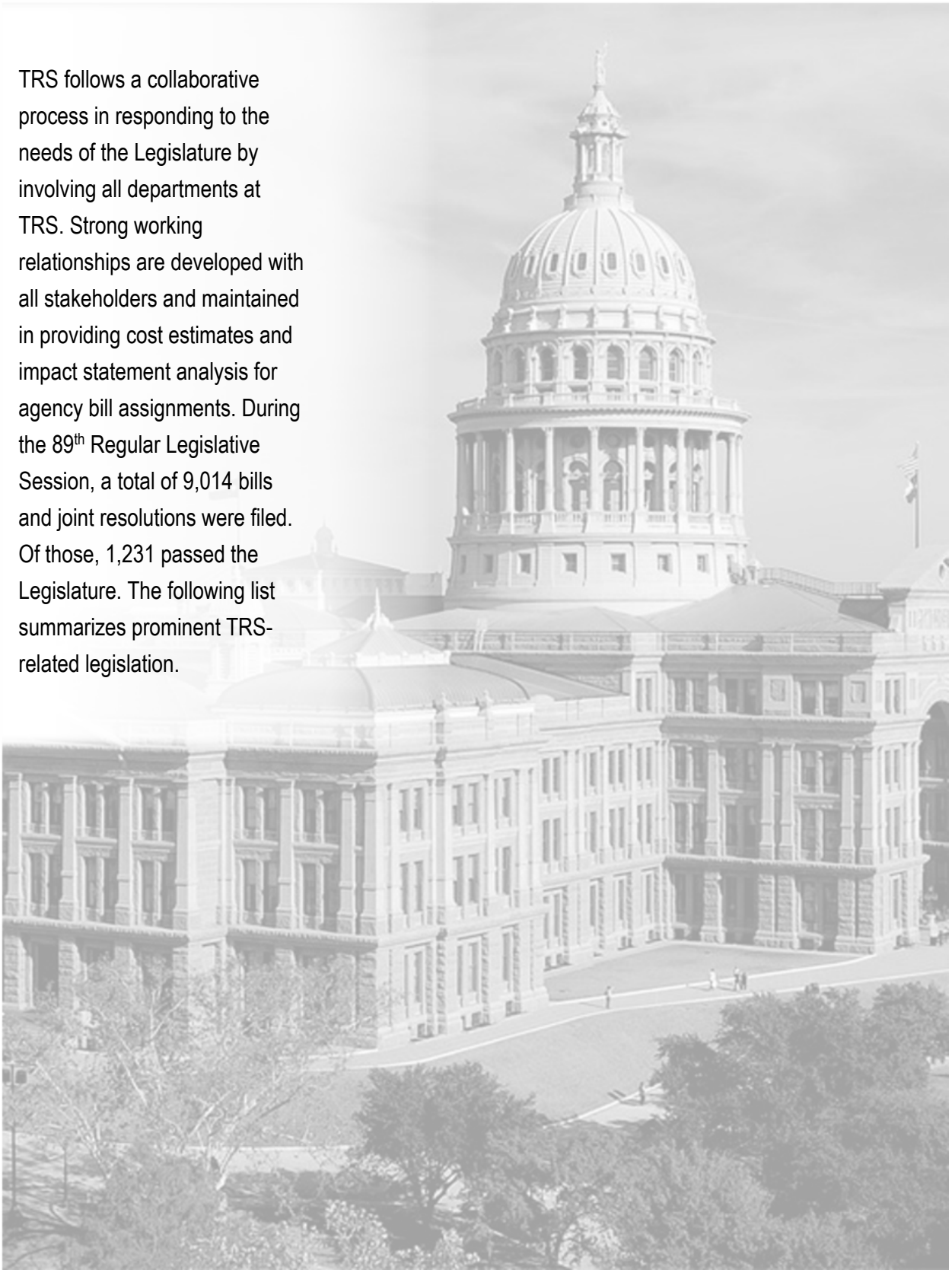
TRS Governance Structure

TRS operates under a clearly defined governance structure designed to ensure accountability to both the public and state leadership, and ensure fiduciary obligations are met.



89th Legislature 2026-2027

TRS follows a collaborative process in responding to the needs of the Legislature by involving all departments at TRS. Strong working relationships are developed with all stakeholders and maintained in providing cost estimates and impact statement analysis for agency bill assignments. During the 89th Regular Legislative Session, a total of 9,014 bills and joint resolutions were filed. Of those, 1,231 passed the Legislature. The following list summarizes prominent TRS-related legislation.



SB1 – General Appropriations Act (Appendix C)

Public & Higher Education Retirement

- Funding for public education retirement benefits totals an estimated $5.5 billion in State General Revenue Funds for the 2026–27 biennium, an 8% increase from the 2024–25 biennial base.
- Funding for higher education retirement benefits total an estimated $852.0 million in All Funds for the 2026–27 biennium, an 29% increase from the 2024–25 biennial base.
- Increased funding for public and higher education includes a state contribution rate of 8.25% of active member payroll for retirement benefits, and the growth of covered payroll, projected to be 5.0% each year of the 2026–27 biennium for public education and 7.9% each year for higher education.

Administrative Operations

- For FY 2026-27 biennia, a total $548.5 million was adopted for administrative operations, an 18% increase from the 2024–25 biennial base for administrative operations. These appropriations are supported by the TRS Pension Trust Fund. The increase reflects approved funding requested by the TRS Board of Trustees for the administrative operating budget, including funding for utilities and operating costs associated with the new headquarters, additional capital investment for the data modernization project, and resources for critical IT compliance initiatives that ensure the integrity of data management systems, artificial intelligence, and cybersecurity capabilities.
- Maintains TRS' authorization to expend additional funds and employ additional FTEs necessary to opening an additional regional office through a fiduciary finding by the Board of Trustees. The Board shall notify the Legislative Budget Board (LBB) and the Governor no later than 30 business days after such a finding.
- Creates a new rider directing TRS to conduct a pension plan design study. The report shall consider workforce and demographic trends among TRS members and retirees, as well as the actuarial and fiscal impacts of alternative plan designs, and shall be submitted to the Legislative Budget Board and the Governor no later than September 1, 2026.
- Sustains the following riders not directly related to payments: updated actuarial valuation; intern exemption; Governmental Accounting Standards Board (GASB) implementation; Medicare enrollment for eligible members of TRS-Care; the intent of the Legislature is that TRS incentivize members of TRS-Care and TRS-ActiveCare to shop for lower cost care within health plans to achieve shared savings; an exception to the FTE limitation is permitted with a Board fiduciary finding and a report to the Legislative Budget Board and the Governor.

Health Care

- Funding for TRS-Care for the 2026–27 biennium totals $1.2 billion in General Revenue Funds, a 23% increase from the 2024–25 biennial base. The increase is attributed to maintaining the 1.25% state contribution and the 0.75% district contribution to TRS-Care and the growth of covered payroll, projected to be 5.0% each year of the 2026–27 biennium.
- A new rider directs the UT Center for Healthcare Data (the Center) to continue comparative analysis of state-funded health care services using the Texas All-Payor Claims Database (APCD). TRS is working with the Center to transition from directly submitted data to data pulled from the APCD. In the interim, TRS will provide data in a special format and continue collaborating with the Center and other agencies to review findings and inform analysis.
- **House Bill 500**: Relating to making supplemental appropriations and reductions in appropriations and giving direction and adjustment authority regarding appropriations.
    - Provides a one-time appropriation of $369.2 million to keep the average premium rate increase in TRS-ActiveCare below 10% for FY 2026 and FY 2027.
- **House Bill 3126**: Relating to the election of certain entities to participate in the uniform group coverage program for active school employees; imposing a fee.
    - Allows an entity that discontinued participation in TRS-ActiveCare effective September 1, 2022, to be able to elect to return to the program before the expiration of the 5-year exclusion period if they provide a written notice to TRS no later than December 31, 2025, to begin participation on September 1, 2026, and comply with any other requirements established by TRS for program participation. TRS will be able to impose on such early returning entities a risk stabilization fee on the premiums for the plan year that begins on September 1, 2026. An entity that elects to return early will not be able to leave TRS-ActiveCare until September 1, 2031. TRS is authorized to impose additional requirements, conditions, and deadlines under this new section by rule.

TRS Specific Laws

- **House Bill 4945**: Relating to a study by the Teacher Retirement System of Texas on the feasibility of offering alternative service retirement benefits to certain members of the retirement system engaged in wildland firefighting or employed in positions related to wildland firefighting.
    - Requires TRS to conduct a study regarding alternate service retirement benefits to Texas A&M Forest Service wildland firefighters. The bill provides that the study should include the feasibility, costs, and impact of creating two new tiers within the existing TRS retirement plan; one for Hazardous Duty and one for Hazardous Duty-Administrative Support. TRS is required to begin meeting with Texas A&M Forest Service regarding information for the study by March 1, 2026. TRS must complete the study and report to the Legislature by December 31, 2026.

New Laws Impacting TRS and Other State Entities

- **House Bill 2:** Relating to public education and public school finance.
    - Provides increased funding for public schools, including additional compensation for public education employees under the Foundation School Program based on several factors and provides that these compensation increases provided by the Teacher Retention Allotment under Section 48.1581, Education Code and the Support Staff Retention Allotment under Section 48.1581, Education Code are creditable compensation.
    - Repeals the prohibition that the public education employer is prohibited from directly or indirectly passing the costs of pension and applicable health care surcharges for retirees returning to work full time.
- **House Bill 34:** Relating to prohibiting the investment of state money in certain countries and in certain private business entities in those countries.
    - Requires TRS and other state investing entities to divest of certain holdings in a country of concern and prohibits investing entities from acquiring listed securities in such countries. The bill defines countries of concern as China, Iran, North Korea, and Russia and any country the Governor designates as a "country of concern." The bill requires the Comptroller to create and maintain a list of scrutinized companies beginning on January 1, 2026. The bill states that if the U.S. government declares that a company is no longer under sanctions or no longer designated as a foreign terrorist organization, it is not subject to divestment or investment prohibition. A state governmental entity is not subject to the divestment requirements of the bill if the entity determines that the requirement would be inconsistent with its fiduciary responsibility with respect to the investment of entity assets or other duties imposed by law related to the investment of entity assets, including the duty of care established under Section 67, Article XVI, Texas Constitution.
- **Senate Bill 667:** Relating to prohibiting certain state governmental entities from investing in certain Chinese-affiliated entities.
    - Requires TRS and other state investing entities to identify direct and indirect investments in China-related entities and to divest certain of the direct investments within specified time periods. A state governmental entity is not subject to the divestment requirements of the bill if the entity determines that the requirement would be inconsistent with its fiduciary responsibility with respect to the investment of entity assets or other duties imposed by law related to the investment of entity assets, including the duty of care established under Section 67, Article XVI, Texas Constitution.

TRS STRATEGIC PLAN HIGHLIGHTS

In 2026, TRS earned its **14th Top Workplace award**, ranking third among large companies with 500 or more employees and reflecting the agency's continued commitment to a strong, supportive workplace culture.



THE GULF COAST



Stretching from South Padre Island and the Rio Grande Valley, all the way to Beaumont and the Louisiana border, this region is renowned for its wildlife and natural beauty.

This page is intentionally left blank.

TRS Strategic Plan

At TRS, strategic planning is a structured, tiered process that guides the agency's long-term direction, annual priorities, and operational decisions. The goal is to support the agency's mission of making a positive difference in the lives of our members while ensuring alignment with statewide objectives and sound fiduciary governance.

Each year, proposed updates to the agency's strategic goals, objectives, and strategies are developed and submitted for approval by the Board of Trustees. These updates reflect evolving priorities, performance feedback, and organizational needs. Through this process, strategic planning informs resource allocation, program performance, and day-to-day operations across TRS.

TRS operates under a two-tiered strategic planning framework.

Enterprise Strategic Plan: The core of the agency's planning structure is the TRS Strategic Plan, also known as the Enterprise Plan. This five-year plan provides a long-range view of the agency's priorities and is submitted to the Legislative Budget Board (LBB) every even-numbered year. It sets agency-wide direction and priorities.

Departmental Strategic Plans: These strategic plans are developed to support and implement the enterprise level objectives. Departmental plans define how specific areas will contribute to the agency's overarching goals and detail execution strategies at the operational level.

Strategic Priorities

Each fiscal year the executive director designates key Areas of Focus (AOFs). AOFs are specific initiatives where leadership attention and agency resources will be prioritized, and align to the Strategic Plan. To advance the AOFs, success measures are identified and consist of deliverables and key performance indicators (KPIs). Deliverables may be confined to one fiscal year, or may extend over multiple fiscal years. Deliverables are considered complete if the specific tasks that were identified for the fiscal year has been accomplished. The AOFs serve as a bridge between strategic intent and action. They are reviewed and adopted by the Board of Trustees each September.

Operational Alignment

In addition to long-term strategic planning, departments develop and outline departmental priorities for the current fiscal year. This in conjunction with each department's strategic plan serve as an actionable roadmap to support relevant AOFs and create a clear line of sight from enterprise level goals to departmental execution and performance outcomes. This ensures that both long-term and short-term priorities are integrated, measurable, and aligned with TRS' mission and the strategic direction set by agency leadership and the Board of Trustees.

2027-2031 Strategic Plan Highlights

The 2027 - 2031 Strategic Plan supports the vision, mission, and core values of TRS. It is a five-year view of the agency's objectives and strategies for the accomplishment of agency goals in service to the agency's core mission. The strategic plan priorities are developed with input from TRS leadership, staff and the Board of Trustees and center around the needs of our members.

TRS Vision, Mission and Values

Vision

Earning your trust everyday.

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.

Values

Our values represent a mutual understanding about responsibilities, expectations and communication in the way we treat each other and those we serve.

Member Focused	We exist to serve our members.
Ethics	We act with integrity in everything we do.
Respect	We build and maintain trusting relationships by working collaboratively, embracing our differences and treating each other with kindness.
Excellence	We are accountable for our performance, striving to exceed expectations and deliver superior service.
Innovation	We explore and embrace new ideas to create efficiencies and optimize business outcomes.

Statewide Objectives

	Accountable to tax and fee payers of Texas.
	Efficient by producing maximum results with no waste of taxpayer funds and by identifying any function or provision considered redundant or not cost-effective.
	Effective by successfully fulfilling core functions, achieving performance measures, and implementing plans to continuously improve.
	Attentive to providing excellent customer service.
	Transparent such that agency actions can be understood by any Texan.

The full TRS Strategic Plan Fiscal Years 2027 to 2031 can be found at:
https://trs.texas.gov/learning-resources/publications/trs-strategic-plan/trs-strategic-plan-2027-2031

Strategic Goals, Objectives, & Measures

Goal 1: Sustain an actuarially sound pension system.

Objectives	Strategies	Areas of Focus	Programs
(1) Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.	• Maintain an effective investment governance structure. • Enhance current competitive advantages and total returns. • Manage cost structures to increase net alpha generated.	Grow investment assets prudently: • Achieve the investment rate of return for the pension trust fund. • Operationalize the Investment Modernization Program. • Complete review of the Investment Policy Statement and General Authority Resolution. • Expand investment management options for health care funds.	Investments
(2) Improve communication regarding pension funding and the impact of pension plan design changes.	• Serve as a trusted resource and engage with policymakers on pension funding and plan design.		

Key Performance Indicators

	2025 Actual	2026 Estimated	2027 Target
Number of Years-Amortize TRS Retirement Fund Unfunded Actuarial Accrued Liability	35.0	36.0	30.0
TRS Retirement Fund 5-year Average Time-weighted Rate of ROI Performance	8.4%	7.4%	7.0%
TRS Retirement Fund 20-year Average Time-weighted Rate of ROI Performance	7.2%	7.6%	7.0%
Investment Performance Relative to Board Approved Benchmark	145.0	146.0	100.0
TRS Retirement Fund Investment Expense as Basis Points of Net Assets[1]	$60.00	$55.85	$52.41

[1]FY 2026 measure provided for the investment expense as basis points of net assets are estimated projections. Actual numbers are projected to be available mid-November.

Strategic Goals, Objectives, & Measures

Goal 2: Continuously improve our benefit delivery.

Objectives	Strategies	Areas of Focus	Programs
(1) Improve the customer service experience for participants and reporting employers.	• Increase engagement with members/participants and reporting employers regarding TRS benefits. • Expand our services to meet members where they are. • Improve the reporting employer experience. • Identify resource needs and develop project plans associated with opening additional regional offices.	Deliver outstanding member services: • Expand member self-service capabilities through MyTRS and automated service channels. • Complete planning, staffing and training for the Rio Grande Valley regional office. • Deliver Phase One of Pension Data Analytics. • Conduct required pension benefit design studies and annual actuarial valuations.	Pension Services

Key Performance Indicators

	2025 Actual	2026 Estimated	2027 Target
TRS expense per member[1] (Benefit Administration Expenses)	$50.84	$59.51	$60.30
Number of TRS Benefit Applications Processed	113,333	115,000	100,000
Number of TRS Retirement Fund Member Accounts Serviced	15,491,320	15,400,000	15,649,520
Calls answered within three minutes	97%	71%	90%
Refunds validated within five business days of receiving final deposit and all paperwork	100%	100%	95%
Benefit estimates mailed within 31 days of request	100%	100%	95%
Retirees receiving first annuity payment within 31 days of TRS receiving required information or due date, whichever is later	98%	98%	98%
Claims acknowledged within 14 days of receipt of death notification	99%	99%	95%
Claims payments issued within 31 days of receipt of all required paperwork	99%	98%	95%
Regular payroll reports that are due by the end of each quarter (cumulative)	99%	99%	90%
Available benefit counseling office visits - Headquarters (cumulative)	20,312	21,163	20,000
Available benefit counseling office visits - Regional Offices (cumulative)	7,822	8,184	7,500
Perform quality assurance reviews for telephone counselors trained to take member calls (cumulative)	11,623	14,276	11,500
Provide pension benefits foundational classroom training for all new hires (cumulative)	100%	96%	100%

[1]FY 2026 measure provided for the total administrative expense per member are estimated projections. Actual numbers are projected to be available mid-November.

Strategic Goals, Objectives, & Measures

Goal 3: Facilitate access to competitive, reliable health care benefits for our members.

Objectives	Strategies	Areas of Focus	Programs
(1) Improve communication efforts regarding health care funding and the impact of plan design changes.	• Serve as a trusted resource and engage with policymakers on health care funding and plan design.	Provide competitive, high-value healthcare benefits: • Generate savings and value for members through lower healthcare spending. • Maintain administrative expenses below 5% relative to total fund expenditures. • Implement reduced premiums for TRS-Care Medicare Advantage. • Launch high quality and cost-effective pilot programs in TRS-ActiveCare. • Successfully transition to new enrollment and medical plan administration vendors.	Health
(2) Increase the value of TRS-Care and TRS-ActiveCare benefits.	• Engage the best health care vendors through competitive procurement to ensure our members have the highest value health care. • Reengineer TRS-ActiveCare to better meet employer needs. • Use data analytics tools to provide assurance on health care claims compliance. • Ensure access to competitive retiree health benefits, including dental and vision plans		
(3) Improve the health of our members.	• Engage and educate plan participants to help them achieve better health outcomes.		

Key Performance Indicators

	2025 Actual	2026 Estimated	2027 Target
Cost savings associated with relying less on external vendors	$3.3M	$4.1M	$1.5M
Average annual increase in cost of claims experienced by TRS-Care and TRS-ActiveCare compared to S&P trend	-5%	-3%	<0%
Number of TRS-Care participants engaged with a primary care provider	81%	84%	76%
Number of TRS-ActiveCare participants engaged with a primary care provider	79%	79%	71%
Calls answered within 3 minutes	75.3%	92.4%	90%
Participation Rate in Disease Management Program by Non-Medicare Enrollees	32%	23%	5%
Generic Substitution Rate for TRS-Care Prescription Drug Benefits	99.8%	99.8%	98%

Strategic Goals, Objectives, & Measures

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Objectives	Strategies	Areas of Focus	Programs
(1) Attract, develop and retain top talent.	• Promote a strong workplace culture that fosters creativity and innovation. • Maintain workforce planning strategies to align talent needs with organizational goals, enhance learning and development opportunities and expand succession planning initiatives to develop and retain future leaders.	Position TRS for the future through innovation and excellence: • Align talent priorities with organizational strategy to build a future ready workforce, expand development at every level, and strengthen leadership pipelines.	Shared Services
(2) Advance and enhance information technology (IT) systems and services.	• Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. • Optimize the work environment to provide greater scalability, flexibility and security. • Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making. • Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation. • Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.	• Launch the next evolution of core business systems. • Advance enterprise code optimization of legacy systems.	
(3) Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.	• Optimize security architecture and operational capabilities to thwart advanced threats and mitigate vulnerabilities. • Expand the governance, risk and compliance (GRC) program to include security and privacy management, risk/fraud forecasting and education in cooperation with Legal & Compliance and appropriate business units.	• Enhance cybersecurity,privacy, enterprise risk management and fraud prevention capabilities. • Expand enterprise data governance and protection.	
(4) Foster a culture of fiduciary responsibility and ethical conduct.	• Embed/Integrate culture of ethics and compliance within the business process. • Enhance visibility of, and accessibility to, Legal & Compliance throughout TRS.	• Engage with policymakers. • Plan and execute the implementation of new legislation.	
(5) Provide effective communication to all stakeholders with a focus on continuous improvement.	• Improve strategic communications with a customer-centric focus. • Implement and monitor the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed postretirement.	• Enhance stakeholder communication and member/ employer outreach.	
(6) Evaluate automation, efficiency and technology solutions to enhance existing processes.	• Identify opportunities and implement solutions for improved productivity, process efficiencies and performance monitoring. • Finalize implementation and operationalize Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight. • Complete Pension Data Warehouse Project to automate and enhance data analytics and reporting capabilities for more proactive engagement with stakeholders.	Advance enterprise capabilities through artificial intelligence (AI) and automation: • Operationalize responsible AI adoption. • Execute AI Roadmap 2.0. • Evaluate and implement analytics and AI tools to support the core lines of business and agency operations.	
(7) Strategically employ artificial intelligence (AI) technology for the ongoing benefit of TRS members in a secure, efficient and productive way.	• Investigate best practices and integrate AI within existing organizational processes to optimize investment performance and improve member services. • Measure and evaluate improved efficiencies, effectiveness and cost optimization achieved by leveraging AI. • Explore innovative ways to improve competitiveness in product/service development and delivery. • Identify opportunities to reduce risks by the development, deployment and execution of AI applications. • Identify skill gaps and develop staff to support AI initiatives through targeted workforce and change management strategies.		

Strategic Goals, Objectives, & Measures

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Key Performance Indicators

	2025 Actual	2026 Estimated	2027 Target
Percent of network/systems uptime	99.96%	99.9%	99.9%
Percent of business-critical application uptime	99.86%	99.5%	99.5%
Percent of available system capacity	39.94%	<80%	<80%
Percent Complete - Design, build and test Pension LOB Payroll & Tax Release	82%	100%	—%
Percent increase of high-dollar/high-risk contract monitoring events (cumulative)	69%	85%	85%
Respond to 100% of customer inquiries received via social media within regular business hours or next business days	100%	100%	100%
Produce all TRS/IMD publications by established deadlines	100%	100%	100%
Respond to 100% of media inquiries received within 1 business day	100%	100%	100%
Number of systems with completed security assessment validations (cumulative)	7	10	10
Mean Time to Patch – Average number of days it takes to close newly-reported endpoint and server vulnerabilities	10 Days	<30 Days	<30 Days
Number of systems built out in Information Security's risk management platform (cumulative)	5	5	5
Phishing click rate - percent of people who clicked the phishing exercises	7%	<12%	<12%
Employee engagement index score (Energage/Top Workplaces survey)	4.2	4.0 or greater	4.0 or greater
TRS voluntary turnover rate vs. state turnover rate	TRS % below State average 58.3%	A minimum of 25% below state average	A minimum of 25% below state average
Train 100% of staff on ethical standards annually	100% provided timely / 94.5% completed timely	100% provided timely / 95% completed timely	100%
Maintain current policies and procedures	100%	100%	100%

FOUR STRATEGIC PLAN GOALS:

Goal 1: Sustain an Actuarially Sound Pension System

OBJECTIVES

1	Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods.
2	Improve communication regarding pension funding and the impact of pension plan design changes.

Under the Texas Constitution and federal tax law applicable to qualified retirement plans, pension contributions are collected as assets that are held in the trust for the exclusive benefit of plan participants. TRS monitors the pension fund's health using measures such as the funded ratio, which shows how much of promised benefits are currently supported by available assets, and the funding period, which estimates how long it would take to pay off the fund's unfunded liability.

State law requires the Board to adopt a Funding Policy to include a plan for achieving a funded ratio equal to or greater than 100%. The Funding Policy requires that TRS identify the contribution rate needed to reduce the unfunded actuarial accrued liability (UAAL) within five years, using the most recent actuarial valuation. Senate Bill 12, passed in 2019, gradually increased contributions from the state, employers, and active employees, with the final increase taking effect in September 2025 to help make the pension fund actuarially sound.

Under the 2025 valuation, the UAAL is projected to be amortized over 35 years, exceeding the 31-year statutory funding benchmark. The UAAL increased from $60.6 billion as of August 31, 2024, to $64.9 billion as of August 31, 2025, primarily due to compensation increases for public education employees enacted by the 89th Texas Legislature.State law defines actuarial soundness as a funding period of less than 31 years.

Both the funded ratio and funding period are affected by a number of variables including membership, covered payroll growth, longevity, and investment returns. As of June 2026, the fund completed a one-year return in excess of 16.4% and a market value of $252.4 billion, exceeding the 7% investment return assumption. Under current projections, the UAAL is not expected to decline until 2038.

Although TRS anticipates fiscal year 2026 investment returns will exceed the assumed rate of 7.0%, those returns are not expected to be sufficient to cause the UAAL to decline within the required five-year period. Actuarial valuations are prepared annually, as of August 31 of each year, with a February 28 valuation update provided during legislative year.

Goal 1: Sustain an Actuarially Sound Pension System

Action items supporting each Statewide Objective



Accountability

TRS is accountable to Texas taxpayers. The Pension Trust fund is governed by a nine-member Board of Trustees that is appointed by the Governor and represents our stakeholders. Trust fund performance is publicly presented at each quarterly board meetings and the pension fund's actuarial valuation is published and presented annually.



Efficiency

Our goals call for TRS to prudently invest trust fund dollars using an asset allocation designed to achieve an efficient risk-adjusted return. TRS has developed deep strategic relationships with key external partners leveraging the resources and intelligence of the external networks to compliment internal capabilities and optimize trading and execution.



Effectiveness

TRS' core function tied to this goal is to prudently invest trust assets.TRS presents investment returns at quarterly board meetings and reports trust fund performance annually in the Annual Comprehensive Financial Report (ACFR). It benchmarks results against peers and supports continuous improvement through regular asset allocation reviews. TRS also reviews and updates the Investment Policy Statement annually to ensure continuous improvement.



Customer Service

TRS strives to improve the retirement security of our members. Given that investment returns currently represent most of the trust's revenues, it stands that investment performance is a key mechanism to ensure the long-term sustainability of the trust. TRS will continue to seek the achievement of the long-term assumed actuarial rate of return within appropriate risk parameters as set by the TRS Board of Trustees.



Transparency

TRS communicates with stakeholders to enable them to make informed decisions related to TRS programs. This may include funding and benefit design decisions made by the Legislature or retirement options selected by members. TRS also provides general educational information regarding pensions and health benefit matters and responds to media and other requests relating to the investments of the system. As part of its commitment towards open and transparent communication, TRS continues to webcast all board and committee meetings.

FOUR STRATEGIC PLAN GOALS:

Goal 2: Continuously Improve Our Benefit Delivery

OBJECTIVES

1 Improve the customer service experience for participants and reporting employers.

TRS surveys a random sample of active and retired members each year to better understand their experience and improve services. In 2025, satisfaction increased for both groups. Active member satisfaction rose from 59% to 68%, and retiree satisfaction rose from 73% to 81%. Active members and retirees' rate "My retirement is secure with TRS" and "TRS operates in my best interest" as their two most important TRS values for the fourth successive year.

The full TRS Member Satisfaction Survey can be found at: **TRS Member Satisfaction Survey**

TRS also improved customer service through staffing, policy, process, and technology changes. In fiscal year 2025, the Contact Center answered more than 673,000 calls and responded to over 48,000 secure messages. TRS answered 97% of calls within three minutes, exceeding its 90% goal. This achievement was enabled by the ability to sustain statewide hiring efforts and transition the Contact Center to a fully remote, work-from-home model.

As part of a multi-year initiative to modernize business processes and the major information technology systems that TRS uses to administer benefits, TRS implemented a new, modern pension administration system called Teacher Retirement Unified System for Technology (TRUST). The final phase launched in March 2026, adding annuity payroll, benefit account adjustments, and tax functions. TRS will continue improving TRUST to support member needs and expand self-service options.

TRS is expanding regional access to make services more convenient. The El Paso Regional Office, opened in 2022, serves members in Regions 18 and 19 and will move to an improved location in 2027. TRS is actively working to open a Rio Grande Valley office by the end of 2027 to serve Regions 1 and 2. The new spaces will enhance the member experience by providing dedicated presentation areas for both members and employers, while supporting our ongoing employer outreach efforts to strengthen relationships with school districts and better communicate and tailor available services to meet the evolving needs of our members.

TRS will continue using survey results, performance measures, and member feedback to improve services and report progress to the Board of Trustees and the Legislature.

Goal 2: Continuously Improve Our Benefit Delivery

Action items supporting each Statewide Objective



Accountability

TRS remains accountable by publicly presenting quarterly performance measure metrics and annual analytics on benefit delivery to the TRS Board of Trustees. Any rule changes governing benefit administration or TRS operations are adopted publicly at open meetings only after publication in the Texas Register and public comment periods.



Efficiency

TRS continues to make progress on implementing the TRS Enterprise Application Modernization (TEAM) Program which focuses on addressing the changing expectations of a growing membership, providing more online self-service functionality for participants, providing for the collection and maintenance of accurate and reliable data, expanding the number of automated processes, and incorporating modern technologies.



Effectiveness

TRS measures success in prudent and efficient benefit delivery by regularly utilizing an independent firm to conduct and report on customer satisfaction both from members and reporting employers. Additionally, TRS annually participates in the CEM Pension Administration Benchmarking Study that measures TRS' success and efficiency in delivering benefits against peers.



Customer Service

TRS has expanded member education through updated materials and new videos. In 2026, TRS launched the TRS Essentials webinar focusing on key aspects of the pension plan, including retirement eligibility, service credit, and employment after retirement, and are designed to deliver targeted, easy-to-understand information. To reduce wait times and improve service, TRS hired remote contact center staff statewide and opened a regional office in El Paso. In addition, TRS anticipates opening a new regional office in the Rio Grande Valley area by the end of 2027.



Transparency

TRS places a high priority on timely, accurate, and meaningful communications to share information, by providing webcasts of all board and committee meetings and posting benefit-related materials on our website. Benefit Counseling staff regularly make group presentations for members at regional education service centers, other locations around the state of Texas and virtually. The *TRS Benefits Handbook* reflects the latest benefit information.

FOUR STRATEGIC PLAN GOALS:

Goal 3: Facilitate Access to Competitive, Reliable Health Care Benefits for Our Members

OBJECTIVES

1	Improve communication efforts regarding health care funding and the impact of plan design changes.
2	Increase the value of health care benefits.
3	Improve the health of our members.

In FY 2025, $2.3 billion was provided by multiple funding sources for TRS-Care. State, district, and active employee contributions are based on a percentage of active employee payroll rather than by medical trend. TRS-ActiveCare received $2.4 billion in FY 2025 from multiple sources, including the supplemental appropriations approved by the Legislature. The TRS Board of Trustees sets the gross premiums to ensure adequate funding for health benefits.

For TRS-Care, retirees will see another round of savings in 2027. Following a 45% reduction in 2025, TRS is proposing an additional 27% decrease for Plan Year 2027, lowering monthly premiums by $25-$50 across all coverage tiers with no reduction in benefits. Additionally, TRS is opening a limited-time enrollment window from Oct. 1, 2026 through March 31, 2028, giving Medicare-eligible retirees who are not currently enrolled a chance to join.

TRS-Care Standard premiums will remain unchanged for the tenth consecutive year, with coverage remaining 50 to 80% below comparable commercial plans. To comply with updated IRS guidelines, the TRS-Care Standard deductible will increase slightly in 2027, from $1,700 to $1,750 for individuals and $3,400 to $3,500 for families in-network, ensuring members can continue contributing to Health Savings Accounts (HSAs). Optional dental and vision coverage also continues in 2027 with no premium increases.

For TRS-ActiveCare, the 89th Texas Legislature appropriated $369.2 million to help offset premium rate increases across the FY 2026–27 biennium. TRS-ActiveCare remains a competitive option compared to other health plans available to public school employers. FY 2027 rates reflect an average increase of 9.9%.

Under House Bill 3126, districts that exited TRS-ActiveCare in 2022 were given a one-time option to rejoin a year early, subject to a risk stabilization fee. 14 employers representing 10,653 eligible employees elected to return, and 11 employers representing 31,601 eligible employees that had never participated joined beginning Sept. 1, 2026. Starting with the 2028 plan year, new employers will pay risk-based rates for their first two years, protecting current participants from the cost of higher-cost entrants. TRS-ActiveCare also uses regional rating to ensure premiums reflect the cost of health care in the member's area.

Combined with continued state appropriations, these changes reinforce TRS' commitment to reliable, high-quality coverage for Texas public education employees and retirees.

Goal 3: Facilitate Access to Competitive, Reliable Health Care Benefits for Our Members

Action items supporting each Statewide Objective



Accountability

TRS is accountable to Texas taxpayers in the delivery of health care benefits in that TRS is governed by a nine-member board of trustees that is appointed by the governor and represents our stakeholders. Rates and plan designs for TRS health care plans are adopted publicly in an open meeting by the TRS Board of Trustees. Financial statistics related to TRS-Care and TRS-ActiveCare are regularly published in the ACFR and annual TRS Health Benefits Report. Additionally, our goals call for regular communication on matters relating to the health care funds with member and retiree associations and the Legislature.



Efficiency

A major reoccurring TRS initiative for the upcoming fiscal year is to continue to serve as a resource for the Legislature on matters involving TRS-Care and TRS-ActiveCare. This includes carefully monitoring TRS-Care funding and educating stakeholders about options for sustaining TRS-Care and managing TRS-ActiveCare. As part of this work, TRS has enhanced health data analytics to drive key decision-making in support of cost management and resource maximization, including assuring that health care claims are paid in compliance with protocols.



Effectiveness

TRS strives to deliver the highest quality health care services to members and employers at the best possible price to ensure funds go as far as possible. To that end, TRS watches health care market trends closely, procuring medical and pharmacy contracts when it is most advantageous for members. Routine market checks and procurement ensure the best value from available funds. Due to new legislation, TRS will offer optional vision and dental benefits for TRS retirees who are eligible for TRS-Care beginning Jan. 1, 2025. TRS is competitively procuring contracts for these plans and will have a robust outreach effort in the fall of 2024 to coincide with the enrollment period.



Customer Service

TRS is dedicated to professional, accurate, timely, and cost-effective delivery of services to plan participants. TRS routinely compares its health care plans with similar plans, including analysis of comparative costs and premiums and publishes outcomes of efforts and initiatives to contain health care costs and improve the health of members in its annual TRS Health Benefits Report. Additionally, TRS routinely conducts member satisfaction surveys to ensure continued high-quality service to plan participants and solicits public input. TRS has increased outreach to employers that participate in TRS-ActiveCare to design benefits that are tailored to their needs. In light of legislative changes affecting TRS-ActiveCare, TRS conducted significant outreach to inform employers of the changes and support them in making informed decisions. TRS develops health care communications including informational videos to increase knowledge of health care topics and consumer awareness and customizes communications and presentations for participants who are working, planning to retire and retired. In addition, TRS publishes The Pulse, a monthly email newsletter dedicated to health care that goes to more than 250,000 recipients with an open rate of 47%. TRS continues to sharpen its communication focus on health care matters and is committed to enhancing its channels of communication to meet the needs of all constituents.



Transparency

TRS is responsible for providing accurate information about TRS programs and services to all interested parties, including active and retired members, legislative and governing bodies, school districts, institutions of higher education and the public so that informed health care decisions can be made. TRS provides employers with data to allow them to compare the cost of TRS plans to other plans available to employers. TRS expanded the type and amount of claims data provided to districts by offering it twice a year at no cost. This gives them actionable data they can use to improve costs and education about health care for their employees. As part of its commitment toward open and transparent communication, TRS continues to webcast all board and committee meetings and post health care-related materials on our website. In addition, TRS staff communicates regularly with members and member associations through newsletters, email, social media, and town halls. Detailed and easy-to-understand health care information can also be found in the TRS Benefits Handbook as well as the TRS Health Benefits Report.

FOUR STRATEGIC PLAN GOALS:

Goal 4: Align People, Processes and Technology to Achieve Excellence in Service Delivery

OBJECTIVES

1	Attract, develop and retain top talent.
2	Advance and enhance information technology (IT) systems and services.
3	Enhance the information security program to effectively counter current and emerging threats and risks facing TRS.
4	Foster a culture of fiduciary responsibility and ethical conduct.
5	Provide effective communication to all stakeholders with a focus on continuous improvement.
6	Evaluate automation, efficiency and technology solutions to enhance existing processes.
7	Strategically employ artificial intelligence (AI) technology for the ongoing benefit of TRS members in a secure, efficient and productive way.

TRS is often selected as a Top Workplace in Austin as part of the Austin American-Statesman's workplace survey. TRS was the first state agency to win this designation and has won it more times than any other state agency. In 2025 TRS was honored for a 14th time with a Top Workplace award. The recognition comes entirely from employee feedback measured across more than a dozen culture drivers that reflect strong values, employee/manager communication, and the ability to innovate and operate efficiently. TRS is also among a select group of U.S. employers that has been honored in recent years with three national Top Workplace USA awards.



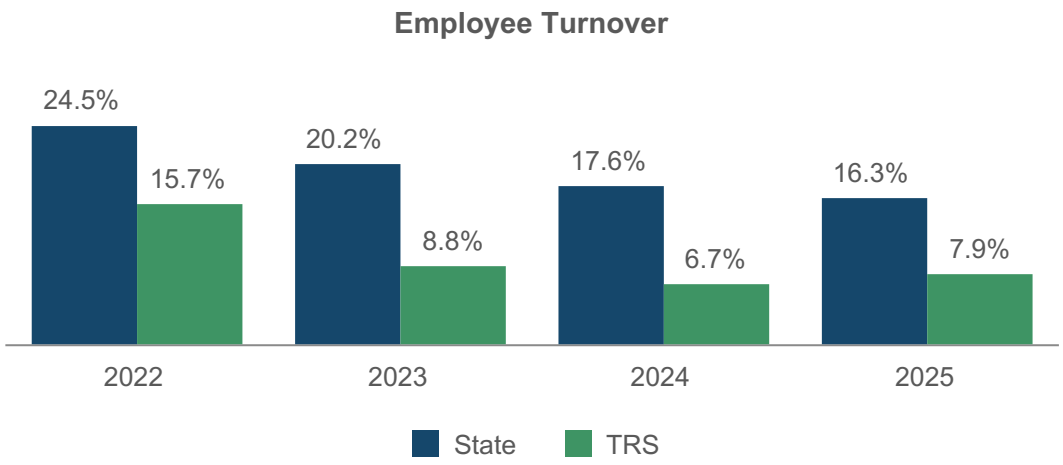
Maintaining a Competitive Edge

TRS is maintaining a competitive edge by taking a forward-looking approach to workforce planning, talent development and service delivery. As the largest public retirement system in Texas, serving more than 2.1 million members and retirees and managing approximately $226.3 billion in net assets, TRS recognizes that its ability to deliver reliable pension, health care and investment services depends on attracting and retaining skilled employees in an increasingly competitive labor market.

To stay competitive, TRS uses a balanced mix of recruitment strategies, including outreach to Texas colleges and universities, job fairs, student organization events, virtual recruiting, on-site open houses and strategic partnerships with academic and workforce channels. The agency also invests in internship and fellowship programs to build sustainable talent pipelines and provides career coaching and staff development to strengthen opportunities for employees already within the organization.

TRS also maintains a flexible and strategic approach to workforce management. The agency evaluates work arrangements based on business needs, member service expectations and job responsibilities, while using hybrid work as a safeguard during weather events, natural disasters and facility disruptions. Strong technology, security capabilities and organizational change management help employees remain productive and efficient whether they are working onsite or remotely.

The agency's competitive position is reflected in its workforce stability. In fiscal year 2025, TRS' turnover rate was 7.9%, significantly below the statewide agency average of 16.3%. TRS supports this stability through a tailored compensation plan, employee engagement efforts, leadership development, and succession planning to preserve institutional expertise and ensure continuity in critical roles.



Together, these strategies help TRS remain an employer of choice while continuing to provide high-quality service to members, retirees and employers across Texas. TRS remains committed to investing in its employees and fostering an environment where employees can thrive, contribute meaningfully and grow professionally.

Advancing Technology Infrastructure

TRS is committed to advancing technology capabilities that support secure, reliable, and efficient services. This includes maintaining current systems with the latest updates and strategically modernizing technology to meet evolving business needs. Leveraging a cloud-based infrastructure, TRS follows industry-standard security practices to protect sensitive and confidential information. Strong data governance and system safeguards help ensure data integrity, support regulatory compliance, and reduce cybersecurity risks. By continually enhancing its technology environment, TRS is better positioned to serve stakeholders and adapt to future challenges.

Key initiatives include:

- Ensuring the protection of highly sensitive and confidential information.
- Supporting the development, design, implementation, and maintenance of IT cloud based infrastructure.
- Improve trust asset monitoring and fiduciary oversight through investment data modernization tool.
- Facilitating a work environment with adequate technology tools with flexibility for both in office and remote functions.

Integrating Artificial Intelligence (AI)

Strategic planning efforts and an in-depth initial assessment identified high-value TRS AI initiatives to improve operational capabilities and performance. TRS has developed a forward-looking AI strategy that aligns with the agency's mission, vision, and IT guiding principles.

Key initiatives include:

- Leveraging, building, and supporting AI to enhance member service and create efficiencies with tools for contract reviews.
- Investment document preparation to perform trend analysis, data quality and automation.
- Searchable chat-like features to assist benefit counselors with finding information quickly for member questions.
- Auto summarization of calls for efficient and helpful notes in member records.
- Researching and identifying relevant information about district board decisions related to health benefits decisions to quickly inform TRS' programs.

The need to support expectations around data capabilities and security requires support to prepare the data, secure the environments, implement the technologies, and provide support to the end users. AI tools and technologies offer long-term benefits such as improved efficiency, better decision-making, and innovative ways to best serve our members while protecting the safety of TRS and member data.

Enhancing Purchasing and Contract Management

As part of TRS' efficiency initiative, a comprehensive review of its procurement processes was conducted to identify areas for improvement and risk mitigation. Key enhancements include streamlining legal reviews to reduce processing times and workload, increasing the competitive threshold to simplify procurement for smaller purchases, and fostering real-time collaboration between procurement and contracting and business units to accelerate timelines. Additionally, in an effort to reduce delays and minimize legal exposure, legal negotiations have also been optimized through direct attorney-to-attorney engagement with vendors and strategic use of existing contracts for incumbent awards, when appropriate.

AI-powered tools are also being researched to support procurement and contracting functions. The proposed tools would assist business units in locating procurement guidance, drafting solicitation and contract documents, and conducting initial contract reviews. By automating routine tasks and enhancing visibility into contract terms, TRS significantly reduces the risk of non-compliance, contractual disputes, and procurement delays.

These improvements not only lessen the workload, but would also strengthen decision-making, operational efficiency and overall risk management across the procurement lifecycle.

Providing Effective Communication

In Summer 2026, TRS launched its first-ever podcast, *TRS Afterschool Special*. The podcast features conversations with members, TRS staff and special guests to share insights, experiences and practical tips to help members stay connected and deepen their understanding of TRS benefits and services. Future episodes will cover investments, member education, account management and communications.



Listen or watch on Apple Podcasts, Spotify, iHeart and YouTube at:
https://trs.texas.gov/learning-resources/trs-afterschool-special-podcast

Goal 4: Align People, Processes and Technology to Achieve Excellence in Service Delivery

Action items supporting each Statewide Objective



Accountability

TRS is committed to maintaining an efficient and effective administration that is accountable and transparent to its stakeholders. TRS frequently testifies before the Legislature when called upon. The agency's budget is submitted to and approved by both the TRS Board of Trustees and the Legislature. TRS has developed an annual agency contract management training program for all TRS contract managers. In addition, individuals that have significant contract management duties are required to enroll in the Comptroller's Certified Texas Contract Manager training and may be required to earn a Certified Texas Contract Manager certification. TRS maintains a board-approved Member and Employer Outreach Plan with specific and measurable activities outlined each fiscal year to ensure TRS is communicating effectively with members. TRS also regularly seeks feedback via formal and informal surveys to ensure member-facing content fully meets members' needs.



Efficiency

The TRS Board of Trustees adopts the annual operating budget from the appropriations process and authorizes funding to be provided from the Pension Trust Fund; however, TRS does not receive funding from the state for administrative operations. TRS remains one of the lowest cost pension funds in the nation in terms of the ratio of its administrative operations budget to the size of its membership. TRS aims to boost productivity by optimizing processes and systems for better efficiency.



Effectiveness

TRS conducts ongoing analysis of the workforce to determine current and future staffing needs. TRS also develops and promotes career opportunities through defined career paths for current employees, researches options to retain institutional knowledge, and designs succession planning programs for critical staff. Additionally, TRS conducts ongoing analysis of processes and technology to ensure members' needs are met. TRS maintains multi disciplined expert staff and formalized organizational processes to proactively address current and future cybersecurity issues and challenges.



Customer Service

TRS' core functions are delivering retirement and other related benefits, facilitating health care coverage, and managing investments. In our continued pursuit of providing excellent customer service, TRS ensures that the skills of current and future workforce have the required expertise to serve our members. TRS does this by monitoring business processes and full-time employee (FTE) levels and adjusting as necessary.

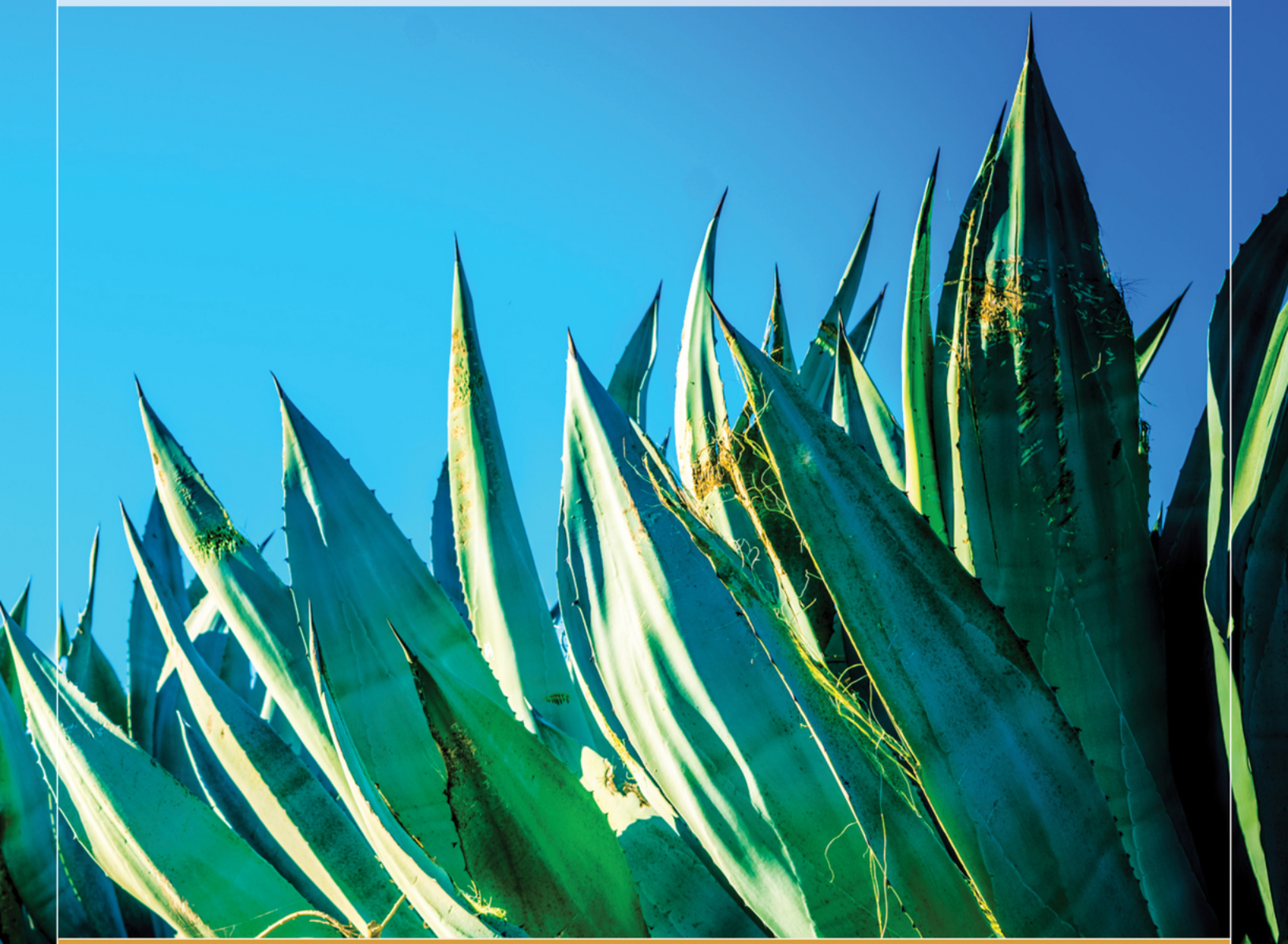


Transparency

As part of its commitment towards open and transparent communication, TRS continues to webcast all board and committee meetings and post budget related materials including the biennial Legislative Appropriations Request (LAR) and Operating Budgets on the TRS website. Detailed and easy to understand financial information can be found in the ACFR.

FINANCIAL POLICIES AND GUIDELINES

The Texas Constitution, Article XVI, Section 67, empowers TRS to administer retirement programs for Texas public education employees and ensure members and beneficiaries **receive timely, dependable benefits** and related services.



THE RIO GRANDE VALLEY



Known for its citrus production, South Padre Island beaches, and world-class birding as well as a dynamic, trade-driven economy, the upper and lower Rio Grande Valley is uniquely Texas.

This page is intentionally left blank.

Financial Policies and Guidelines

The Texas Constitution, Article 16, Section 67, authorizes programs of retirement for Texas public education employees and the administration of such programs in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries. Under the constitution, the Teacher Retirement System is established as a trust and requires the administration by trustees. Trustees carry the fiduciary responsibility in the administration of the plan and investment of the plan assets. The constitution requires that the assets of the system not be diverted. This imposes a duty on the TRS Board of Trustees (the Board) to restrict use of assets to the benefit of the participants of the system. Use of the system assets for the benefit of the public in general, for the benefit of other programs or other program participants, or for the pursuit of other policies are examples of situations that may amount to or can lead to diversion of system assets. Statutory provisions also emphasize the Board's role as fiduciary and the trust arrangement for plan assets and administration. The Texas Constitution and statutory provisions provide the basis for which all policies are established and afford the system a level of autonomy from the state administration compared to other state agencies.

Article XVI, Section 67 of the Texas Constitution:

(a) General Provisions.

(1) The legislature may enact general laws establishing systems and programs of retirement and related disability and death benefits for public employees and officers. Financing of benefits must be based on sound actuarial principles. The assets of a system are held in trust for the benefit of members and may not be diverted.

(3) Each statewide benefit system must have a board of trustees to administer the system and to invest the funds of the system in such securities as the board may consider prudent investments. In making investments, a board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. The legislature by law may further restrict the investment discretion of a board.

Under Texas Government Code, Chapter 825, Section 102, the Board is authorized to adopt rules for the administration of TRS and the transaction of the business of the Board. The Board monitors the actions of staff and consultants to ensure compliance with its policies. To aid in its prudent oversight and monitoring the Board established an Audit, Compliance, and Ethics (ACE) Committee, Benefits Committee, Budget Committee, Investment Management Committee, and Governance Committee each of which is a standing committee of the board charged with those responsibilities set forth in the bylaws of the Board.

State, Generally Accepted Accounting Principles (GAAP), and TRS internal policies guide activities such as development of annual budgets, procurement of goods and services, asset inventory, implementation and oversight of information technology projects, delegations of authority, and out-of-state and international travel. TRS adheres to the Texas Comptroller of Public Accounts' policies related to the annual reporting of capitalized and controlled assets which includes an assessment of their condition.

Budget Policy

The goal of TRS is to develop and submit a balanced budget so that the agency operates in accordance with the guidelines of the General Appropriations Act (GAA) adopted by the 89th Texas Legislature. A balanced budget is one in which the total revenues equal total estimated expenditures.

Basis of Budgeting

TRS maintains and manages its budget using the accrual basis of accounting for all funds in accordance with budgetary accounting practices. Under the accrual basis, revenues are recognized when they become available and measurable. Expenditures are recognized when the liability is incurred regardless of related cash flows. The basis of accounting for budget purposes is the same as the basis of accounting used in the audited financial statements.

TRS efficiently and effectively assigns resources to the appropriate areas in the agency to align with the goals and objectives set forth by the Board and executive management in the 2027–2031 Strategic Plan. The budget and expenses are primarily controlled through policies set forth by state of Texas governing entities, the Board of Trustees, and TRS.

Budget Committee Bylaw Citation

Art. 3 Section 3.1.3 Budget Committee

The board shall have a Budget Committee, which shall meet as necessary at the call of its chairman to:

(a) recommend to the Board annual operating budgets;
(b) recommend intra-budget transfers and budget amendments for approval by the Board;
(c) monitor implementation of the operating budgets of the pension trust and other programs;
(d) receive reports from staff regarding major project development and execution; and
(e) provide input and guidance to TRS staff on the development and execution of major projects.

Art. 5 Section 5.4 Budgets and Fiscal Year

The budgets of the pension trust fund and any other trust funds administered by TRS are adopted by the Board and may be amended by the Board in subsequent meetings. The TRS fiscal year shall begin September 1 and shall end the following August 31.

Amended April 10, 2025

The full Bylaws of the TRS Board of Trustees can be found at the following link:
https://www.trs.texas.gov/sites/default/files/2025-05/trs-board-bylaws.pdf

To comply with the Budget Policy, benchmark(s) include but are not limited to the following:

- **Develop the agency Administrative Operating Budget annually and the Legislative Appropriations Request (LAR) in even-numbered years.** *The budget for FY 2027 is balanced and prepared in accordance with board policy and guidelines and Generally Accepted Accounting Principles (GAAP). It was presented to the TRS Board in July 2026 and approved. The FY 2028-29 LAR was submitted in August 2026.*

- **Apply for the GFOA Distinguished Budget Presentation Award.** *Received the GFOA Distinguished Budget Presentation Award - 11 awards since 2015.*
- **Ensure the total approved budget for operating expenses and capital outlay are not exceeded without the approval of the TRS Board.** *Follow the General Provisions which authorize the Executive Director, or Deputy Director to approve the transfer of budgeted funds up to 25% of a major expense category between major expense categories.*

Procurement Policy

The Procurement and Contracts department within Contract Services manages the procurement process and provides high-level oversight of TRS' contracts, while the business units provide day-to-day contract oversight and management, and Legal and Compliance provides legal counsel throughout both processes. Pursuant to Section 5.6(b) of the TRS Board bylaws and the Board Procurement Policy, TRS shall acquire goods or services by procurement methods approved by the Board of Trustees or the Board's designee.

Excerpt from the Procurement and Contracting Guide:

Exclusive Authority over TRS Trust Funds

Notwithstanding any other law, TRS has exclusive authority under Section 825.103(d) of the Texas Government Code over the purchase of goods and services. Those purchases are statutorily exempt from the requirements of Title 10, Subtitle D, Tex. Gov't Code (Chapters 2151-2176). Further, sections 825.103(e) and (f) of the Texas Government Code exempt TRS from Chapters 2054 (with noted exceptions), 2055, and Subchapter C, Chapter 2260, Tex. Gov't Code.

Adopted September 2021

The complete guide and policy can be found here:
https://www.trs.texas.gov/sites/default/files/migrated/procurement-contracting-guide.pdf
https://www.trs.texas.gov/sites/default/files/migrated/trustee_procurement_policy.pdf

To comply with the Board Procurement Policy, benchmark(s) include but are not limited to the following:

- **Ensure that all purchases and contracts are developed, awarded, monitored, and evaluated per applicable laws, rules, and best management practices.** *The Procurement and Contracts (P&C) department created the Procurement and Contract Management Guide, facilitated trainings and job aids to assist business units, conducted quarterly contract review meetings to support compliance and performance monitoring, and delivered presentations to the Board.*

Debt Policy

TRS does not issue debt nor does it have a statutory debt limitation.

Investment Policy

TRS' Investment Management Division (IMD) focuses on achieving superior long-term returns to secure members' retirement futures and deliver benefits that enrich their lives. The Board has the primary fiduciary responsibility for investing TRS trust assets in accordance with Article 16, Section 67 of the Texas Constitution and with applicable law. The Board establishes investment objectives and policy, as well as monitors the actions of IMD to ensure compliance with its policies. The Board and IMD are assisted by external advisors, consultants, and both internal and external legal counsel.

All investments must be made prudently and in accordance with fiduciary and ethical standards, without promoting interests unrelated to the portfolio's stated objectives of controlling risk and achieving a long-term rate of return.

All investments made by the Total Fund must be in "securities" as provided by Article XVI, Section 67 (a)(3) of the Texas Constitution and defined in Texas Government Code Section 825.301.

Adopted May 1, 2026, to be effective May 1, 2026

The complete investment policy can be found at the following:
https://www.trs.texas.gov/sites/default/files/migrated/investment_policy_statement.pdf

To comply with the Investment Policy, benchmark(s) include but are not limited to the following:

- **Create a sustainable, competitive advantage for the fund and the more than two million people we serve.** *Reports are provided quarterly to the Board and appropriate board committee on the investment performance for the Total Fund and each component portfolio, net of external management fees (if applicable), will be compared with their respective benchmark indices. Fund performance will be judged primarily by comparisons to long-term (3, 5, and 10-year) Policy Benchmark returns.*

Commission Credits Policy

The Commission Credits Policy regulates the expenditure of commissions and credits (including soft dollars, commission sharing agreements - CSAs, and cash recapture agreements - CRAs) to fund investment-related research, goods, and services. Commission Credits acquisitions must be budgeted in separate items in an addendum to the TRS annual budget or in a budget amendment adopted by the Board, unless the Board provides otherwise by resolution. The policy aligns with Section 28(e) of the Securities Exchange Act, which offers safe harbor guidance for eligible expenditures such as research and brokerage services. The generation of any Commission Credits must be incidental to brokerage transactions and trades may not be created solely to generate Commission Credits. All transactions must prioritize favorable outcomes for TRS under prevailing market conditions.

Excerpt from the Commission Credits Policy:

Fiduciary prudence requires that TRS employees, when deciding whether to use Commission Credits, must determine in good faith that the commissions that will be incurred are reasonable in light of the value of the goods, services, and research (as applicable) that will be received under the arrangement and that TRS will realize their benefits. The generation of any Commission Credits shall be incidental to the brokerage transactions originating such credits.

Effective January 2026

To comply with the Commission Credit Policy, benchmark(s) include but are not limited to the following:

- **Ensure commission credit allocations appear as distinct line items in the annual budget, and all related expenditures are budgeted separately or through a formal budget amendment approved by the Board of Trustees.** *Commission credits are separated from the administrative operations budget and tracked under distinct funds, which are presented as separate line items in the July budget committee presentation for adoption by the Board.*
- **Ensure commission credits are used exclusively for investment-related research, goods and services in alignment with fiduciary responsibilities under the Texas Constitution and TRS Investment Policy.** *Expenditures are reviewed and approved through appropriate internal processes, including multi-level approvals and reconciliations.*

Pension Funding Policy

In FY 2020, the Board adopted a funding policy that states the funding goals of the system and sets the guidelines for which changes to contributions and/or benefit levels TRS may consider recommending to the Legislature. The primary goal of the pension plan is to accumulate sufficient assets and achieve a stated funding objective to pay promised benefits. This funding policy establishes the funding objective as equal to or greater than 100 percent funded and identifies a detailed plan for achieving the funding objectives of Contribution Stability and Predictability, Legislative Appropriations Request of contribution rates, and benefit enhancements.

Consistent with its charge to protect the funds of the retirement system as required under Tex. Gov't Code § 821.008 and adopt a written funding policy under Tex. Gov't Code § 802.2011, the TRS Board of Trustees supports contribution and benefit policies that will systematically decrease the UAAL over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent. A declining UAAL over time will evidence that contribution and benefit policies are being implemented consistent with Tex. Gov't Code § 802.2011.

Dated December 13, 2019

The complete funding policy can be found at the following:
https://www.trs.texas.gov/sites/default/files/migrated/pension_funding_policy.pdf

To comply with the Pension Funding Policy, benchmark(s) include but are not limited to the following:

- **Systemically decrease the UAAL (Unfunded Actuarial Accrued Liability) over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent.** *An update to the requested contribution range will be provided after the results are in from the actuarial valuation.*
- **Review the assumptions and methods at least once every four years in an Experience Study.** *An experience study was conducted in 2026 and found the current investment return assumption of 7% is appropriate.*

Budget Development

State Budget Process and Timeline

The state of Texas budget process begins the year preceding the biennial legislative session (spring of even-numbered years) with the development of the agency Strategic Plan. Soon after submitting the Strategic Plan, agencies begin development of the Legislative Appropriations Request (LAR), which is used to request funding for the following biennium. The Legislative Budget Board (LBB) uses the LAR as a basis to create the general appropriations bill, which contains performance measures, the maximum number of full-time equivalent employment positions (FTEs) allowed, specific enumerated instructions, the amount of funding recommended by the LBB, and the method of financing for each agency's appropriation. When the Texas Legislature convenes in January of odd-numbered years, the general appropriations bill goes through the Senate Committee on Finance and the House Committee on Appropriations and eventually to the floor of each chamber for debate and ultimate approval. The appropriations bill guides spending over the next two years, beginning on September 1 of odd-numbered years. Although the budget is not recorded in Texas statutes or codes, it has the force of law. Agencies are bound by it, and their compliance is monitored by the LBB and the State Auditor's Office (SAO).

As a part of the state of Texas budget process, TRS prepares a detailed LAR under the guidelines of the LBB. The appropriations request itemizes the funding TRS needs to operate and includes performance measures designed to ensure the money is spent efficiently and effectively.

The Legislature appropriates funding and FTE authorization from the Pension Trust Fund to pay for all Pension Services operations, Investment Management operations, Support Administration, and Capital Projects. Funding for both fringe benefits and performance pay plan payments are appropriated separately. Health Division is funded with health care funds which include both TRS-Care and TRS-ActiveCare. Health care funding and staffing resources are not part of the legislative appropriations process. Annually, the Board adopts the administrative operating budget which funds TRS' internal operations.

Q1 (August - September)	Q2 (December - February)	Q1-Q4 (September - August)
		
Develop a Legislative Appropriations Request every even-numbered year.	The LBB uses the LAR as a basis to create the general appropriations bill and is presented to the Texas Legislature for approval.	The LBB and SAO monitor compliance with the GAA.

TRS Budget Development Process

Development

The development of the annual administrative operating budget is a participatory process with agency business units. The process begins when instructions are sent to all department managers asking to submit requests for operating and capital expenditures for the upcoming fiscal year and the next biennium during even-numbered years. Department managers are instructed to use a strategy-based approach plus needed funding for cost escalators. Departments are able to make adjustments and request additional resources through the Budget Planning shared site. Salaries and other personnel costs are developed by Budget staff using assumptions required to fund assumed expenditures. Department managers review the staffing list to ensure accuracy. As part of legislative and agency efficiency efforts, TRS conducted a comprehensive evaluation of agency operations, financial performance, and strategic priorities to ensure resources are allocated effectively for FY 2027.

For the FY 2027 Budget and FY 2028-2029 LAR, the Budget team conducted a training to review the budget planning site and provided refreshers on the state budget process, specifically the LAR process, resource constraints, and capital projects. In addition, for FY 2027 budget development, the Budget team worked closely with departments to prepare their budgets and identify incremental resource increases needed to advance the strategic plan of the organization.

Review

Once all budgets are completed and submitted, the budgets are examined for additional funds requested above the base amount that balances to the General Appropriations Act (GAA) for that fiscal year. Any amount of increase requires a justification. To further facilitate the review process, Budget staff examine previous budgets and expenditures, and research economic and financial developments that affect the agency's expenditures. In combination with the agency priorities, these trends and historical data are used to assist the Budget staff with forecasting and advocating for departments' requested increases. Requests for additional funds and staff are considered for adoption based on increasing work demands, changing methods of operations, and delivery of mission-critical services.

Adoption

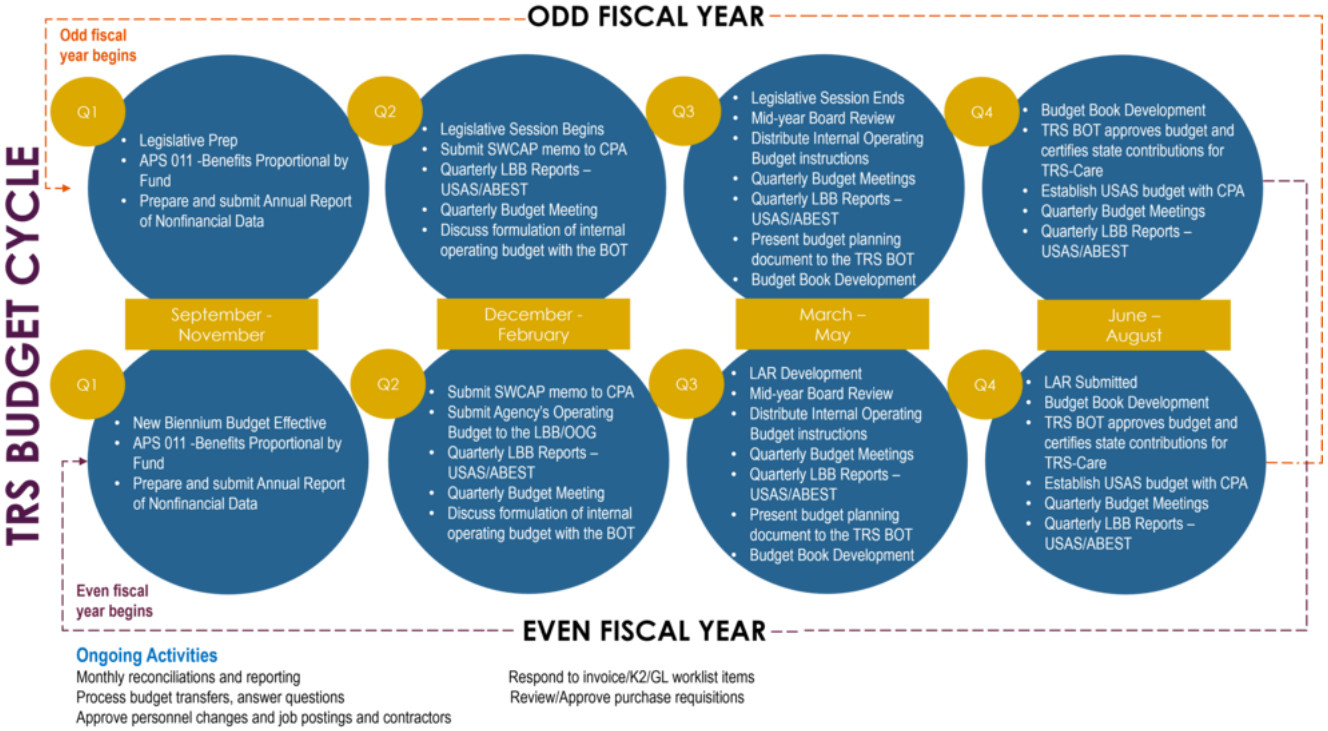
The final proposed annual administrative operating budget is presented to the Budget Committee for recommendation to be adopted by the Board of Trustees during the July board meeting. As the fiscal year progresses if an additional need for resources arise the Budget staff will first look for available lapse within the existing budget. If no lapse is available to accommodate the request and amending the adopted budget is seen as necessary, an increase to the appropriated budget would need to be presented and approved by the Board of Trustees through a fiduciary finding.

Although the public has no involvement with the development of the annual administrative operating budget, the proposed budget presented during the board meetings is broadcasted publicly. The public's input, along

with other factors affecting the agency, are taken into consideration as the budget is developed as TRS strives to be transparent and abide by all policies and guidelines. The public is also invited to provide testimony and comments at the board meetings. Additionally, the representatives of the Texas Legislature are the voices of the public and our members. TRS also publishes the administrative operating budget report on its website.

Q2-Q3 (February-April)	Q3-Q4 (April-June)	Q4 (July)
Development	**Review**	**Adoption**
Work with departments to develop the annual Administrative Operating Budget.	Budget staff review budget submissions for accuracy and requested increases.	Annual Administrative Operating Budget is presented to the Board for approval.

Detailed calendar of the TRS budget process:



Budget Controls and Monitoring

After the biennial budget is passed by the Governor, the legislative leadership continues to play a role in the budget with ongoing monitoring of the implementation of the budget through the LBB. Legislative controls are provided in the General Appropriations Act (GAA), which is used as guidelines for the agency budget and capital projects. TRS is required to submit quarterly reconciliations of expenditures and performance measure outcomes to the LBB.

After adoption of the internal operating budget, staff continuously monitors financial performance relative to the adopted budget, supporting timely decision-making by senior management. On a monthly basis, Budget staff performs budget-to-actual and budget-to-projected actual comparisons of expenditures. In addition, the Board Budget Committee is provided mid-year and end-of-year reports.

As an internal control measure the budget is loaded into CAPPS (Centralized Accounting Payroll Personnel System) to establish expenditure limits by fund, appropriation, and department. Staff utilize CAPPS daily to verify and monitor the budget and expense entries.

On a quarterly basis, Budget staff meet with department managers to discuss current year expenditure trends and patterns, and identify any issues that may have a fiscal impact. If an additional business need is identified, departments are first directed to use existing budget. If the department's existing budget cannot accommodate their need, another department's lapse could be redirected to these areas. Staffing levels are also monitored and earned lapse to date is calculated to use for additional resource requests.

The following diagram depicts the various monitoring time frames:



Daily

Verify and monitor budget and expense entries



Monthly

Analyze, reconcile, and report budgetary data



Quarterly

Prepare and report budgetary data to LBB and TRS Board of Trustees



Annually

Fiscal and appropriation year-end budgetary closing and reporting process

Position Control

Generally, augmentations to authorized positions follow the standard budget process and are approved by the Legislature. TRS monitors business activities and FTE employee levels to efficiently manage staying below the 1,158.3 authorized FTE cap. In coordination with Organizational Excellence (Human Resources) and Payroll departments, the Budget team compiles the status of all positions and present any new request to agency leadership for consideration. To remain transparent with business units, the Budget team in conjunction with the Analytic and Financial Insights Group (AFIG) created Power BI dashboards that are updated with position control data as new information is received. Reporting of FTE levels is submitted to the SAO quarterly.

Stakeholder Expectations

TRS is expected to maintain and manage its budget efficiently and accurately to meet the expectations of various stakeholders. The expectations of each are taken into account and are used as guidelines when developing the budget.







External Governing Bodies	Members	Board of Trustees (BOT)
Legislature, Legislative Budget Board, State Auditor's Office, Office of the Governor, Texas Comptroller's Office	Active and Retirees	The nine-member Board of Trustees, trustee of all plan assets
Expectations include: • Staff will abide by the General Appropriations Act (GAA) and all associated reporting requirements • Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets • TRS will be transparent with the public regarding its budget	Expectations include: • TRS will be transparent regarding its budget and spending • TRS will be good fiduciaries of the trust funds on their behalf • TRS will ensure expenditures are aligned with the overall mission of the agency	Expectations include: • Staff will abide by the GAA and all transparency requirements • Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets • BOT will be provided accurate and timely communications regarding expenses, risks, and other budgetary or FTE-related issues • Staff will be proactive and timely in identifying budgetary risks • BOT will be provided sufficient information and tools to enable them to make prudent decisions in their fiduciary roles regarding the TRS Budget or FTE needs



Executive Management
Executive Director, Deputy Director, and related administrative staff
Expectations include: • TRS will abide by all GAA and transparency requirements • Staff will uphold TRS' fiduciary duties when preparing and overseeing the agency and departmental budgets • Staff can swiftly provide accurate budget and FTE-related information and assist in preparing presentations, legislative responses, etc. as needed • Staff will provide guidance and assistance to business units regarding the budget development process • Staff will maintain good relationships with BOT, management, and business units • Staff will keep management up-to-date and provide accurate information to enable them to knowledgeably communicate budgetary and FTE-related issues or concerns



Internal Partners
Department directors, managers, and budget liaisons
Expectations include: • Necessary funds are available to meet the needs of business units • Staff maintains good relationships with business units and is available, knowledgeable, and responsive to their needs • Staff closely monitors budget reports and ensures expenditures are charged to the correct budgets • Staff is aware of critical activities that have to be performed at specific times of the year and is able to work with other business units to provide quick turnarounds and information as needed



Staff
Budget Staff
Expectations include: • Clear and prompt communication both up and down the chain • Manager and other staff are accessible and available to help each other as needed • Staff is willing to shift priorities and workloads in order to help each other or to accomplish specific tasks

This page is intentionally left blank.

FUND STRUCTURE AND LONG-TERM FINANCIAL PLANNING

With a board-adopted actuarial investment return assumption of 7% annually, TRS is positioned to generate approximately **$16.5 billion** in investment earnings each year—about **$65.8 million** every business day—to help support long-term retirement security for Texas public education employees.

WEST TEXAS



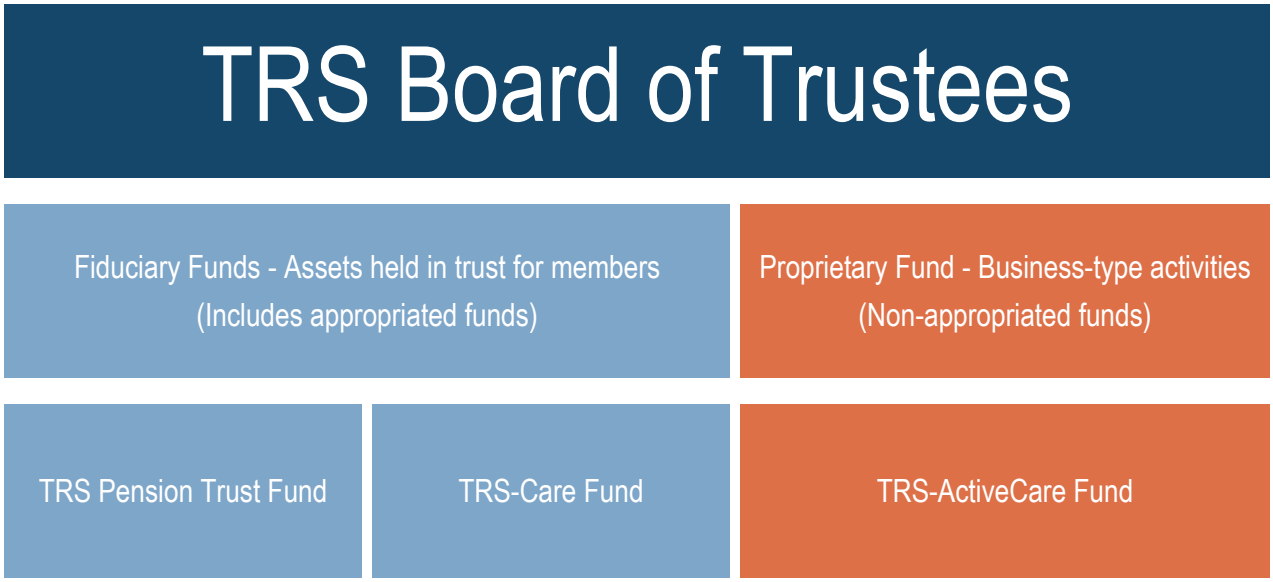
West Texas is a vast, rugged region in the western part of the state known for its desert landscapes, dramatic mountains and deep roots in Texas history.

Overview of Fund Structure

TRS administers retirement and related benefits to employees and beneficiaries of employees of public, state-supported, educational institutions of Texas. The system also administers the Texas Public School Retired Employees Group Insurance Program (TRS-Care) as well as the Texas Active School Employees Uniform Group Benefits Program (TRS-ActiveCare).

- 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.
- TRS-Care is considered an employee benefit trust fund and provides health care coverage for certain persons, who retire under TRS, and their dependents. The statutory authority for the program is Texas Insurance Code, Title 8, Subtitle H, Chapter 1575 and Texas Administrative Code, Title 34, Part 3, Chapter 41.
- TRS-ActiveCare provides health care coverage to employees of participating public education entities and their dependents. Authority for the plan can be found in the Texas insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41.

The system's financial records are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, additions/revenues, and deductions/expenses. The administrative operating budgets for the Pension Trust Fund represents approximately 0.17% of the fund's value. The administrative operating budgets for the TRS-Care Fund represents approximately 0.42% of the fund's value and the TRS-ActiveCare Fund represents approximated 1.4% of the fund's value. The fund balance is defined as the difference between the assets and liabilities of the fund. TRS maintains three major funds in two categories: Fiduciary and Proprietary.



Fiduciary Funds

Fiduciary funds, which have an appropriated component, include the Pension Trust Fund and TRS-Care (employee benefits trust fund). Fiduciary funds are used to report assets held in a trustee capacity on behalf of others. The reporting focus is on net position and changes in net position. The pension and other post-employment benefit trust funds are used to report resources held in trust for members and beneficiaries of the defined benefit pension plan and other post-employment benefit plan. Benefits are paid from the Pension Trust Fund. Health care claims are paid from TRS-Care. The agency's administrative operating budget is sourced from each fund respectively.

Proprietary Fund

The system's proprietary fund, TRS-ActiveCare which is an enterprise fund, does not include any appropriated funds. TRS-ActiveCare is considered a major fund. This fund is used to account for business-type activities or those for which a fee is charged to external users for goods and services. The reporting focus is on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds distinguish operating activities from non-operating activities. Operating revenues for the system's proprietary fund are derived from self-insurance premiums. Operating expenses include the costs of claims and related administrative expenses. Non-operating revenues and expenses are those items that do not meet any of the above definitions.

Long-Term Financial Plan

The foundation of TRS' long-term financial planning is to ensure sufficient assets are available to pay promised benefits to members. TRS uses a forward-looking strategic process focusing on assessment, goal setting, and informed decision-making to support the system's sustainability.

Projecting the fund balance beyond one or two years becomes challenging due to timing constraints outside of TRS' control. The state of Texas operates on a two-year budgeting cycle with the Legislature meeting in odd-numbered years and contribution rates set through the appropriations process. Additionally, health care rates are not adopted until May of each year. As projections extend further into the future, assumptions become increasingly speculative. For this reason, the subsequent projections include the current and prior fiscal years while noting assumptions for future years.

Actuarial Studies and Assumptions

In alignment with the long-term strategic planning process, the Board adopted the Pension Funding Policy in FY 2020 to establish funding goals and guide potential recommendations to the Legislature on contribution and/or benefit levels. Unlike other public pension plans, TRS does not control these funding drivers. The Legislature determines both the level of benefits received by members and the contributions paid to the pension fund, while the Board has primary control over the investment of trust assets.

To maintain alignment with actuarial assumptions and funding objectives, the Board reviews the TRS Pension Funding Policy every four years, coinciding with actuarial experience studies required by law to be conducted at least once every five years. The actuarial experience study examines the changing patterns of retirement behaviors, plan provisions, and investment returns to determine if adjustments are needed. The 2026 experience study reaffirmed the current 7.00% investment return assumption.

Each year, TRS' independent consulting actuary conducts a valuation of pension assets and liabilities. In even-numbered years, this analysis is combined with the goals included in the Funding Policy to determine the contribution level TRS should request from the Legislature in its Legislative Appropriations Request (LAR). The Funding Policy's objective is to achieve at least 100% funding of benefit costs.

A video explaining how the actuarial valuation defines the health of the TRS Pension Trust Fund and the full results of the 2026 actuarial experience study is available at the following links:

Video: https://youtu.be/pe7Y_ilH8uk
Report: https://trs.texas.gov/files/documents/actuarial-experience-study-2026.pdf

Legislative Actions and Funding Changes

During the 86th Legislature in 2019, Senate Bill 12 (SB12) was enacted to gradually increase contribution rates from all sources through a phased-in approach that concluded on September 1, 2024 (FY25).

- State contributions increased from 6.8% of payroll in fiscal year 2019 to 8.25% in fiscal year 2024.
- Public education employer contributions increased from 1.5% of payroll in fiscal year 2019 to 2.0% 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.

The FY 2026-27 Legislative Appropriations Request (LAR) reflected the 8.25% contribution rate and continued the progress achieved through SB12. These changes strengthened TRS' financial position and supported progress toward reducing the unfunded actuarial accrued liability (UAAL). Further adjustments, if deemed necessary, would require legislative action.

During the 89th Legislature, state leadership requested that TRS conduct a Pension Plan Design Study comparing the current defined benefit plan with alternative benefit plan designs. The study will review member and retiree plan profiles, position types, the current pension planning formula, contribution history, and how TRS compares with other teacher retirement plans. This study will help inform future funding and plan design discussions.

The Board's Funding Policy requires TRS to identify the contribution rate needed to reduce the UAAL within five years, using the most recent actuarial valuation. TRS will use the August 31, 2026 valuation when it becomes available in December 2026. Under the 2025 valuation, the UAAL is projected to be amortized over 35 years, exceeding the 31-year statutory funding benchmark. The UAAL increased from $60.6 billion as of August 31, 2024, to $64.9 billion as of August 31, 2025, primarily due to compensation increases for public education employees enacted by the 89th Texas Legislature House Bill 2 (HB2).

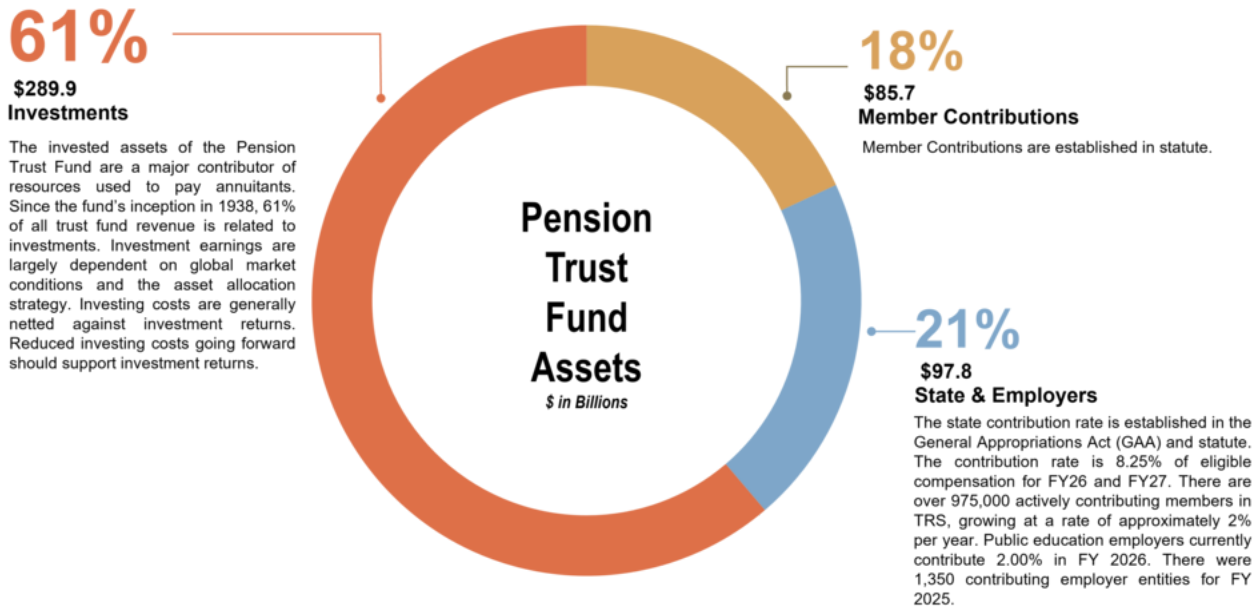
Under current projections, the UAAL is not expected to decline until 2038. Although fiscal year 2026 investment returns are anticipated to exceed the 7.00% assumption, they are not expected to be sufficient to cause the UAAL to decline within the required five-year period. Updating the August 31, 2025 valuation with the current investment return, the actuary estimates that beginning September 1, 2027, an adjustment of 1-1.5% will be needed for the UAAL to decline within that period. TRS will update this estimate when the 2026 valuation becomes available.

Pension Trust Fund

Long-term financial planning for the TRS Pension Trust Fund is driven by the funding policy and the Strategic Plan, which are both adopted by the TRS Board of Trustees. In the defined benefit plan, contributions are invested to generate income from which benefits are paid. Contributions are comprised of three sources – member, state, and employer. The financial health of the pension program is based on the following equation:



Sources of Pension Fund Revenue since inception
(FY 1938 - 2025)



Benefits & Expenses

Benefits paid generally grow 2% per year. The standard annuity consists of a monthly benefit that is disbursed to retirees for the duration of their retirement years. This benefit is calculated based on the statutory benefit formula. Pension recipients encompass both retirees and beneficiaries. In FY 2025, TRS paid $15 billion in annuities to retirees and their beneficiaries.

Pension Trust Fund Projections

Pension Trust Fund	Actual FY 2025	Estimated FY 2026	Estimated FY 2027	Variance FY 2026 to FY 2027
Beginning Fund Balance	**210,543,258,495**	**226,328,300,601**	**252,599,900,304**	**26,271,599,703**
Revenues				
Member Contributions	5,146,456,059	5,492,149,363	5,651,421,695	159,272,332
State Contributions (Appropriated)	2,568,867,833	3,194,910,967	3,274,771,791	79,860,824
Employer Contributions	3,318,806,430	3,428,017,830	3,527,430,347	99,412,517
Investment Income & Other Revenue	20,072,005,841	29,536,452,596	20,948,518,446	(8,587,934,150)
Total Fund Revenues	**31,106,136,163**	**41,651,530,756**	**33,402,142,279**	**(8,249,388,477)**
Expenses				
Benefits Paid	15,214,178,306	15,247,683,406	15,552,637,074	304,953,668
Administrative Expenses, Excluding Investing Activity Expenses	106,915,751	132,247,647	167,512,184	35,264,537
Total Fund Expenses	**15,321,094,057**	**15,379,931,053**	**15,720,149,258**	**340,218,205**
Ending Fund Balance	**226,328,300,601**	**252,599,900,304**	**270,281,893,325**	**17,681,993,021**
Percent Change				***7%***

Member and employer contributions are growing at an anticipated rate of 2.90%. Contributions are based on the expected rate of covered payroll growth which aligns with long-term demographics.

FY 2026 and FY 2027 state contributions includes $16.3 million for each year, related to the enactment of House Bill 2 which includes additional compensation for public education employees.

The annual rate of return on investments for the pension fund for the year ended Aug. 31, 2025 was 9.7%. In FY 2025, investment earnings were higher than expected because global stock market performed better than projected, especially in technology-related areas. TRS' diversified investment approach also helps to manage risk and maintain liquidity. The projected net position balance for FY 2027 reflects the assumed investment rate of return of 7.0%.

The FY 2027 Administrative Operating Budget includes the costs to continue the development of internal technologies and infrastructure related to data management systems, artificial intelligence, and cybersecurity capabilities that protect all categories of TRS data.

This page is intentionally left blank.

Health Care Trust Funds

The TRS Board is also the fiduciary for the TRS-Care and TRS-ActiveCare Trust Funds. For these programs, TRS works with its actuaries to forecast financial trends and estimate funding needs. This process entails significant analysis and coordination to ensure that plan design changes maintain and encourage the use of high-value care, revenues are sufficient to pay claims, legislative changes and directives have been incorporated, and the Board has adequate information to make decisions.

The health care funds operate on a pay-as-you-go basis; collect revenue from members, employers, and the state; and use that funding to pay for claims and administrative operations.

Health Plan Premiums and Benefits

The TRS Board adopts changes to gross premiums and benefit levels for each program based on the long-term financial projections for each fund. Prior to adopting rates, TRS staff provide the Board with updated projections of fund balances for each trust fund that typically extend several years ahead. These projections identify the longer-term implications of current benefit and premium levels on the sustainability of each program. If projections reflect a shortfall, the Board may adopt changes to benefits and/or premiums or request additional funding from the Legislature through the LAR to balance projected revenues and expenditures.

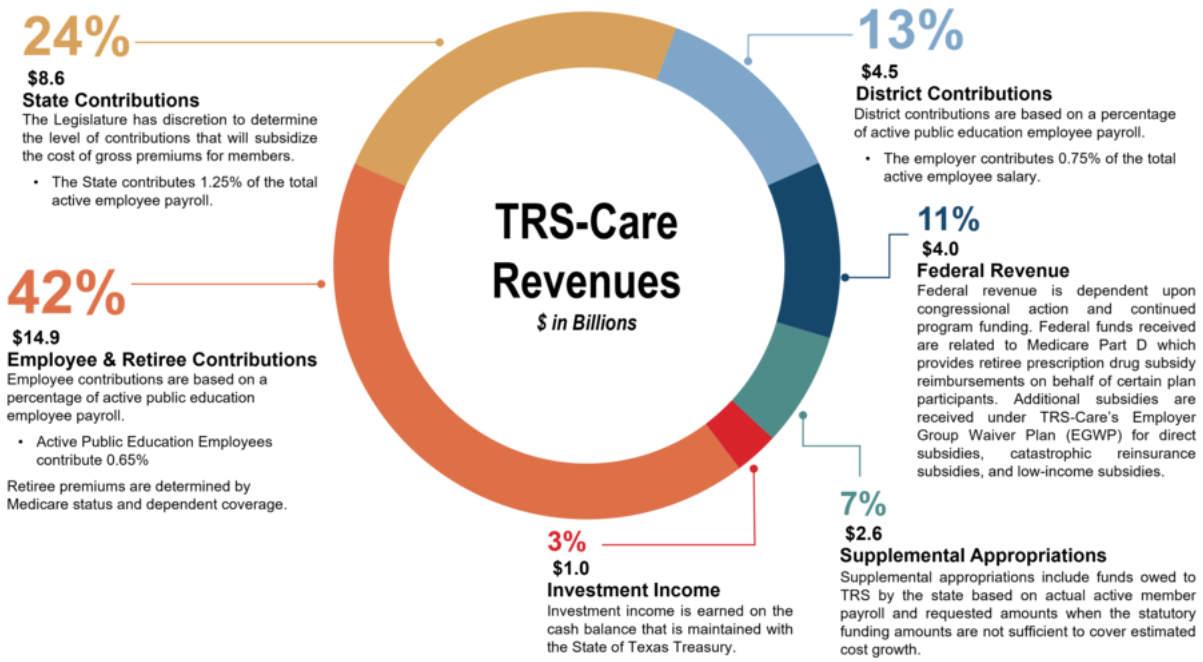
Projections for the health plans can be difficult to forecast for long periods due to high inflation and volatility in the health care market and the relatively low margins on which the plans have historically operated.

Following the enactment of Senate Bill 1682, 86th Legislature, 2019, TRS is required to maintain a balance estimated to equal 60 days of program claims and expenses to help reduce the impact of short-term volatility on the program.

TRS-Care Revenue Sources

The retiree health program, TRS-Care, is financed on a pay-as-you-go basis and benefits are contingent on funding availability. Revenue comes from six sources: state contributions, employee and retiree contributions, district contributions, federal programs, and investment income.

Sources of TRS-Care Revenue since inception
(FY 1986 - 2025)



TRS-Care has a healthy and growing fund balance due to legislative changes that took effect in 2018 along with recent federal Medicare changes and TRS' diligent management, among other factors. Specifically, these changes have generated savings for the TRS-Care Medicare Advantage plan, the plan for TRS retirees who are Medicare eligible. TRS-Care Standard premiums remain competitive compared to other plans in the market. TRS continues to actively manage TRS-Care and make incremental adjustments to premiums to respond to market trends and ensure the sustainability of TRS-Care.

Benefits & Expenses

Health care claims expenses are expected to increase primarily due to higher pharmacy costs and the increased use of certain high-cost drugs, driven in large part by the high prevalence of chronic conditions among TRS-Care members. Savings from the procurement of the pharmacy benefits manager are expected to moderate that increase through improved pricing and rebates. TRS continues to monitor the program to ensure TRS-Care remains sustainable and valuable for retirees.

TRS-Care Projections

TRS-Care, Health Care Program for Retirees	Actual FY 2025	Estimated FY 2026	Estimated FY 2027	Variance FY 2026 to FY 2027
Beginning Fund Balance	**4,816,646,311**	**5,466,326,032**	**6,294,376,549**	**828,050,517**
Revenues				
State Contributions (Appropriated)	567,207,577	618,750,000	631,125,000	12,375,000
Employee & Retiree Contributions	692,963,204	706,822,468	720,958,917	14,136,449
District Contributions	357,176,773	364,320,308	371,606,715	7,286,406
Federal Revenue	403,604,916	577,252,117	701,397,719	124,145,602
Supplemental Appropriations	—	20,444,197	24,689,576	4,245,379
Investment Income	217,628,208	229,518,584	193,099,158	(36,419,426)
Total Fund Revenues	**2,241,802,237**	**2,517,107,675**	**2,642,877,085**	**125,769,411**
Expenses				
Health Care Claims Paid	1,563,948,348	1,663,512,058	1,998,713,442	335,201,384
Administrative Expenses	28,174,167	25,545,100	27,073,000	1,527,900
Total Fund Expenses	**1,592,122,515**	**1,689,057,158**	**2,025,786,442**	**336,729,284**
Ending Fund Balance	**5,466,326,032**	**6,294,376,549**	**6,911,467,192**	**617,090,643**
Percent Change				***10%***

The covered employee payroll that serves as a base for three of the six revenue sources is expected to grow along with the growth of active teachers. Payroll growth is projected to be 2%. The state's share of employer contributions is appropriated to TRS by the Legislature.

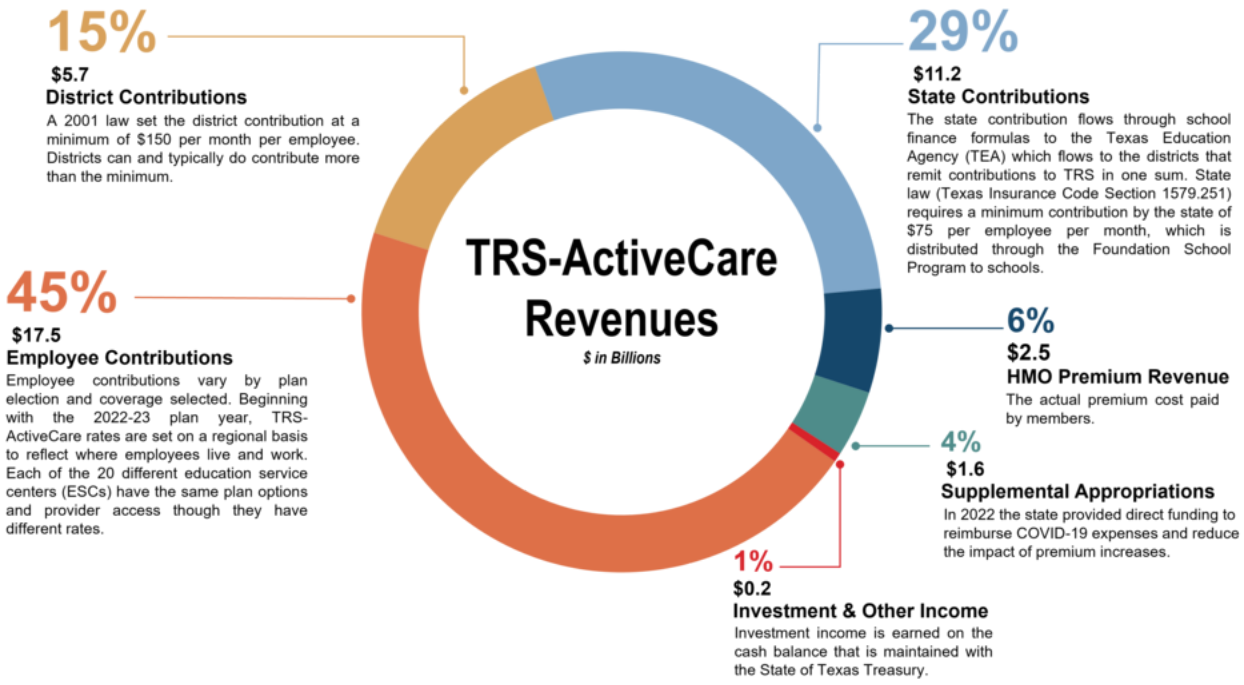
For FY 2027, the state's contribution rate remains at 1.25%, the active public education employee contribution rate remains at 0.65%, and the district contribution rate remains at 0.75%. The FY 2027 supplemental appropriations include $24.6 million, related to the enactment of House Bill 2, which provides additional compensation for public education employees. Additionally, Rider 13 of the House Bill 1 GAA of the 88th Legislature appropriates $40.5 million owed to TRS by the state based on actual active member payroll. Due to the uncertainty of future interest rates, the fund balance model decreases current interest rates by 25% each year. The TRS-Care Fund is expected to remain solvent through FY 2027.

FY 2027 TRS-Care fund expenses are expected to rise due to higher medical and pharmacy costs, driven by inflation, vendor contract changes, and increased use of high-cost drugs. TRS continues to manage cost growth through drug management programs and ongoing vendor negotiations.

TRS-ActiveCare Revenue Sources

The active employee health program, TRS-ActiveCare, is financed on a pay-as-you go basis. Revenue for the program comes from state contributions, district contributions, employee contributions, investment and other income sources.

Sources of TRS-ActiveCare Revenue since inception
(FY 2003 - 2025)



The TRS Board of Trustees sets the gross premiums to ensure adequate funding for benefits. TRS' size, contracting strength, and effective management enable TRS to offer employers coverage at a cost that is 14% below similar benefit plans. Each participating employer uses a mix of local and state funds to make a minimum contribution of $225 per employee per month toward the total premium, and employees contribute the remaining cost toward the premium. While TRS-ActiveCare offers a competitive gross premium for employers participating in the program, plan affordability for employees and their families is an ongoing concern as employees bear a significant share of premium costs when compared to other employers.

Benefits & Expenses

TRS-ActiveCare health care claims costs grew 7.1% in FY 2025. Medical costs rose more than expected as new districts joined the plan and cancer treatment costs continued to climb. Pharmacy costs are expected to continue rising as use of high-cost drugs increases. TRS projects medical costs to grow 6.2% and pharmacy costs 9.7% annually through FY 2027.

TRS-ActiveCare Projections

TRS-ActiveCare, Health Care Program for Active Teachers	Actual FY 2025	Estimated FY 2026	Estimated FY 2027	Variance FY 2026 to FY 2027
Beginning Fund Balance	**688,476,809**	**818,756,260**	**626,867,919**	**(191,888,341)**
Revenues				
Premiums*	2,051,308,786	2,199,819,605	2,531,280,300	331,460,695
Supplemental Appropriations	369,224,574	—	—	—
Investment Income	38,487,178	39,833,256	24,376,427	(15,456,829)
Total Fund Revenues	**2,460,516,065**	**2,239,652,861**	**2,555,656,727**	**316,003,866**
Expenses				
Health Care Claims Paid	2,323,953,734	2,425,657,002	2,738,757,650	313,100,648
Administrative Expenses	6,282,880	5,884,200	6,111,500	227,300
Total Fund Expenses	**2,330,236,614**	**2,431,541,202**	**2,744,869,150**	**313,327,948**
Ending Fund Balance	**818,756,260**	**626,867,919**	**437,655,496**	**(189,212,423)**
Percent Change				***(30)%***

*Premiums include State, District, and Employee Contributions as well as HMO Premium Revenue.

Historically, the number of teachers is highly correlated to the state's population. Population growth has averaged 2% per year over the past 30 years. For the next few years (i.e. through FY 2027), that growth is expected to average 1.15% per year.

Employee contributions are highly dependent upon the coverage elections selected. The projections chart above includes state contributions, employee contributions, and district contributions in the premiums revenue category. The TRS-ActiveCare Fund balance is managed to avoid a deficit through adjustments in premiums and benefits. To offset rising medical and pharmacy costs and limit premium growth to under 10% per year, the 89th Texas Legislature appropriated a one-time contribution of $369.2 million. The projected balance is on track to ensure that premiums cover annual claims costs, but this may change if there is significant enrollment growth. Since the implementation of Senate Bill 1444 (87R), which allows districts to opt in and out of TRS-ActiveCare, 131 employers have departed from the plan and 16 employers have joined, with 25 scheduled to join for FY 2027. Many of the employers who left TRS-ActiveCare have requested to return, and TRS anticipates receiving notice from a significant number of employers by December 31, 2026.

FY 2026 TRS-ActiveCare fund expenses are expected to rise due to higher medical and pharmacy costs, driven by inflation, vendor contract changes, increased use of high-cost drugs, and the addition of new districts to the plan. TRS will continue to manage cost growth through vendor discounts, pharmacy rebates, and drug management programs, though health care costs are expected to continue rising through FY 2027.

Administrative Operating Budget Structure

Budgets and Appropriations

The administrative costs and capital asset outlay for each of the system's funds and programs are controlled by annual budgets approved by the Board of Trustees. Only the fiduciary funds include an appropriated component. The Pension Trust Fund receives state contributions from the Texas Legislature's general revenue appropriations for retirement benefits for active members employed by a participating employer. Although appropriated by the Legislature, expenses for the Pension Trust Fund administrative operations and capital expenditures are paid from the Pension Trust Fund and not from the state's general revenue fund. For TRS-Care, the state's contributions are appropriated from the state's general fund while administrative expenses are paid from the health trust funds.

Fund and Division

All TRS divisions are funded by the Pension Trust Fund, with the exception of the Health Division, which is funded by TRS-Care and TRS-ActiveCare. Health-related support costs are allocated to the healthcare funds through a cost allocation methodology.

	Pension Trust Fund	TRS-Care	TRS-ActiveCare
Investment Management Division	✓		
Pension Services	✓	✓	✓
Health Division		✓	✓
Administrative Services	✓	✓	✓
Contract Services	✓	✓	✓
Executive	✓	✓	✓
Financial Services	✓	✓	✓
Information Security Office	✓	✓	✓
Information Technology	✓	✓	✓
Internal Audit	✓	✓	✓
Legal & Compliance	✓	✓	✓
Organizational Excellence	✓	✓	✓

✓ *Specifies the funding source supporting each division's administrative operating budget.*

FY 2027 ADMINISTRATIVE OPERATING BUDGET

TRS delivers strong value to members by operating at a cost per member that is **46% lower** than the peer average.



THE PANHANDLE



The Texas Panhandle offers a wide variety of experiences, from breathtaking canyons to Old West heritage. It also has a major presence in both cattle ranching and energy production.

Expenses by Fund

Pension Trust Fund

Administrative Operations

Section 825.312 of the Texas Government Code authorizes TRS to pay administrative expenses of the Pension Trust Fund from the retirement system's expense account. As appropriated by the Legislature, the Pension Trust Fund serves as the primary funding source for TRS operations. The FY 2027 Administrative Operating Budget funded by the Pension Trust Fund consists of a 2% decrease, while funding targeted operational needs that support AI initiatives, member services, cybersecurity and data management.

	FY 2025 Expended	FY 2026 Budget	FY 2027 Budget	Variance from FY 2026 to FY 2027	
Sources of Funds					
Administrative Operations	209,651,759	241,011,100	254,416,000	13,404,900	6 %
Capital Budget	27,540,875	28,643,100	26,431,000	(2,212,100)	(8)%
Fringe Benefits	34,232,235	42,429,400	44,551,000	2,121,600	5 %
Performance Pay Plan	39,742,057	40,133,500	42,200,000	2,066,500	5 %
Contingency	—	27,019,600	4,428,800	(22,590,800)	(84)%
Total Sources	**$ 311,166,926**	**$ 379,236,700**	**$ 372,026,800**	**$ (7,209,900)**	**(2)%**
Expense Categories					
Wages and Benefits	223,844,659	259,023,693	268,252,500	9,228,807	4 %
Professional Fees and Services	45,083,894	63,227,707	49,234,400	(13,993,307)	(22)%
Support Costs	5,207,321	10,668,300	9,214,000	(1,454,300)	(14)%
Travel	1,544,285	2,542,600	2,542,600	—	— %
Operating Costs	33,502,102	42,974,400	42,208,300	(766,100)	(2)%
Capitalized Equipment	1,984,665	800,000	575,000	(225,000)	(28)%
Total Expense Categories	**$ 311,166,926**	**$ 379,236,700**	**$ 372,026,800**	**$ (7,209,900)**	**(2)%**

The FY27 budget includes a 4% increase in Wages and Benefits to support estimated payroll costs for existing staff and the addition of 24 new FTEs. Budget decreases across several categories reflect the natural transition of resources as major initiatives near completion and associated implementation costs decline. These reductions do not represent a reduction in agency priorities; rather, they provide an opportunity to realign funding toward high-priority strategic needs. Available resources are being redirected to support artificial intelligence initiatives, member services, cybersecurity protections, and expand data management capabilities to improve operational efficiency, service delivery, and long-term organizational effectiveness.

Expenses by Fund

Commission Credits

Administrative Operations

Commission Credits refer to the use of a credited portion of brokerage commissions incurred during trade execution to obtain goods, services, or research. Under Board policy, Commission Credits are used to pay for research plus goods and services that support the investment decision-making function of TRS. Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)") provides a "safe harbor" for investment advisers who incur higher commissions for discretionary client accounts they manage in order to receive brokerage and research services that may or may not benefit those clients. The revenue generated via Commission Credits is spent exclusively for investment management purposes. Commission Credit revenue is not appropriated by the Legislature.

	FY 2025 Expended	FY 2026 Budget	FY 2027 Budget	Variance from FY 2026 to FY 2027	
Sources of Funds					
Commission Recapture	5,043,500	5,500,000	5,500,000	—	— %
Commission Sharing	—	10,000	10,000	—	— %
Total Sources	**5,043,500**	**5,510,000**	**5,510,000**	**—**	**— %**
Expense Categories					
Professional Fees and Services	5,043,500	5,500,000	5,500,000	—	— %
Operating Costs	—	10,000	10,000	—	— %
Total Expense Categories	**5,043,500**	**5,510,000**	**5,510,000**	**—**	**— %**

Commission recapture arrangements refer to an institutional brokerage discount resulting from a negotiated rebate of commissions. Commission sharing arrangements refers to the use of a cash account administered by a TRS custodian or broker which is funded from a portion of its brokerage commissions so that such custodian or broker may obtain, at TRS' instruction, investment research services from such broker or custodian, an executing broker or other third parties.

The FY 2027 Administrative Operating Budget funded by Commission Credits includes funding for broker research services for Internal Fundamental trades, and investment related conferences or seminars.

Expenses by Fund

Health Care Funds

Administrative Operations

TRS is authorized by Chapter 1575, Texas Government Code (TRS-Care); Chapter 1579 (TRS-ActiveCare) to provide high-value and cost-effective health care and customer service for retired and active employees of Texas school districts, open enrollment charter schools and other eligible participating entities. The health care funds operate on a pay-as-you-go basis; collect revenue from members, employers, and the state; and use that funding to pay for claims and administrative operations. The amounts below are for administrative operations only and do not include claims expenses. The health care administrative budget is not appropriated by the Legislature.

	FY 2025 Expended	FY 2026 Budget	FY 2027 Budget	Variance from FY 2026 to FY 2027	
Sources of Funds					
TRS-Care	23,226,797	26,980,400	28,628,000	1,647,600	6 %
TRS-ActiveCare	4,494,123	6,182,000	6,483,000	301,000	5 %
Total Sources	**27,720,920**	**33,162,400**	**35,111,000**	**1,948,600**	**6 %**
Expense Categories					
Wages and Benefits	20,948,773	24,319,800	26,018,400	1,698,600	7 %
Professional Fees and Services	6,551,047	8,568,300	8,418,300	(150,000)	(2)%
Support Costs	168	2,000	2,000	—	— %
Travel	120,779	105,000	145,000	40,000	38 %
Operating Costs	100,153	167,300	527,300	360,000	215 %
Total Expense Categories	**27,720,920**	**33,162,400**	**35,111,000**	**1,948,600**	**6 %**

The FY 2027 Administrative Operating Budget funded by the Health Care Funds reflects a 6% increase in administrative expenses to support TRS health program operations. Wages and Benefits increase by 7% to support estimated payroll costs for existing staff. Travel expenses are projected to increase to support program-related travel needs. The FY27 budget includes a reclassification of expenses between professional fees and operating to align with their appropriate budget and object of expense categories based on the nature of the expenditure.

EXPENSES BY DIVISION

Administrative Operations

Allocating budget by program provides a clear view of how agency resources support mission-critical services and strategic objectives. The FY 2027 Administrative Operating Budget totals $412.6 million, a 1% decrease from the FY 2026 budget of $417.9 million.

Key drivers include annualized payroll costs, funding for 24 new FTEs, and the integration of the TEAM Program into ongoing operations. Significant increases in Information Technology (31%), Information Security (21%), Executive (16%), Contract Services, Financial Services and Internal Audit (11%) support ongoing critical operational needs. These increases are offset by reductions in contingency and the reallocation of TEAM Program funding to operating divisions, resulting in the elimination of the standalone TEAM Program budget.

Division	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Variance from FY 2026 to FY 2027	
Investment Management Division	111,390,774	122,999,000	126,485,200	3,486,200	3%
Pension Services	37,163,781	40,714,410	44,208,200	3,493,790	9%
Health Division	27,720,920	31,429,300	33,184,500	1,755,200	6%
Administrative Services	23,912,858	26,499,700	24,029,100	(2,470,600)	(9)%
Contract Services	24,861	3,859,100	4,297,700	438,600	11%
Executive	10,113,767	15,548,265	18,082,000	2,533,735	16%
Financial Services	8,342,106	9,352,745	10,362,500	1,009,755	11%
Information Security Office	3,552,730	4,714,600	5,714,200	999,600	21%
Information Technology	54,690,101	64,041,580	84,108,900	20,067,320	31%
Internal Audit	4,084,363	4,820,080	5,365,700	545,620	11%
Legal & Compliance	12,245,055	14,129,700	15,063,400	933,700	7%
Organizational Excellence	10,823,615	12,654,300	13,740,300	1,086,000	9%
TEAM Program	15,185,732	17,007,720	—	(17,007,720)	(100)%
Investment Data Modernization Program	24,680,683	21,938,000	22,377,300	439,300	2%
Contingency	—	28,200,600	5,628,800	(22,571,800)	(80)%
Grand Total	**343,931,346**	**417,909,100**	**412,647,800**	**(5,261,300)**	**(1)%**

Investment Management Division

Purpose: Focuses on achieving superior long-term returns to secure members' retirement futures and deliver benefits that enrich their lives. IMD strives to provide the highest possible risk-adjusted rate of return by using a diversified asset allocation and innovative investment strategies. As Texas largest public retirement system, TRS ranks sixth largest in the U.S. public pension plans and in the top 25 in the world.

Program	Objectives
External Private Markets	Invest globally in Private Equity, Real Estate and Energy, Natural Resources & Infrastructure to enhance TRS' long-term risk-adjusted returns and provide diversification to the overall Trust.
Global Presence	In 2015, TRS established the Teacher Retirement Investment Company of Texas ("TRICOT") in London to further deepen relationships with leading private market investors which provides increased direct and co-investment deal flow, enhanced risk management from increased knowledge of the market, value-added due diligence capabilities by having an on-the-ground presence, and improved response time during our assessment of investment opportunities.
Investment Operations	Responsible for managing the financial and information systems for IMD. Maintain accurate investment records and systems through performance return and attribution validation, talent management, asset and funds transfer, and daily position reconciliation to custodian.
Public Markets	Identify and invest in top tier external managers to provide superior risk-adjusted returns by managing global equities across developed and emerging markets. Provides expertise to other IMD investment teams through industry analysis, participation in investment task forces, and hosting global industry investment symposia.

Strategic Alignment

Goal 1: Sustain an actuarially sound pension system.

Action Plans

- Maintain an effective investment governance structure.
- Enhance current competitive advantages and total returns.
- Manage cost structures to increase net alpha generated.
- Serve as a trusted resource and engage with policymakers on pension funding and plan design.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	58,668,055	67,990,900	69,354,000
Performance Pay Plan	39,742,057	40,133,500	42,200,000
Professional Fees and Services	11,112,424	12,156,000	12,156,000
Other Operating Expenses	1,868,238	2,718,600	2,775,200
Expense Category Total	**111,390,774**	**122,999,000**	**126,485,200**

Pension Services

Purpose: Assists members, retirees, and their beneficiaries by providing accurate and timely processing of benefits and the delivery of comprehensive information to help participants make better financial, retirement, and health care decisions. Pension Services also coordinates and administers online resources for reporting entities to submit reports and to find information on topics such as eligibility, compensation, and legislative updates.

Program	Objectives
Account Services	Performs key back-office processes—including retirement eligibility, disability and death benefits, service credit purchases, and member refunds—while providing timely, accurate service to TRS participants, reporting employers, and beneficiaries.
Member Services	Provides comprehensive technical assistance and customer service about TRS' retirement and related benefits serving TRS members and other interested parties by telephone via the Contact Center, and in-person via individual office-visits, lobby walk-ins, and group benefit presentations.
Benefit Operations Support	Performs support for the division by providing quality assurance reviews monitoring member interactions for accuracy and consistency, training opportunities, and providing workforce management for real time monitoring and workload forecasting.
Pension Policy & Analytics	Provides expert analysis, policy development, and strategic guidance while serving TRS leadership, stakeholders, and external partners by preparing actuarial reports, and delivering data-driven insights through dashboards, presentations, and written communications.

Strategic Alignment

Goal 2: Continuously improve our benefit delivery

Action Plans

- Increase engagement with members/participants and reporting employers regarding TRS benefits.
- Expand our services to meet members where they are.
- Expand member self-service options within the automated phone system and MyTRS.
- Expand access to TRS services through regional offices, providing in-person support, member education, and outreach to participants and reporting employers across Texas.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	36,765,185	39,348,510	43,051,600
Professional Fees and Services	211,221	1,072,700	825,800
Other Operating Expenses	187,375	293,200	330,800
Expense Category Total	**37,163,781**	**40,714,410**	**44,208,200**

Health

Purpose: Delivers high value, cost effective health plans for Texas educators, leveraging scale, expertise, and innovation to ensure cost discipline, benefit stability, and a member-focused experience.

Program	Objectives
Health Operations	Ensures a best-in-class member experience through timely, consistent, and accurate processing of TRS-Care applications and requests, supported by highly trained counselors and staff with expertise in eligibility and health benefits.
Health Finance	Delivers financial insight and implements controls to manage spending growth, protect plan assets, and sustain long-term affordability of health benefits through competitive contract development and oversight, diligent plan management, advanced financial analysis, and accurate financial reporting.
Health Engagement & Operations Excellence	Supports member health, preventive care access, and informed health care decision-making through targeted education, coordinated vendor communications, and evidence-based engagement strategies that increase program participation and access to care.
Health Analytics	Provides access to accurate, timely, and actionable insights by analyzing and explaining data, developing technical roadmaps, governance frameworks, and data architectures to ensure that analytic capabilities align with health strategic priorities and TRS is positioned as a data-driven leader in public sector benefits.
Health Actuarial	Leads actuarial forecasting and fund projections to align benefit design with high-value care objectives and ensure premiums are actuarially sufficient to meet projected claims obligations.

Strategic Alignment

Goal 3: Facilitate access to competitive, reliable health care benefits for our members.

Action Plans

- Serving as a trusted resource and engage with policymakers on health care funding
- Securing high-value health care through competitive vendor procurement
- Re-engineering TRS-ActiveCare to better meet employer needs
- Leveraging data analytics to ensure health care claims compliance
- Ensuring access to competitive retiree benefits, including dental and vision coverage
- Engaging and educating members to support better health outcomes
- Modernize procurements and self-service enrollment for TRS-Care while piloting innovative initiatives.
- Expand analytics to target cost growth, sharpen vendor performance, and drive smarter solutions.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	20,948,773	22,586,700	24,091,900
Professional Fees and Services	6,551,047	8,568,300	8,418,300
Other Operating Expenses	221,100	274,300	674,300
Expense Category Total	**27,720,920**	**31,429,300**	**33,184,500**

Administrative Services

Purpose: Responsible for supporting the mission of TRS through customer-focused business operations that include a variety of support services, including records management, print and mail services, security, safety and prevention, facility operations and maintenance, and enterprise program management.

Program	Objectives
Enterprise Program Management	Provides project governance, project management, research, and analysis to support agencywide initiatives and cross-functional coordination.
Facilities Management	Maintains TRS grounds and facilities, supports building operations, coordinates room setups, manages workspace needs, and supports facility readiness.
Records & Document Services	Manages records compliance, document imaging, print production, mail operations, office supplies, and mass mailings with vendors.
Safety & Security	Maintains 24/7 security presence and oversees safety, insurance, business continuity, disaster recovery, and incident management programs.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Advance enterprise initiatives through consistent project governance, planning discipline, and cross-functional coordination.
- Maintain safe, reliable, and adaptable facilities that support staff productivity, visitor needs, and evolving workplace requirements.
- Strengthen records and document services to promote compliance, timely information access, and efficient agency operations.
- Sustain safety, security, business continuity, and disaster recovery capabilities that protect people, assets, and mission-critical operations

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	10,046,148	7,307,000	7,754,400
Professional Fees and Services	4,516,864	3,369,500	1,664,500
Other Operating Expenses	9,349,846	15,823,200	14,610,200
Expense Category Total	**23,912,858**	**26,499,700**	**24,029,100**

Contract Services

Purpose: Responsible for supporting the mission of TRS through customer-focused business operations that include purchasing and contracting and contract management. Contract Services delivers innovative, timely, and trustworthy procurement and contract oversight services that ensure compliance, protect agency resources, and support the delivery of quality products and services.

Program	Objectives
Procurement & Contracts	Serves, supports, and collaborates with customers to deliver innovative, timely, and accurate procurement solutions. Focused on maintaining the fiduciary trust and committed to effective procurement services and contract oversight to maximize best value.
Contract Management Office	Responsible for ensuring contract requirements are met and that products and services are delivered on time, and the financial interests of the agency are protected through facilitation, coordination, and monitoring of contract processes and the resolution of contract-related issues.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Improve and maintain effective procurement and contract management practices.
- Deliver innovative, timely, and accurate procurement solutions while maintaining fiduciary trust.
- Maximize financial and operational contract performance and minimize risk.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	—	3,815,700	4,253,300
Professional Fees and Services	9,230	12,400	12,400
Other Operating Expenses	15,631	31,000	32,000
Expense Category Total	**24,861**	**3,859,100**	**4,297,700**

Executive

Purpose: Provides direction to the agency by developing and implementing strategies and programs to promote effective and responsible operations. Improving the retirement security of members by prudently investing and managing the trust assets and delivering benefits that make a positive difference in their lives.

Program	Objectives
Board of Trustees	Responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board.
Executive Director & Deputy Director	Are the principle agency liaisons to the Board of Trustees as well as the primary representatives of TRS to the legislature and statewide elected leadership. Additionally, executive management provides strategic direction, operational oversight to all functions of the organization, as well as expertise on pension policy and issues.
Government Affairs	Performs advanced legislative work that involves planning, coordinating, and monitoring activities related to legislation affecting TRS. The division communicates with government officials and serves as a resource to their offices, including responding to requests for information, testimony, and action related to constituent casework.
Communications	Provides full service, innovative, and effective communication solutions to internal and external customers. Services include management of media relations, social media, print publications, website design/content, member outreach and engagement, and website accessibility.
Agency-wide	Centralized budgetary department that holds contingency funding for unforeseen organizational needs.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Improve strategic communications with a customer-centric focus.
- Execute on the Member and Employer Outreach Plan to better help members and employers fully know and utilize benefits, engage with TRS, plan for retirement, and remain informed post retirement.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	8,616,175	22,870,810	21,371,500
Professional Fees and Services	371,760	15,001,800	389,000
Other Operating Expenses	1,125,832	5,876,255	1,950,300
Expense Category Total	**10,113,767**	**43,748,865**	**23,710,800**

Financial Services

Purpose: Supports the mission of TRS through customer-focused and fiscally responsible financial management that includes a variety of accounting support services.

Program	Objectives
Accounting & Reporting	Manages the general ledger and prepares reports related to tax, annuity payments and various revenue types.
Accounts Payable & Travel	Monitors invoices and approvals, accurate and timely processing of purchase vouchers and travel claims.
Analytics & Financial Insights	Focuses on transforming processes and inaccessible data into scalable automated solutions while improving transparency and increasing agency wide access to financial data.
Budget & Financial Analysis	Prepares and maintains agency operation budgets, legislative reports, and position control.
Employee Payroll & Time Admin	Dedicated to processing accurate and timely employee and TRICOT direct hire compensation payments, annuitant excess benefit payments and to maintaining time records.
Enterprise Risk, Strategy & Performance	Focuses on the strategic planning, risk management, and continuous improvement of the agency on an enterprise, departmental, and staff level.
Investment Accounting	Provides independent review and oversight of investment financial information accounted for by the system's custodian bank.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Process employee compensation payments efficiently and ensure employee time records are in compliance with state, federal, and international statutes and requirements.
- Prepare and compile agency financial reports. Maintain the integrity of financial data and transactions.
- Provide timely and accurate expenditure of agency funds in a consistent manner while complying with certain provisions of the constitution, statutes, and rules of Texas related to expenditures.
- Ensure investment information reported by TRS is complete and free of material misstatements by using a risk-based oversight approach that relies on a combination of independent reconciliations, duplicate record keeping, cash flow oversight, subledger to general ledger reconciliations, and control reviews.
- Ensure TRS has appropriate budget to provide and sustain resources necessary to successfully carry out TRS' mission, goals, and objectives to serve members.
- Implement advanced data analytics tools and data management practices to increase transparency of data and reporting efficiency.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	7,616,731	8,352,600	9,190,500
Professional Fees and Services	643,832	850,400	1,003,000
Other Operating Expenses	81,543	149,745	169,000
Expense Category Total	**8,342,106**	**9,352,745**	**10,362,500**

Information Security Office

Purpose: Protects TRS systems, business data, and technology operations by reducing cybersecurity risk and strengthening the security foundation. This work supports secure and reliable operations through ongoing monitoring, risk management, policy guidance and modern security tools.

Program	Objectives
Threat & Risk Management	Identifies, assesses, and mitigates risks to TRS' information systems and data. This includes conducting regular vulnerability scans, compliance assessments, and risk evaluations to ensure systems meet internal policies and external regulatory requirements. Proactive governance and policy enforcement helps to strengthen the protection of TRS digital assets.
Cybersecurity Operations & Infrastructure	Supports the protection of TRS' network and technology environment through security monitoring, modern tools, and resilient infrastructure. This work helps defend against cyber threats, supports IT audits and data classification efforts, and promotes security awareness across the organization.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Strengthen cybersecurity protection.
- Improve security tools, monitoring, and infrastructure to help protect TRS systems, business data, and services from evolving cyber threats.
- Reduce technology and data risks. Identify and address cybersecurity risks through security reviews, assessments, and policy guidance that support secure and compliant operations.
- Promote secure practices across TRS. Expand security awareness, training, and guidance so employees understand how to help protect information and support safe technology use.
- Support reliable technology services. Maintain security capabilities that help keep systems available, resilient, and reliable for members, employers, and staff.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	3,117,540	3,922,100	4,700,700
Professional Fees and Services	166,031	551,600	789,600
Other Operating Expenses	269,159	240,900	223,900
Expense Category Total	**3,552,730**	**4,714,600**	**5,714,200**

Information Technology

Purpose: Responsible for all aspects of TRS' technology resources and systems implementation. Information Technology seeks to be business enablers, providing technology and information solutions that enhance the efficiency and effectiveness of TRS benefit delivery and operations.

Program	Objectives
Enterprise Data & Analytics	Advances data management concepts, technologies, and capabilities to support the increasing demands to become more data centric and drive efficiencies.
Product Development & Delivery	Maintains and improves TRS business applications, including legacy and line-of-business, so TRS systems remain reliable, responsive, and aligned with operational needs.
Business Relationship Management	Manages business partner facing activities for Information Technology through technology planning, user support, process improvement, training, and project delivery.
Enterprise Infrastructure Services	Provides reliable, secure infrastructure and support services, including data center operations, disaster recovery, monitoring, service management, and support for TRS locations

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Modernize and maintain Information Technology systems and infrastructure to support reliable TRS services and evolving business needs.
- Improve digital services, including MyTRS and web self-service tools, to make online access easier and more convenient for members and participants.
- Advance responsible use of artificial intelligence to improve services, support staff, and strengthen operational decision-making.
- Use modern technology and process improvements to increase productivity, efficiency, and performance monitoring across TRS.
- Begin optimization of TEAM Phase One code to enhance stability and performance.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	23,639,226	26,364,080	35,974,300
Professional Fees and Services	9,447,227	11,572,000	20,638,600
Other Operating Expenses	21,603,648	26,105,500	27,496,000
Expense Category Total	**54,690,101**	**64,041,580**	**84,108,900**

Internal Audit

Purpose: Supports TRS in achieving its goals by providing independent evaluations that strengthen risk management, internal controls, and governance. Internal Audit contributes to informed decision-making and operational effectiveness by offering practical insights and promoting accountability across the organization.

Program	Objectives
Internal Audit Admin	Provides administrative and executive support for the Internal Audit Division and is comprised of the Chief Internal Auditor and Executive Assistant.
Operations Audit & Business Intelligence	Provides independent assurance and advisory services focused on TRS' operational effectiveness, efficiency, and compliance. This team leverages data analytics to identify risks, test controls, and support decision-making across areas such as contract oversight, business continuity, and fraud detection. This includes continuous monitoring, risk-based audits, and strategic insights that enhance governance and operational resilience.
Investments & Finance Audit	Evaluates the integrity and performance of TRS' investment operations and financial reporting. Their audits cover portfolio management, investment compliance, and financial statement accuracy, including external audit support for ACFR and TRICOT. This team ensures that investment activities align with policy, regulatory standards, and fiduciary responsibilities, while safeguarding the trust's $200+ billion in assets.
IT & Cybersecurity Audit	Focuses on assessing TRS' IT infrastructure, cybersecurity, and digital governance. This includes audits of access controls, disaster recovery, and application security, as well as advisory support for major technology initiatives like the TRUST system and TEAM program. This team ensures that TRS' technology environment is secure and aligned with strategic goals, while supporting innovation and risk mitigation.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Provide assurance to the Board of Trustees and senior management.
- Serve as trusted advisor to the Board of Trustees and management.
- Develop and leverage technological audit solutions

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	3,163,793	3,726,080	4,036,200
Professional Fees and Services	858,954	996,000	1,221,000
Other Operating Expenses	61,616	98,000	108,500
Expense Category Total	**4,084,363**	**4,820,080**	**5,365,700**

Legal & Compliance

Purpose: Serves as a trusted partner to all divisions in TRS, proactively working in tandem with other business units to achieve all agency strategic goals. L&C provides strategic enterprise-wide legal guidance, regulatory oversight, and compliance governance to protect TRS from legal, operational, and reputational risk while enabling secure, compliance execution of business and investment activities and strategic goals.

Program	Objectives
Business Administration	Advises on employment and immigration law, legislation, and policy for TRS and TRICOT; conducts internal investigations, represents TRS in administrative disputes, manages litigation, and oversees L&C operations, contracts, and outside counsel.
Ombuds	Independent, confidential resource within L&C giving employees an impartial channel for guidance and resolution.
Enterprise Risk Management	Manages enterprise risk under the ERM Policy and ROC Charter, embedding risk identification, assessment, and prevention into management oversight and governance.
Ethics, Compliance, & Risk	Oversees investment compliance and risk for the pension trust and advises IMD employees on ethics, confidentiality, and personal trading.
Governance & Procurement Solutions	Counsels on the Public Information Act, board governance, contracting, and procurement; negotiates contracts, coordinates PIA responses, and drafts Board materials.
Legal Investment	Counsels the Investment Management Division on investment transactions, legislation and policy, external counsel, and compliance with investment policies.
Legal Pension & Benefits Tax	Advises Pension Services on plan rules and laws, member account orders, subpoenas, administrative appeals, and SOAH hearings.
Health Care Legal	Supports health care benefits through Board materials and rulemaking; handles HIPAA compliance, eligibility and benefit disputes, and healthcare litigation.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Expand the governance, risk, and compliance (GRC) program to include security and privacy management, risk/fraud forecasting, and education.
- Foster a culture of fiduciary responsibility and ethical conduct.
- Embed/integrate a culture of ethics and compliance within the business process.
- Enhance visibility of and accessibility to Legal & Compliance throughout TRS.
- Address, manage and/or eliminate bias, harassment, and discrimination in demonstration of our equal opportunity policy and equitable access commitment.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	11,368,567	12,530,800	13,558,000
Professional Fees and Services	676,060	1,285,500	1,233,000
Other Operating Expenses	200,428	313,400	272,400
Expense Category Total	**12,245,055**	**14,129,700**	**15,063,400**

Organizational Excellence

Purpose: Builds strategic partnerships to attract, retain, and develop top talent at TRS. Serves as a proactive, mission-driven business partner across the organization, offering services that support a diverse, inclusive, and high-performing workforce to better serve TRS members.

Program	Objectives
Talent Acquisition	Offers services to help attract, retain, and a develop a highly competent staff and is committed to promoting a diverse and inclusive workplace that best positions TRS to serve its members.
Compensation	Develops and maintains equitable and competitive pay structures aligned with organizational goals and workforce needs.
Employee Relations & Benefits	Ensures that all employees posses the knowledge needed to take full advantage of benefits available through TRS.
OE Operations	Coordinates and enables OE's core workforce and administrative functions, such as talent programs, performance support, and internal operations.
Organizational Change Management	Serves as a central resource to build connections and drive continuous improvement by ensuring employees are informed, engaged and prepared for change.
Learning & Development	Develops and delivers agency-wide compliance training and other training opportunities to keep TRS employees informed and up-to-date on professional development skills.
Outreach, Culture & Experience	Outreach, Culture and Engagement helps TRS stay connected to employee experiences and fosters a workplace where employees can thrive and find professional fulfillment.
Performance Excellence	Equips staff and managers with tools and support to grow and succeed, leading programs like the agency's performance appraisals and career development.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Continue to evolve as an employer of choice to attract and retain best talent.
- Maintain workforce planning strategies to align talent needs with organizational goals, enhance learning and development opportunities and expand succession planning initiatives to develop and retain future leaders.
- Execute on Return to Office Plan and monitor implementation.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	9,686,473	10,873,700	11,903,200
Professional Fees and Services	714,326	1,125,100	1,209,600
Other Operating Expenses	422,816	655,500	627,500
Expense Category Total	**10,823,615**	**12,654,300**	**13,740,300**

TEAM Program

Purpose: TRS Enterprise Application Modernization (TEAM) is a cohesive collection of components designed to meet the business and technology objectives of TRS over the next 10-20 years. Implementation was completed in March 2026. TEAM focused on addressing the changing expectations of a growing membership, providing more online, self-service functionality for participants, providing for the collection and maintenance of accurate and reliable data, expanding the number of automated processes, and incorporating modern technologies. It also delivered tools and techniques that position TRS to have flexibility in updating its systems in response to growing member demands and future technological and regulatory changes. Now that the final phase of TEAM has been implemented, TRS will focus on enhancements to the system that further improve the member and employer experience.

Program	Objectives
Annuity Payroll & Tax Reporting	Ensures the collection and maintenance of financial components of the system. Advancements in the system design have the capabilities for future demands and regulatory changes, such as cost of living adjustments or benefit design changes.
Web Self Service/MyTRS	Supports the online interface function for the member to view retirement account information, conduct routine business, and enhance external communication with the member.
Report of Death	Relates to the maintenance of member records in conjunction with benefit processing claims to beneficiaries in the event of a life change status.
Retirement Application and Death Claim Processing (RAP/DTH)	Release successfully launched to streamline and expedite the processing of retirement applications and death claims, enhancing efficiency and accuracy while reducing manual efforts for staff.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Deliver Payroll, Benefit Account Adjustment and Tax Reporting (PBT) release.
- Initiation of final phase of the TEAM Program: Mainframe decommissioning.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	10,274,183	11,580,220	—
Professional Fees and Services	4,911,549	5,427,500	—
Expense Category Total	**15,185,732**	**17,007,720**	**—**

Investment Data Modernization

Purpose: Modernize end-to-end investment data management through five key products that improve business agility, reduce operational and financial risk, and strengthen fiduciary oversight of trust asset valuation and performance. By replacing legacy data architectures and systems with industry standard solutions, the program will provide more reliable reliable data to support of investment decision-making. This project is in its final stages, with estimated completion in the spring of 2027.

Program	Objectives
Data Hub	Provides secure, centralized access to tightly integrated, reliable, and aggregated investment data for enterprise use. Built on strong data management and governance, the Data Hub improve data operations, supports self-service capacities, standardizes data delivery, and serves as a foundation for future investment data solutions.
Master Data Management (MDM)	Centralizes market data management with robust mapping and data lineage. MDM enables rapid data ingestion and validation process to deliver consumption-ready data to enterprise stakeholders when needed.
Intelligent Document Processing (IDP)	Uses automation to strengthen governance and enforcement of digitized investment documents to gain new investment and risk insights. IDP extracts and stores previously inaccessible investment data (i.e., metadata) and transforms it into searchable, consumable formats.
Investment Book of Record (IBOR)	Provides real-time intraday portfolio views to improve transparency, support investment decision-making, and better manage risk and exposure. IBOR also automates Accounting and Custody functions to better support the front office.
Parallel Investment Accounting Book	Recommended by Sunset Commission staff, this solution serves as a valuation source using beginning-of-day IBOR and independent Custodian verification. It supports intelligent data management and shadow net asset value (NAV) reporting for private markets.

Strategic Alignment

Goal 4: Align people, processes and technology to achieve excellence in service delivery.

Action Plans

- Continue implementation of Investment Data Modernization Program to improve trust asset monitoring and fiduciary oversight.

Administrative Budget by Expense Category	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027
Salaries and Benefits	1,706,937	2,477,900	2,831,300
Professional Fees and Services	15,921,505	14,770,100	13,591,900
Other Operating Expenses	7,052,241	4,690,000	5,954,100
Expense Category Total	**24,680,683**	**21,938,000**	**22,377,300**

FY 2027 Budgeted FTEs

FY 2027 FTEs are largely held constant, with a net increase of 24 FTEs within our current FTE authority. These positions support targeted operational needs for member services, cybersecurity, data management, workload capacity, operational efficiency, and responsible use of artificial intelligence.

Program	Objectives
Artificial Intelligence:	The FY 2027 FTEs include 16 positions to support the secure, coordinated, and practical use of artificial intelligence (AI) technology across TRS. These positions will strengthen governance, technical infrastructure, data quality and security, workforce productivity, workflow automation, and reliable deployment of AI-enabled tools that benefit members and improve agency operations. The 16 AI-related FTEs are allocated across core business, technology, risk, and governance functions: three positions in Investment Management, three in the Information Security Office, seven in Information Technology, and three across Executive, Financial Services and Legal and Compliance.
Member Services, Cybersecurity and Data Management:	The remaining eight FTEs address specific operational needs that strengthen service continuity, facilities coordination, fraud prevention, cybersecurity, technology asset management, and data operations. These eight FTEs include two in Pension Services, one in Administrative Services, two in the Information Security Office, and three in Information Technology. Collectively, these positions will help maintain service levels, support critical operations, protect member assets, and improve technology governance, cost management, and audit readiness.

Full-Time Equivalent Positions

	Actual FY 2025	Budgeted FY 2026	Budgeted FY 2027	Variance FY 2026 to FY 2027	
Funding Source					
Pension FTEs	1,079.4	1,158.3	1,182.3	24.0	2%
TRS-Care FTEs	133.8	141.0	141.0	—	—%
TRS-ActiveCare FTEs	17.0	17.0	17.0	—	—%
Funding Source Total	**1,230.2**	**1,316.3**	**1,340.3**	**24.0**	**2%**
Division					
Administrative Services	70.8	74.8	75.8	1.0	1%
Pension Services	395.0	429.5	431.5	2.0	—%
Contract Services	24.1	27.0	27.0	—	—%
Executive	23.0	19.5	20.5	1.0	5%
Financial Services	51.0	51.0	52.0	1.0	2%
Health Division	70.0	76.0	76.0	—	—%
Information Security Office	17.0	21.0	26.0	5.0	24%
Information Technology	223.0	241.5	251.5	10.0	4%
Internal Audit	17.0	19.0	19.0	—	—%
Investment Management Division	243.0	260.0	263.0	3.0	1%
Legal & Compliance	51.0	51.0	52.0	1.0	2%
Organizational Excellence	45.3	46.0	46.0	—	—%
Division Total	**1,230.2**	**1,316.3**	**1,340.3**	**24.0**	**2%**
Fellows and Interns					
Interns	8.2	6.9	6.9	—	—%
Fellows	25.0	36.0	36.0	—	—%
Total Fellows and Interns	**33.2**	**42.9**	**42.9**	**—**	**—%**
Grand Total	**1,263.4**	**1,359.2**	**1,383.2**	**24.0**	**2%**

Authorized Full-Time Equivalent (FTE) Positions are funded by the Pension Trust Fund and appropriated by the legislature. Article IX provisions of the 2026-27 General Appropriations Act (GAA) authorizes an additional 50 FTEs to the authorized FTE limitation of 1,158.3 for FY 2027, to be managed within the authorized FTE limitations, to help address the growing demands and requirements of the agency.

Rider 19 (GAA, Senate Bill 1 as enrolled, Article III, page III-50, 89th Legislature, Regular Session) provides the Board of Trustees authority to increase the number of FTEs to levels necessary to carry out the fiduciary duties of the Board.

Exempted Full-Time Equivalent (FTE) Positions are funded by the Health Care Trust Funds and are not appropriated by the Legislature. The Board of Trustees approve the FTE levels for each fiscal year through the budget development process.

Interns and Fellow Positions funded by the Pension Trust Fund are exempt from counting against the authorized FTE limitations established in Senate Bill 1, 89th Legislature, Regular Session, GAA, TRS Rider 10.

This page is intentionally left blank.

CAPITAL PROJECTS

TRS capital projects make **meaningful investments** in the agency's future, including technology initiatives that help safeguard member data, strengthen cybersecurity and support effective management of the pension fund.



NORTH TEXAS



North Texas centers around the bustling Dallas-Fort Worth metroplex, historic towns and scenic outdoor escapes. It also has a strong community of cattle ranches, wheat and feed grain production.

Capital Projects Overview

Definition

Capital projects include expenditures for assets with a biennial project cost or unit cost in excess of $500,000. These projects are selected based upon priorities established by the Board of Trustees via the strategic planning process and are generally long-term projects with fiscal impact beyond the upcoming budget year. Each project is subject to internal review and approval by a core management team and an executive project oversight committee. Once the projects are complete and assets are fully functional, there may be ongoing costs including staff augmentation, software and hardware maintenance.

The budget for capital projects is requested through the Legislative Appropriation Request (LAR) process and financed on a pay-as-you-go basis with Pension Trust Fund assets.

Pursuant to Article IX, Section 14.03 of the 89th General Appropriations Act (GAA), TRS may carry forward any unexpended balances (UB) for each project within a biennium. Additionally, without the approval from the Office of the Governor or LBB, agencies may transfer appropriation amounts not exceeding 25% as defined by Article IX provisions of the GAA. TRS capital projects are divided in three categories – repair or rehabilitation of buildings and facilities, acquisition of IT resources, and Data Center/Shared Technology Services.

Summary of Capital Budget by Project[1]

	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Projected FY 2028	Projected FY 2029
Repair or Rehabilitation of Buildings and Facilities					
Building Renovations	999,612	5,090,000	1,750,000	1,800,000	1,800,000
Security Renovations	181,300	—	—	—	—
Acquisition of Information Resource Technologies					
IT Infrastructure Upgrades	2,822,098	3,000,000	4,300,000	3,500,000	3,500,000
Investment Data Modernization	25,073,478	19,460,100	19,546,000	—	—
Data Center/Shared Technology Services					
Data Center Services	706,846	1,093,000	835,000	900,000	900,000
Grand Total	$ 29,783,334	$ 28,643,100	$ 26,431,000	$ 6,200,000	$ 6,200,000

[1]Projects showing a zero dollar amount are not expected to incur expenses as they are nearing completion.

Repair or Rehabilitation of Buildings and Facilities

Repair and rehabilitation of buildings and facilities capital projects are associated with maintaining all facilities to ensure that they are safe for staff and visitors. The budget reflects a multiyear effort to execute on TRS facilities needs within the scope of the strategic plan.

Capital Projects List

Building Renovations

Austin Headquarters	TRS' headquarters in Austin's Mueller community opened on May 20, 2025. Consisting of two six-story buildings, named Alpha and Bravo, with office space totaling 450,000 square feet. TRS staff moved into the Alpha building in May 2023, with the remainder of TRS staff moving into the member-facing Bravo building in May 2025. Includes a larger, modern TRS Member Center and office space for staff, necessary to provide the service and retirement support that members will need moving into the future.
Regional Offices	TRS expanded member services by opening its first regional office in El Paso in 2022, providing convenient access for more than 7,500 active and retired members annually in Regions 18 and 19. To further enhance the member experience, TRS plans to relocate the El Paso office in 2027 to a larger space with dedicated areas for member and employer presentations. Additionally, TRS expects to open a new regional office in the Rio Grande Valley by the end of 2027 to serve members in Regions 1 and 2. These expansions, along with continued employer outreach efforts, are intended to strengthen relationships with school districts and better tailor services to meet member needs.

Security Renovations

During the 88th Legislative Session, the capital project threshold was increased from $200K to $500K. Due to this increase, there is no current need to request capital budget for the security renovations project in the 2026-27 biennium.

Building Renovations

Project Description	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. This includes enhancements at the new campus in the Mueller development to the base life safety and security systems in the buildings as well as additional building automation needs that are not part of the base building structure at Alpha/Bravo.
Project Guiding Principles	• To refresh and update facilities to provide a physical work environment that is safe and enhances productivity and to achieve a more effective utilization of space.
Project Strategic Alignment	Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.
Project Location	Austin, Texas
Beneficiaries	TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.
Estimated Project Cost	$11,439,612
Project Useful Life	Ongoing
Estimated Completion Date	Ongoing

Projected Cost

Building Renovations	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Projected FY 2028	Projected FY 2029	Total
	$ 999,612	$ 5,090,000	$ 1,750,000	$1,800,000	$1,800,000	$ 11,439,612

Projected cost includes professional services, building and equipment maintenance. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Security Renovations

Project Description	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 department is responsible for safety and security at TRS and requires surveillance and access management systems to assist in this responsibility. This system is comprised of cameras and badge access readers located throughout TRS.
Project Guiding Principles	• To maintain the technological infrastructure that supports the Security department's ability to ensure continued safety and security at TRS.
Project Strategic Alignment	Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.
Project Location	Austin, Texas
Beneficiaries	TRS Facilities are used daily by staff, members, and visitors in support of the mission and objectives of TRS.
Estimated Project Cost	$181,300
Project Useful Life	Ongoing
Estimated Completion Date	August 31, 2025

Projected Cost

Security Renovations	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Projected FY 2028	Projected FY 2029	Total
	$ 181,300	$ —	$ —	$—	$—	$ 181,300

Projected cost includes professional services, building and equipment maintenance. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium. During the 88th Legislative Session, the capital project threshold was increased from $200K to $500K. Due to this increase, there is no current need to request capital budget for the security renovations project in the 2026-27 biennium.

Acquisition of Information Resource Technologies

The Acquisition of Information Resource Technologies capital projects includes all TRS technology-related initiatives. These include Information Technology (IT) Infrastructure Upgrades, Investment Data Modernization (IDM) Program, and Data Center Services. These projects provide the development, design, implementation, and maintenance of the IT infrastructure as it relates to premise-based and cloud-based infrastructure applications and security requirements. As TRS facilitates a hybrid work environment, these activities will enable TRS to continue to be flexible in supporting our Digital Business Transformation.

Capital Projects List

		
IT Infrastructure Update	**Data Center Services**	**Investment Data Modernization**
Develop and maintain premise and cloud based IT infrastructure applications, equipment, technologies, and prioritize security needs.	Funds the consumption of print/ mail services and continued managed security vulnerability services through the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.	The technology and technical infrastructure that supports the TRS Investment Management Division's ability to achieve the TRS trust fund's actuarial rate of return strategy.

IT Infrastructure Upgrades

Project Description	This project encapsulates the support of implementation and maintenance of IT infrastructure to reduce capacity constraints and issues with compatibility and obsolescence. The 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. In addition, this project will provide a strategy for replacing and upgrading aging equipment and technology including replacement of compute and storage systems, mobile and workstation devices, utilizing cloud-based alternatives as appropriate, and ongoing improvements of the agency Disaster Recovery strategy. As TRS facilitates a hybrid work environment, these activities will enable TRS to continue to be flexible in supporting our Digital Business Transformation and work from anywhere approach.
Project Guiding Principles	To support the implementation and maintenance of IT infrastructure to reduce capacity constraints and issues with compatibility and obsolescence.
Project Strategic Alignment	Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members. • Objective 2: Advance and enhance IT systems and services. ◦ Strategy 4: Implement modern information systems across all lines of business divisions with priority on modernization of legacy systems.
Project Location	Austin, Texas
Beneficiaries	TRS membership and staff.
Estimated Project Cost	$17,122,098
Project Useful Life	5 years
Estimated Completion Date	August 31, 2027

Projected Cost

	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Projected FY 2028	Projected FY 2029	Total
IT Infrastructure Upgrades	$ 2,822,098	$ 3,000,000	$ 4,300,000	$ 3,500,000	$3,500,000	$ 17,122,098

Resources will support the development and maintenance of premise and cloud based IT infrastructure applications, equipment, technologies, and data security needs. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Investment Data Modernization

Project Description	The strategic goal of this project is to modernize TRS' data management systems with industry standard solutions that provide reliable data in support of investment decision-making. The project will enhance the ability to reliably perform fiduciary oversight of the trust asset valuation and performance, addressing the gap in functional and technical capabilities in our current data architectures and systems.
Project Guiding Principles	To provide the technology and technical infrastructure that supports the TRS Investment Management Division's ability to achieve the TRS trust fund's actuarial rate of return strategy.
Project Strategic Alignment	Goal 1: Sustain an actuarially sound pension system. • Objective 1: Achieve the trust's actuarial assumed rate of return as measured on rolling 20-year periods. ◦ Strategy 2: Enhance current competitive advantages and total returns. Goal 4: Align people, processes and technology to achieve excellence in service delivery. • Objective 2: Advance and enhance IT systems and services. ◦ Strategy 1: Develop, maintain and enhance IT systems and infrastructure in support of TRS business needs. ◦ Strategy 3: Provide advanced data analytics tools and data management practices to gain business intelligence and improve decision-making. ◦ Strategy 4: Implement modern information systems across all lines of business with priority on modernization of legacy systems and strategic digital transformation. ◦ Strategy 5: Improve digital operating technology models to enhance continuous business process improvement and provide operational efficiencies.
Project Location	Austin, Texas
Beneficiaries	TRS membership and staff
Estimated Project Cost	$66,429,000
Project Useful Life	5 years
Estimated Completion Date	August 31, 2027

Projected Cost

	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Projected FY 2028	Projected FY 2029	Total
Investment Data Modernization	$ 25,073,478	$ 19,460,100	$ 19,546,000	$ —	$—	$ 64,079,578

Projected cost includes capital appropriations for software subscriptions, vendor professional services, external consulting services for search, selection, and implementation. Costs for FTEs are funded from the Pension Trust Fund Administrative Operations . Any capital unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

Data Center/Shared Technology Services

Project Description	Texas Government Code §2054.375, Subchapter L. Statewide Technology Centers requires DIR to manage consolidated statewide data centers and identify agencies for participation. The Data Center Services program funds the consumption of print/mail services and continued managed security vulnerability services through the Texas Department of Information Resources (DIR) Shared Technology Services (STS) program.
Project Guiding Principles	To fund the consumption of print/mail services and continued managed security vulnerability services through DIR Shared Technology Services (STS) program.
Project Strategic Alignment	Goal 4: Ensure that people, processes and technology align to achieve excellence in the delivery of services to members.
Project Location	Austin, TX
Beneficiaries	TRS staff and members
Estimated Project Cost	$4,434,846
Project Useful Life	Ongoing
Estimated Completion Date	Ongoing

Projected Cost

Data Center/Shared Technology Services	Expended FY 2025	Budgeted FY 2026	Budgeted FY 2027	Projected FY 2028	Projected FY 2029	Total
	$ 706,846	$ 1,093,000	$ 835,000	$ 900,000	$ 900,000	$ 4,434,846

Projected cost includes professional services. Any unexpended balances (UB) remaining at the end of the first year in a biennium can be carried forward to the second year of the biennium.

This page is intentionally left blank.

APPENDIX

TRS annuity payments deliver meaningful economic value across Texas. According to an analysis by The Perryman Group, these payments generated more than **$2.6 billion in annual state and local tax revenues** and supported more than **175,000 permanent jobs** in Texas during FY 2026.



CENTRAL TEXAS



Central Texas is a fast-growing region in the middle of the state. It's known for the unsurpassed beauty of the Texas Hill Country, major urban centers and a thriving technology community.

This page is intentionally left blank.

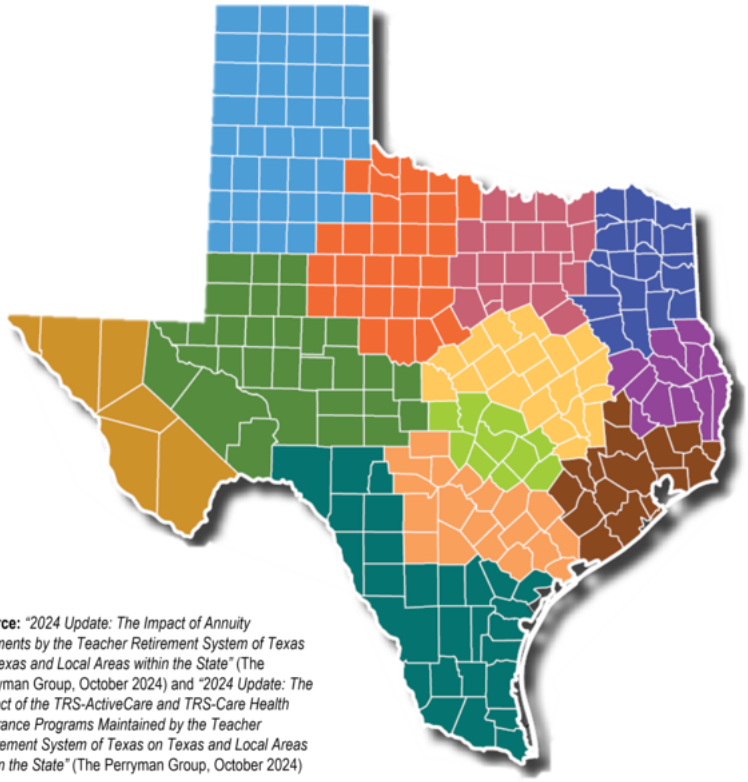
APPENDIX A:

COST DRIVERS, STATISTICAL, AND SUPPLEMENTAL DATA

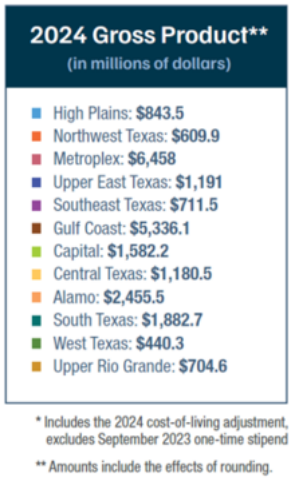
Economic Benefits of TRS Programs by Region

(2024 gross product in millions of dollars)

This map of Texas shows the total gross product of both the pension benefits and health care spending paid by TRS, along with how this is divided among 12 regions of the state. Gross product is the production of goods and services generated within an area.



Source: *"2024 Update: The Impact of Annuity Payments by the Teacher Retirement System of Texas on Texas and Local Areas within the State"* (The Perryman Group, October 2024) and *"2024 Update: The Impact of the TRS-ActiveCare and TRS-Care Health Insurance Programs Maintained by the Teacher Retirement System of Texas on Texas and Local Areas within the State"* (The Perryman Group, October 2024)





In addition to providing pension benefits and health care plans to both active and retired public educators, spending from these programs generates economic stimulus to Texas communities. Annuity payments provide reliable income to spend. The billions of dollars paid into medical and prescription services by TRS health care programs supports Texas' growing economy. The total impact of these programs is significant.

Source: TRS 2024 Value Brochure
https://www.trs.texas.gov/sites/default/files/migrated/TRS-Value-Report-2024.pdf
The 2026 Value Brochure will be available in November 2026.

Value to the Texas Economy

TRS provides financial security to members and their families. TRS serves a vital role to more than 2 million.



TRS has grown dramatically since the agency's inception in 1937, from **38,000 members and retirees** to more than **2 million today**. By membership, TRS of Texas is among the **top three** pension funds in the U.S.



Source: TRS Value Brochure
https://www.trs.texas.gov/sites/default/files/migrated/TRS-Value-Report-2024.pdf
The 2026 Value Brochure will be available in November 2026.

Where Dollars are Spent

All major industrial sectors saw increased business activity from 2024 TRS annuity payments and health plan spending.

Highly Impacted Industries





	Retail	Personal/ Household	Health Services
Gross Product (in millions)	$8,189.9	$1,971.9	$4,476.3
Jobs	117,630	28,508	50,999

Tax Revenue

Pension benefits, health plan spending and the associated economic stimuli generate tax revenue.

Source: *"2024 Update: The Impact of Annuity Payments by the Teacher Retirement System of Texas on Texas and Local Areas within the State"* (The Perryman Group, October 2024) and *"2024 Update: The Impact of the TRS-ActiveCare and TRS-Care Health Insurance Programs Maintained by the Teacher Retirement System of Texas on Texas and Local Areas within the State"* (The Perryman Group, October 2024)

Pension Benefits

Every $1 in benefits paid by TRS generates

$2.35
in economic activity

TRS benefit payments generated more than about **$1.4 billion** in state revenues and nearly **$741.9 million** in local government revenues in 2024.

Health Care Benefits

Every $1 in health care spending generates

$3.56
in economic activity

TRS-ActiveCare and TRS-Care generated an estimated **$543.4 million** to the state and **$437.8 million** to local government entities.

Investing in Texas Businesses

TRS provides capital for businesses in Texas. TRS has billions of dollars invested or committed to money managers in the state.

TRS holdings in Texas-based businesses	TRS investments with Texas-based money managers.
$9.3 billion	$26.3 billion

Source: Teacher Retirement System of Texas (as of Aug. 31, 2024)

7

Source: TRS Value Brochure
https://www.trs.texas.gov/sites/default/files/migrated/TRS-Value-Report-2024.pdf
The 2026 Value Brochure will be available in November 2026.

Value in Action: TRS Health Benefits Report Highlights

TRS provides health care benefits designed for Texas public school employees, retirees, and their families focusing on delivering high-value plans while actively managing costs.



Source: TRS Health Benefits Report
https://issuu.com/docs/456fcecca2b3b41a8e7497f0cc094e9c?fr=sZjdjZTgyOTQ5NTU

Membership Overview and Funding Status

Membership

Membership Facts and Figures

Number of	August 31, 2025	August 31, 2024
Current Members		
Active Contributing	976,406	970,874
Inactive Non-vested	459,673	439,889
Inactive Vested	143,256	138,146
Total Current Members	**1,579,335**	**1,548,909**
Retirement Recipients		
Service	490,457	475,891
Disability	12,189	12,127
Survivor	21,011	20,683
Total Retirement Recipients	**523,657**	**508,701**
Total Membership	**2,102,992**	**2,057,610**

Members Retiring Fiscal Year Ended 8/31/2025

Members Retiring

Number Retiring	26,212
Average Age at Retirement	60.7
Average Service Credit	23.9
Average Monthly Annuities	
Life Annuities	$ 2,317
Disability Annuities	$ 1,372
Annuities Certain	$ 1,325

Pension Fiduciary Net Assets

Pension Fiduciary Net Assets (as of 8/31)

	2025 (in Billions)	2024 (in Billions)
Net Position	$ 226.328	$ 210.543
Member Contributions	$ 5.093	$ 4.922
State Contributions – General Fund	$ 2.565	$ 2.484
Pension Payments to Retirees & Beneficiaries	$ 14.368	$ 15.240

Funding Status

TRS Pension Funding Status

	2025	2024
Statutory Contribution Rates		
State	8.25%	8.25%
Member	8.25%	8.25%
Actuarial Information		
Covered Payroll	$64.9 billion	$61.4 billion
Normal Cost %	12.61%	12.10%
Unfunded Actuarial Accrued Liability (UAAL)	$64.9 billion	$60.6 billion
UAAL as % of Pay	99.90%	98.70%
Funded Ratio	77.50%	77.80%

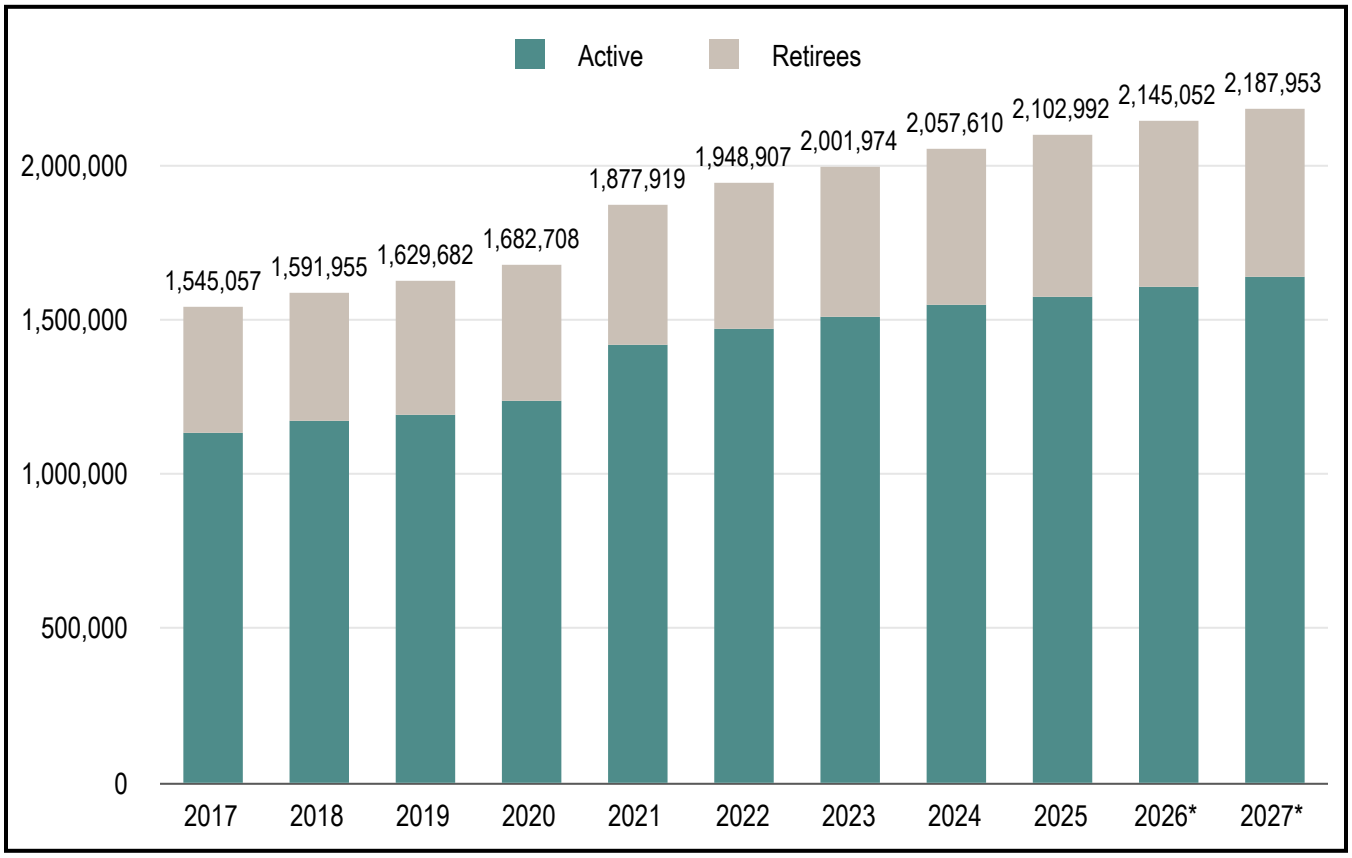
Investments

Investments (as of 8/31)

	Value (in Billions)	Annual Rate of Return
2016	$132.8	7.40 %
2017	$145.9	12.60 %
2018	$154.7	8.20 %
2019	$157.4	5.20 %
2020	$164.6	7.2%
2021	$201.2	25.0%
2022	$183.5	(6.7)%
2023	$186.6	3.9%
2024	$209.5	12.8%
2025	$225.3	9.8%

Source: 2025 *Annual Comprehensive Financial Report*
https://trs.texas.gov/files/documents/annual-comprehensive-financial-report-2025.pdf

PENSION MEMBERSHIP GROWTH

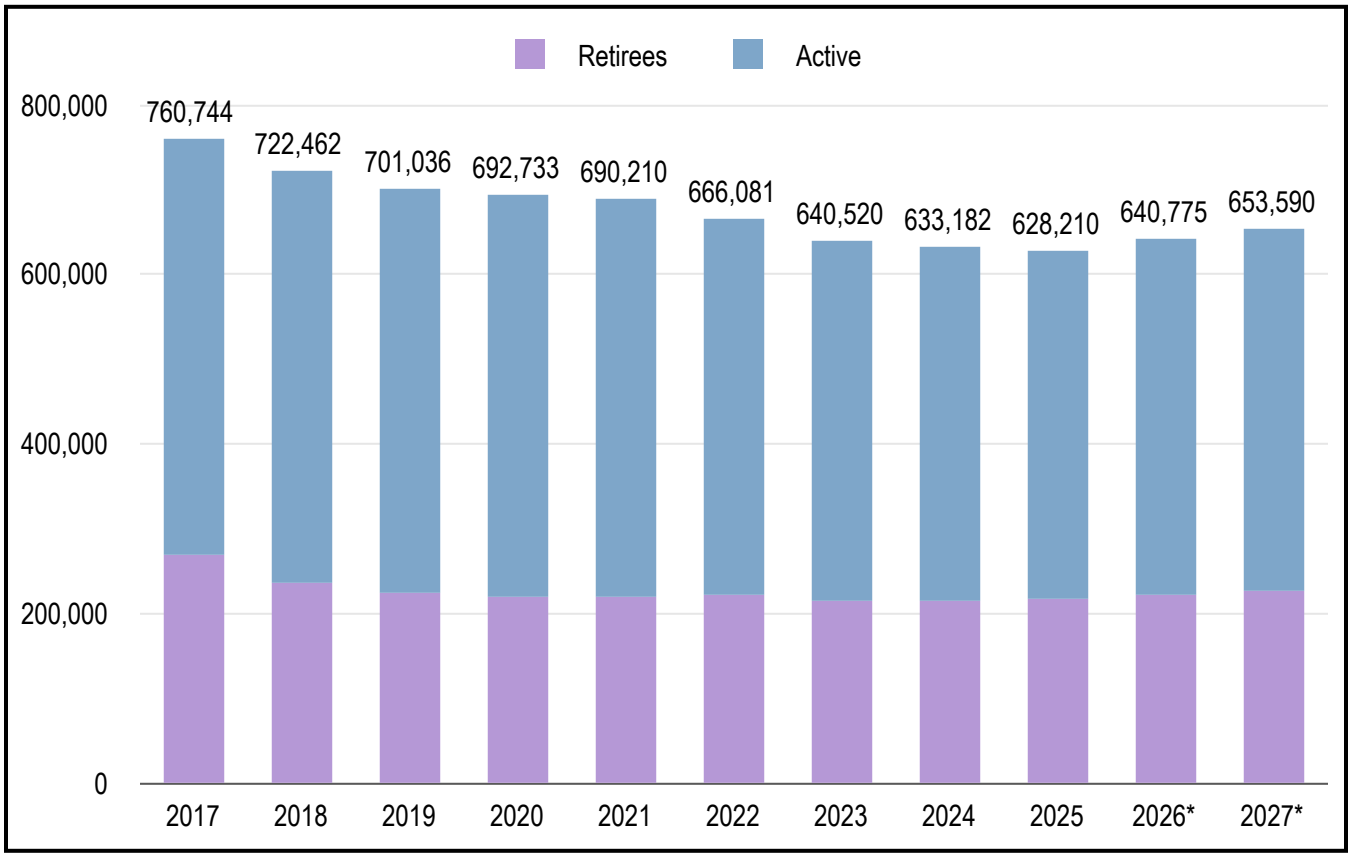


*Projected based on historical trending

Active members – 44.5% growth | Retired members – 33.6% growth

This chart shows the trend in the number of TRS members over time for both active members and retired members. The growth of active members has traditionally been correlated to state population growth, which is expected to grow an average of 2% per year through 2050 according to the Texas State Demographer. The growth in retired members depends on a number of factors and can be influenced by the number of teachers reaching retirement age, the change in benefits design, the change in state funding provided to local districts, and general economic conditions. The number of teachers reaching retirement age is expected to increase with the baby boomer population aging into retirement and will plateau as that generation fully engages in retirement.

HEALTH CARE MEMBERSHIP GROWTH

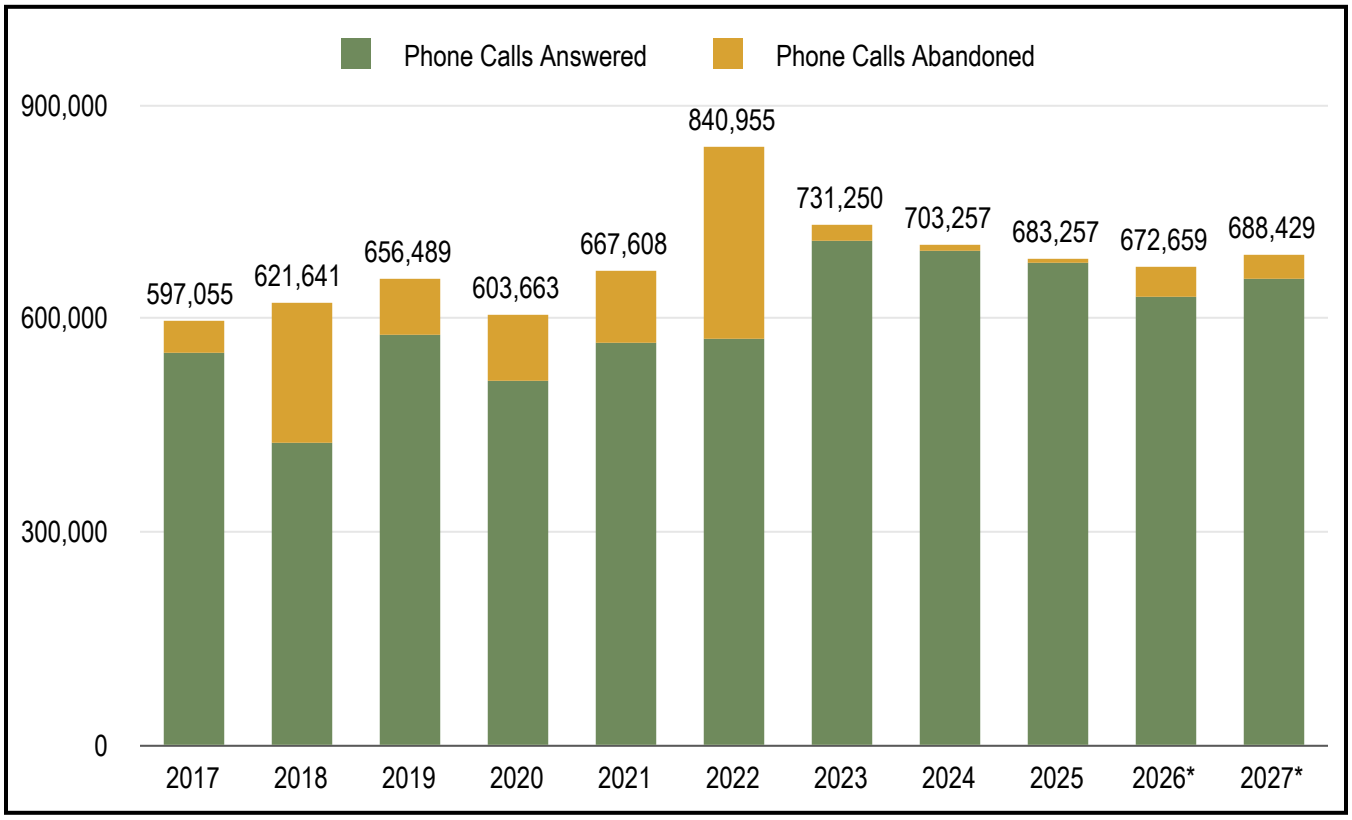


*Projected based on historical trending

TRS-Care Membership – (15.9%) growth | TRS-ActiveCare Membership – (13.1%) growth

This chart shows the historical growth in the membership of the health care programs. The growth in TRS-Care, the health care plan for retirees, is largely dependent upon the growth in the number of retired members. The growth in TRS-ActiveCare, the health care program for active TRS members, is dependent on a host of factors including the growth in active TRS members and the number of districts that choose to participate in the program.

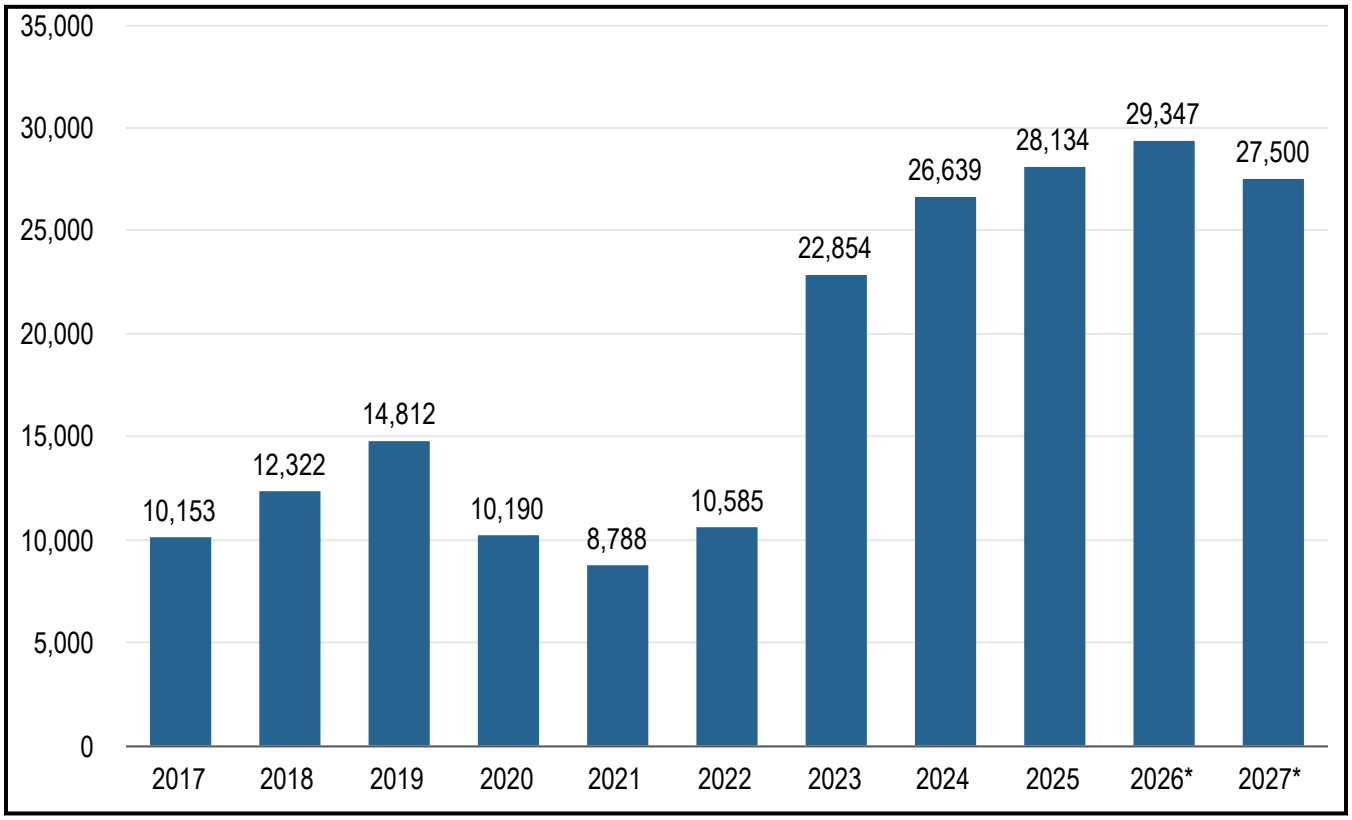
CONTACT CENTER CALL VOLUME



*Projected based on historical trending

This chart displays the call volume handled by the TRS' Telephone Counseling Center (TCC) over time. The call volume is dependent upon membership growth as well as the number of members choosing to retire in a given year. In future years, as web-based, self-service features are added to the TRS website, call volume may decrease. Call volume has a trickle-down effect on other areas of the Pension Services division in that calls can create processing actions which consume additional staff time.

OFFICE COUNSELING VISITS



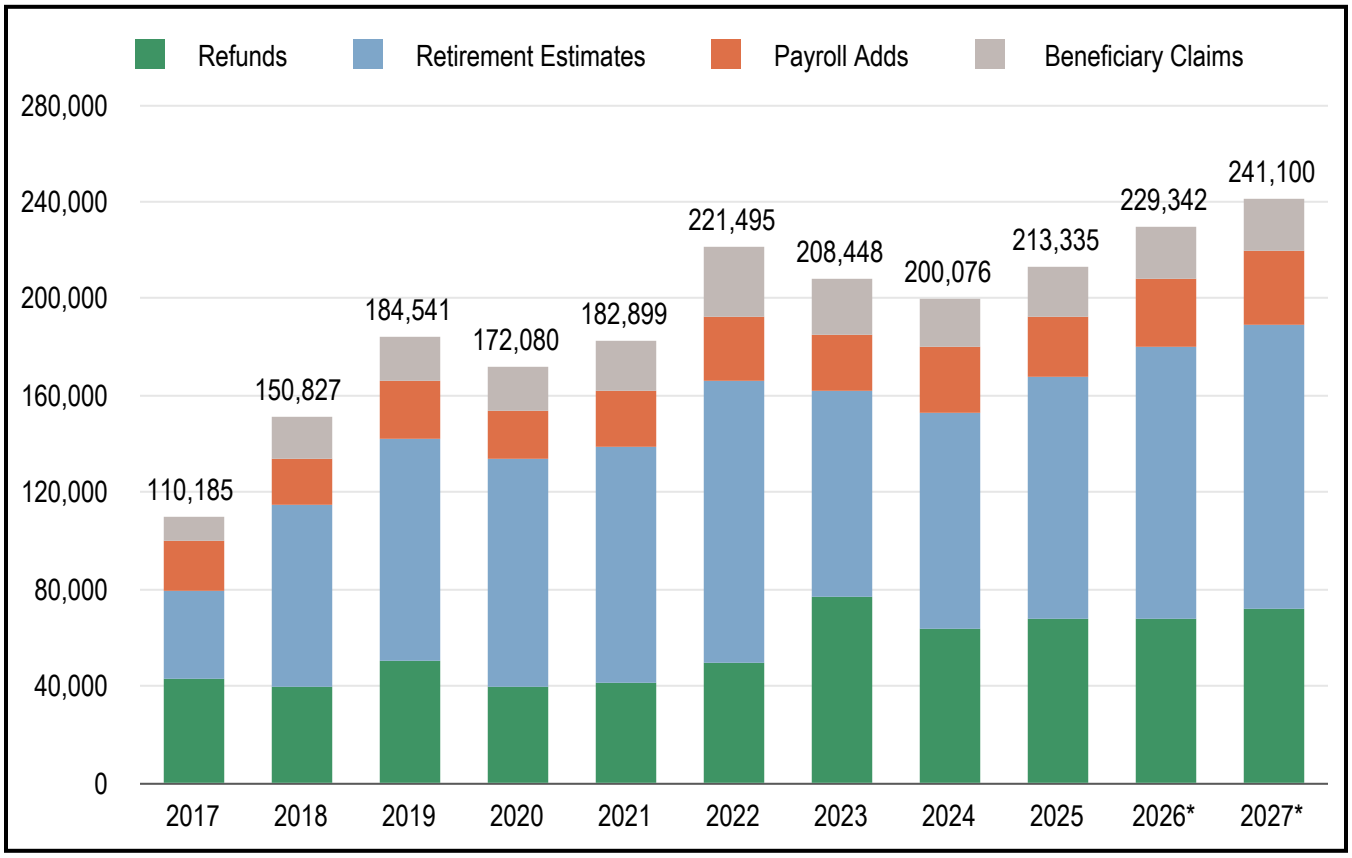
*Projected based on historical trending

This chart shows the office counseling visit volume over time. The office visit volume is dependent upon membership growth as well as the number of members choosing to retire in a given year. In future years, as web-based, self-service features are added to the TRS website, office visit volume may plateau and potentially decline as younger generations of members increasingly interact with web-based tools.

Office counseling visits experienced a decrease in demand during FY 2020 through FY 2022 amid the pandemic, but have increased since TRS resumed in-person appointments. In FY 2023 the El Paso Regional Office opened and began offering appointments which has contributed to the increase in office visits.

TRS expects an increase in the number of office visits as the number of retirement-age active members increases.

BENEFIT PROCESSING ACTIVITY



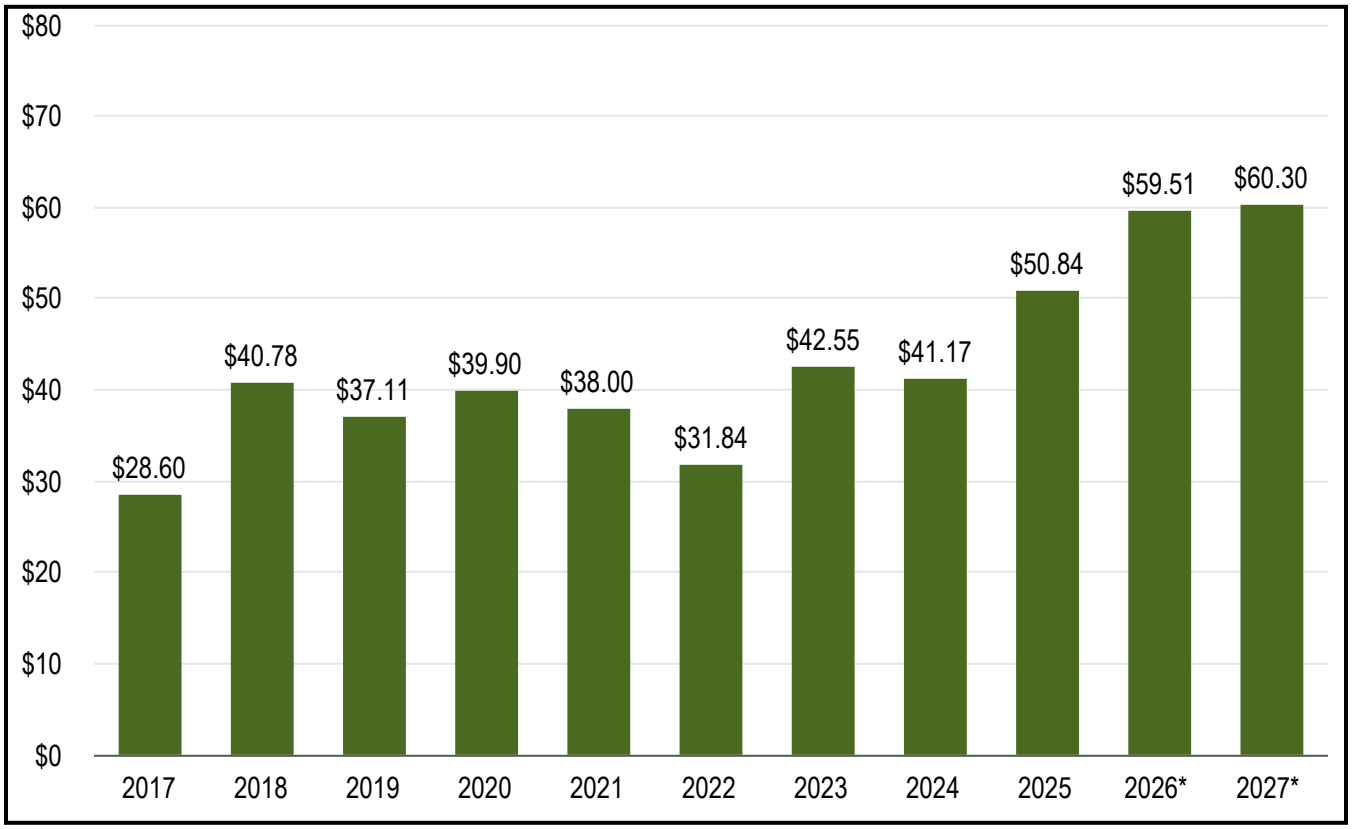
*Projected based on historical trending

Overall 60% Growth
Refunds – 79% | Retirements – 58% | Payroll Adds - 55% | Beneficiary Claims – 28%

This chart shows the pension benefit processing volume over time for the main beneficiary activities. The processing volume is dependent upon membership growth as well as the number of members choosing to retire in a given year. In future years, as web-based, self-service features are added to the TRS website, processing volume may decrease.

For the near future, TRS expects an increase in volume as the number of retirement-age active members increase. This may be a trend for the next five-to-seven years or longer before the volume plateaus and potentially declines as younger generations of members increasingly interact with web-based tools.

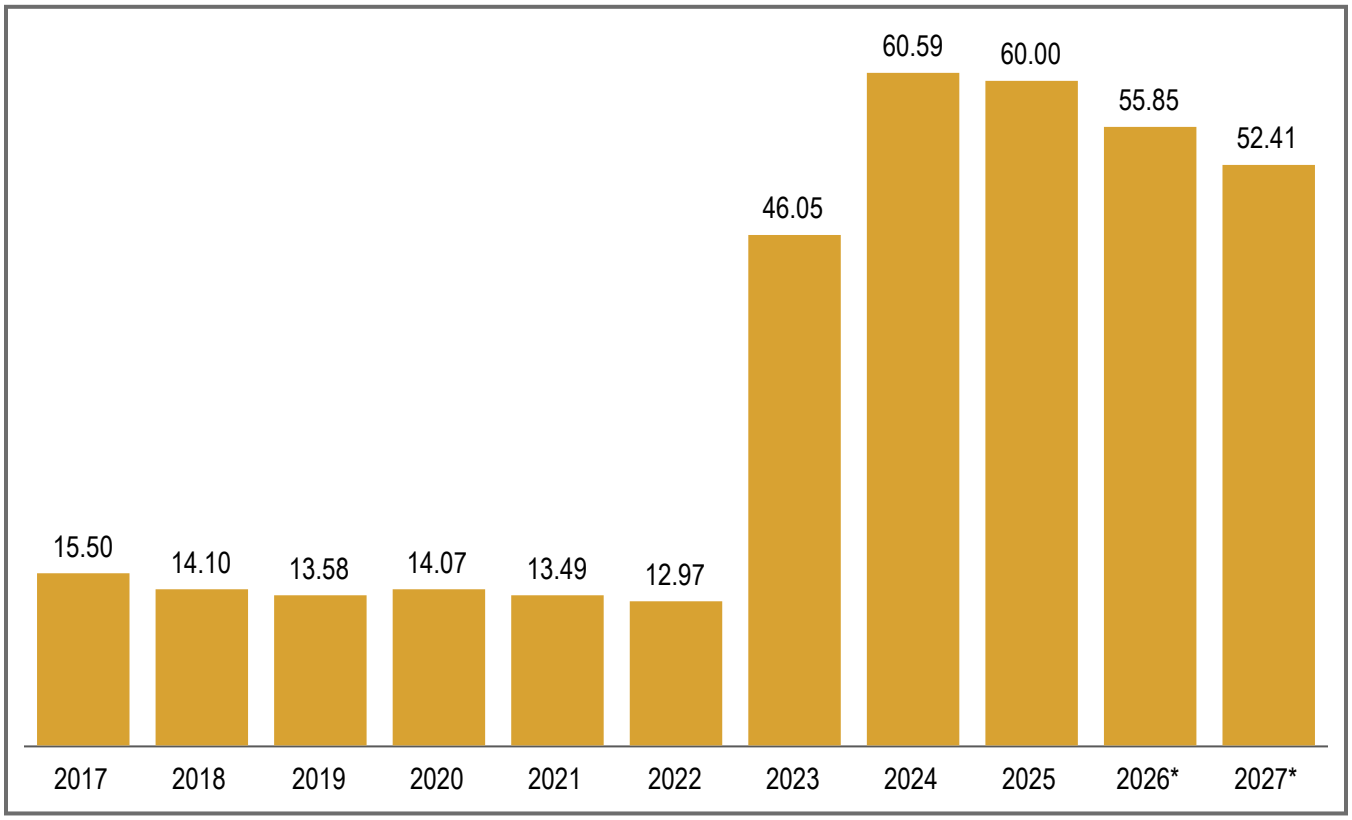
BENEFIT COST PER MEMBER



*Projected based on estimated growth trends

The benefit cost per member is defined by the total benefit cost divided by the number of members. The cost per member number is exclusive of investment costs and includes all administrative expenses related to running the pension plan. Costs related to running the health care programs are excluded as well. The expectation going forward is that costs will continue to increase due to inflationary pressure on normal operating costs as well as inflationary pressure in the local job market.

INVESTMENT EXPENSES AS BASIS POINTS OF NET ASSETS

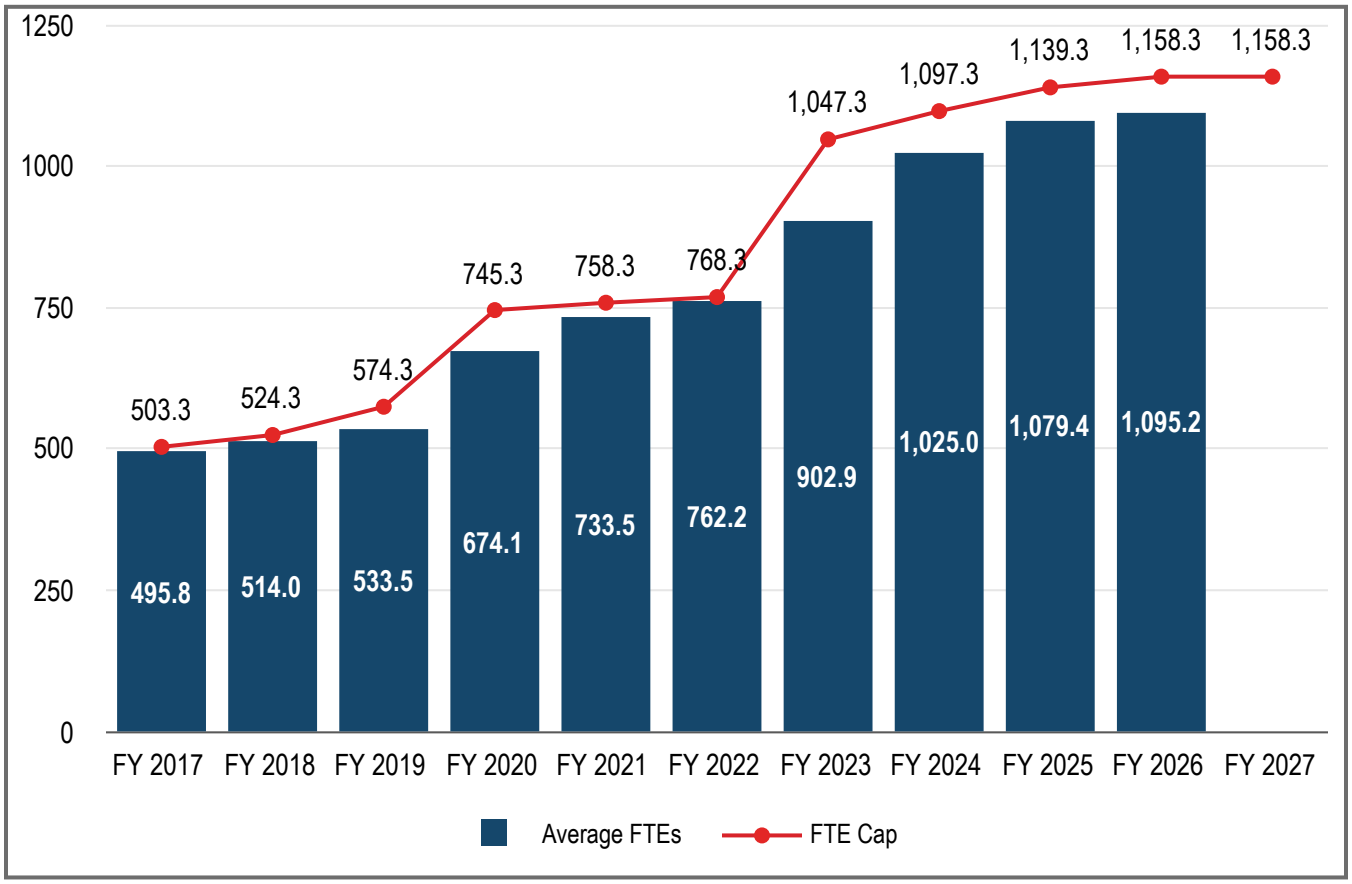


*Projected based on historical trending

This investment expense table measures how much TRS spends to generate investment gains. This measure is defined in terms of basis points relative to the net pension assets. A basis point is one-hundredth of a percentage point. This data is used to measure the performance of the investment management function. Measuring performance in terms of basis points is a standard investment industry metric.

Investment costs per member increased due to the GASB requirement to include the interest expense on reverse repurchase agreements as part of the total expenses. Prior to FY 2023, the interest expense on reverse repurchase agreements was immaterial and netted against investment income. Therefore, the interest expense was not reported as a separate line item. Beginning from FY 2023, the interest expense on reverse repurchase agreement became material, and therefore, is no longer allowed to be netted against investment income and has to be reported as a separate expense item.

FULL-TIME EQUIVALENT (FTE) EMPLOYEES

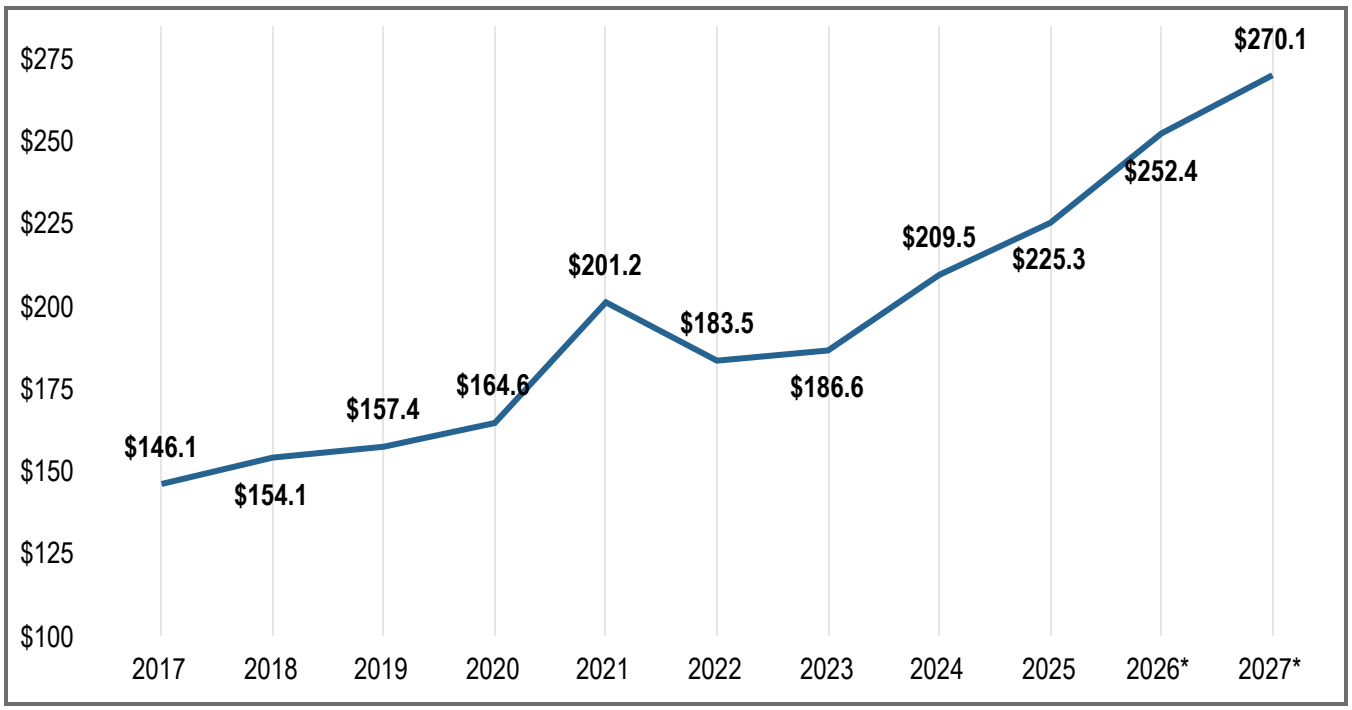


Actual FTEs reflect an average of the total FTEs reported each quarter in a fiscal year.

TRS participates in the biennial legislative appropriations process in requesting funds for administrative operations. In the General Appropriations Act (GAA), the Legislature establishes state employment levels for FTEs. The agency reports quarterly to the State Auditor's Office (SAO) the actual FTEs. Through legislative intent, TRS is exempt from including health care, intern, and fellow FTEs in the calculation relative to the authorized FTE cap. The chart above displays the average number of FTEs by fiscal year measured against the FTE cap. In FY 2026, pursuant to the Board's Fiduciary Finding under Rider 20, Contingent Appropriation for TRS Additional Regional Office, TRS received resources for an additional regional office in the Rio Grande Valley to better support the needs of TRS members.

PENSION TRUST FUND FAIR VALUE

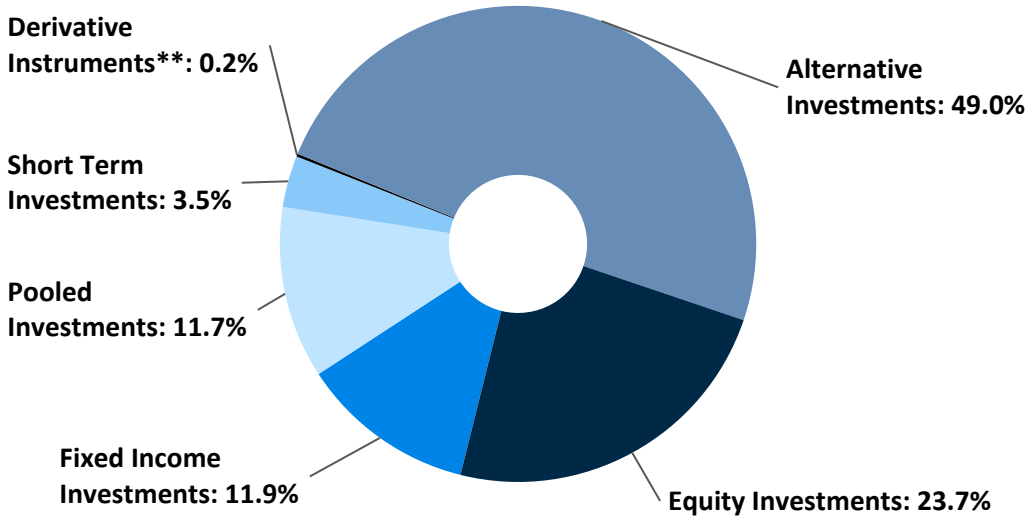
(In Billions)



*Projected based on a rate of return of 12% for FY 2026 and 7% for FY 2027.

The annual rate of return on investments for the pension fund for the year ended Aug. 31st, 2025 was 9.77%.

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



*Source: 2025 Annual Comprehensive Financial Report.

**Derivative instruments are reported on a net basis in the chart above.

APPENDIX B:
GLOSSARY

Accrual Basis – Under the accrual basis, revenues are recognized when they become available and measurable. Expenditures are recognized when the liability is incurred regardless of related cash flows.

Alpha – Refers to a measure of how well an investment portfolio performs against a benchmark, such as the stock market. Alpha can be positive or negative. A positive alpha means the investment outperformed the benchmark, while a negative alpha means it underperformed.

Alpha-Bravo – TRS' new campus at the Mueller development in Austin, Texas. Consists of two six-story buildings, named Alpha and Bravo.

Annual Operating Budget – A detailed, one-year financial plan supporting the agency's business operations. The one-year period is from Sept. 1 through Aug. 31. The agency's operating budget communicates resource needs and allocates those resources to the appropriate functional parties charged with executing the strategic vision of the agency.

Appropriated – Refers to the dollars or associated full-time equivalent positions authorized for specific fiscal years and to the provisions for spending authority.

Appropriation Year (AY) – Refers to the specific fiscal year for which an appropriation is made. The appropriation year dictates the year to which the expenditure is authorized/charged.

Areas of Focus (AOFs) – Areas where the Executive Director will focus their time and attention in the coming fiscal year. Most AOFs are tied to an objective in the agency strategic plan. May also be an initiative not in the strategic plan, but will be worked on within the fiscal year.

Artificial Intelligence (AI) – A branch of computer science focused on developing data processing systems that perform functions normally associated with human intelligence, such as reasoning, learning, and self-improvement.

Audit – An unbiased examination and evaluation of an organization's financial statements to ensure that these records are a fair, accurate, and transparent representation of the transactions that these records claim to present.

Balanced Budget – A balanced budget is one in which the total revenues equal total estimated expenditures.

Base Request – The base request represents the basis for the agency's biennial budget. The base request cannot exceed the appropriated amount established by the legislature through the prior biennial GAA, adjusted for Article IX appropriation reductions.

Biennium – Two-year funding cycle for legislative appropriations.

Board of Trustee (BOT) – The trustee of all plan assets, is responsible for the general administration and operation of TRS, and is authorized by law to adopt rules for the administration of TRS and the transaction of the business of the Board.

Budget Evaluation – A comprehensive review conducted by the Budget team to assess agency operations, financial performance, and strategic priorities. The evaluation included analysis of prior-year expenditures, a five-year trend review, and incorporation of various budgeting models to enhance efficiency.

Budgeted – Refers to the planned level of expenditures, performance, or number of full-time equivalent positions for a particular fiscal year.

Capital Budget – The portion of an agency's appropriation that is restricted to expenditures for designated capital construction projects or capital acquisitions.

Capital Expenditure – Capital projects expenditures are assets with a biennial project cost or unit cost in excess of $500,000.

Centralized Accounting and Payroll/Personnel System (CAPPS) – The state of Texas' Enterprise Resource Planning (ERP) solution.

Commission Credits – Include soft dollars, commission sharing agreements, and cash recapture agreements (together known as "Commission Credits"). "Soft dollars" refer to the use of a credited portion of brokerage commissions incurred for securities or futures trade execution to obtain goods, services, or research through a securities or futures broker or futures commission merchant (each, a "broker"), commission recapture arrangements ("CRAs") refer to an institutional brokerage discount resulting from a negotiated rebate of commissions; and "commission sharing arrangements" ("CSAs") are a category of soft dollars that refers to the use of a cash account administered by a TRS custodian or broker which is funded from a portion of its brokerage commissions so that such custodian or broker may obtain, at TRS' instruction, investment research services from such broker or custodian, an executing broker or other third parties.

Core Services – The mission critical areas of TRS that directly support benefit delivery, health care administration, and investment management. These divisions (Pension Services, Health and Investment Management) carry out TRS' primary responsibilities to serve members, administer programs authorized by law and protect the long-term sustainability of the trust funds.

Cost-of-Living Adjustment (COLA) – A change in income or benefits that correspond with the current cost of living

Customer Service Improvement Initiative (CSII) – A comprehensive approach to addressing customer service levels that involves multiple business units from across TRS including Information Technology, Finance, Legal & Compliance, and Organizational Excellence in addition to Pension Services. The CSII includes policy and procedure changes, process improvements, system enhancements, and enhanced staffing as key areas of opportunity.

eLearning – a structured learning experience, which allows employees or members to learn new content or refresh their knowledge of existing content at their own pace and in their own time. This allows for personalized performance support without the resources of traditional training.

Enterprise-wide Shared Services – divisions that provide support across the agency. These divisions include: include Information Technology, Internal Audit, Legal and Compliance, Information Security, Organizational Excellence (Human Resources), Financial Services, Administrative Services and Contract Services.

Expended – Refers to the actual dollars or positions used by an agency or institution during a completed fiscal year; a goal or strategy; an object of expense; or an amount from a particular method of finance.

Fiduciary Finding – Refers to a formal determination made by the TRS Board that additional resources such as full-time equivalent (FTE) positions are necessary to fulfill the Board's fiduciary responsibilities to its members and beneficiaries.

Fiduciary Fund – contains resources held by a government, but belonging to individuals or entities other than the government. A prime example is a trust fund for a public employee pension plan.

Fiscal Year (FY) – Sept. 1 through Aug. 31 and specified by the calendar year in which the fiscal year end, e.g. FY 2027 runs from Sept. 1, 2026 through Aug. 31, 2027.

Full-Time Equivalents (FTEs) – Units of measure that represent the monthly average number of state personnel working 40 hours per week.

FTE cap - Refers to a statutorily imposed limitation on the number of full-time equivalent employees (FTEs) a state agency is authorized to employ.

Fund Balance – The difference between assets and liabilities in a governmental fund. TRS follows the guidelines as outlined in GASB 54.

General Appropriations Act (GAA) – The law that appropriates biennial funding to state agencies for specific fiscal years and sets provisions for spending authority.

Generally Accepted Accounting Principles (GAAP) – A broad collection of rules, standards, and concepts for financial reporting and accounting standards adopted by the U.S. Securities and Exchange Commission (SEC).

Goal – A broad, brief descriptor of what you want to accomplish long-term; usually does not have a specified time frame.

Government Finance Officers Association (GFOA) – An association founded in 1906 that represents public finance officials throughout the United States and Canada with more than 20,000 members working in federal, state/provincial, and local governmental operations. GFOA's mission is to advance excellence in public finance.

Governmental Accounting Standards Board (GASB) – An independent, private-sector organization that establishes the accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Standards (GAAP).

Health Insurance Line of Business (HILOB) – Originally part of the TEAM program to create and maintain software intended to support the administration of TRS-Care. HILOB is now operational and has transitioned into the maintenance and enhancement phase.

Health Savings Account (HSA) - a type of savings account that allows pretax money to be set aside to pay for qualified medical expenses.

Historically Underutilized Business (HUB) – A corporation, sole proprietorship, partnership or a joint venture formed for the purpose of making a profit in which at least 51 percent ownership of the business is by a woman, minority and/or service-disabled veteran.

Investment Data Modernization Program (IDM) – A 5-year project approved by the Board to modernize TRS' investment data platform and systems to improve trust asset monitoring and fiduciary oversight.

Investment Return Assumption – Represents expected return after payment of investment expenses and is one of the principal assumptions used in an actuarial valuation of a retirement plan.

Internal Revenue Service (IRS) – U.S. federal agency responsible for administering tax laws, collecting taxes, processing returns, issuing refunds, and enforcing compliance under the Department of the Treasury.

Key Performance Indicators (KPI) – A quantifiable measurement used to evaluate the success of an organization or of a particular activity in which it engages.

Key Performance Measure – A measure that indicates the extent to which an agency is achieving its goals or objectives and that is identified in the GAA, along with targeted performance objectives for each year of the biennium. These can be outcome, output, efficiency, or input/explanatory measures.

Lapsed Funds – The unobligated balance in an item of appropriation that has not been encumbered at the end of a fiscal year or at the end of the biennium. Appropriations expire if they are not (1) obligated by Aug. 31 of the appropriation year in which they were made, or (2) expended within two years following the last day of the annual year.

Legislative Appropriations Request (LAR) – A formal request for funding made by each state agency and institution. This request is in accordance with instructions developed by the Legislative Budget Board and Office of the Governor, Budget and Policy Division. The agency request is prepared according to the approved strategic planning and budget structure for that agency.

Legislative Budget Board (LBB) – A legislative agency consisting of the Lieutenant Governor, Speaker of the House, and eight members of the legislature who initiate state budget policy and who have specific charges to direct the expenditure and appropriation of state funds.

Line of Business (LOB) – A set of related products that serve a particular customer transaction or business need.

Major Fund – A fund whose revenues, expenditures/expenses, assets, or liabilities (excluding extraordinary items) are at least 10 percent of corresponding totals for all governmental or enterprise funds and at least 5 percent of the aggregate amount for all governmental and enterprise funds.

Measure – An indicator of agency effort and accomplishments. Measures indicate agency accomplishments already achieved, planned, or required by legislative directive.

Method of Finance – This term usually appears as a heading for a table that lists the sources and amounts authorized for financing certain expenditures or appropriations made in the GAA. A source is either a "fund" or "account" established by the comptroller, or a category of revenues or receipts (e.g. federal funds).

MyTRS – An online resource available to eligible TRS members and annuitants. MyTRS offers a number of enhancements and self-service options to assist with planning for retirement or keeping track of your respective personal account.

Net Alpha – Refers to the return (profit or loss made to an investment over a period of time) minus management and performance fees.

Objective – A specific, measurable statement of desired outcome, linked to a goal.

Office of the Governor (OOG) – Governmental appointment consisting of state officials and members of state boards, commissions, and councils that carry out the laws and direct the policies of state government activities.

Payroll, Benefit Adjustment, and Tax (PBT) – the final and largest deliverable of the TEAM Program which includes automating monthly annuity payroll processing and reconciliation, annuity changes due to salary, service credit changes, option changes beneficiary changes, disability recoveries, tax filing and reporting, etc.

Pension Plan Design Study – Legislative mandated report to be completed by TRS comparing the current defined benefit plan with alternative designs. It will evaluate workforce and demographic trends, along with actuarial and fiscal impacts. The report is due to the Legislative Budget Board and Governor by September 1, 2026.

Pension Trust Fund (960) – TRS administers retirement and related benefits to employees and beneficiaries of employees of the 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 defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

Position Control – A process to monitor headcount by carefully reviewing all proposals to temporarily or permanently fill an FTE, track hiring, monitor costs to ensure TRS operates efficiently, and to ensure our resources align to achieve excellence in the delivery of services to members.

Power BI – a Microsoft business intelligence (BI) platform that helps users analyze, visualize, and share data to make informed decisions.

Programs – The FY 2027 Operating Budget request covers funding for each division. Amounts identified in the approved budget estimates reflect the most appropriate strategy for core activities and continuing programs.

Proprietary Fund – Proprietary funds are employed to report on activities financed primarily by revenues generated by the activities themselves, such as a municipal utility.

Retirement Application and Death Claim Processing (RAP/DTH) – A project under the TEAM program to streamline and expedite the processing of retirement applications and death claims.

Reverse Repurchase Agreement – The purchase of assets/securities with the agreement to sell them at a higher price a specified date in the future. These are typically used to raise capital in the short term, the higher price represents the buyer's interest gained in the duration of the deal.

Rider – A provision added to a bill (often an appropriations bill) that directs, limits, or conditions how funds are used. Riders may include policy instructions, restrictions, or requirements tied to specific funding allocations.

Shadow Accounting Book of Record (SABOR) – An independently maintained financial ledger used to validate or analyze data alongside the official accounting system.

Shared Services – The agencywide support functions that help TRS operate efficiently, responsibly, and securely. Shared services consists of the following divisions Administrative Services, Contract Services, Executive, Financial Services, Information Security Office, Information Technology, Internal Audit, Legal and Compliance, and Organizational Excellence. The work of Shared Services enables the day to day operations of TRS and the execution of strategic projects.

State Office of Administrative Hearings (SOAH) – An independent and neutral agency that conducts hearing and mediations for administrative disputes and appeals in Texas.

Sunset Commission – A 12-member legislative commission tasked with identifying and eliminating waste, duplication and inefficiency for more than 130 Texas state agencies.

TRS-ActiveCare Fund (855) – Provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance, which are provided to active members and retirees, are also accounted for in the fund. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on Sept. 1, 2002.

TRS-Care Fund (989) – An employee benefit trust fund that provides health care coverage for certain persons (and their dependents) who retire under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575 and Texas Administrative Code, Title 34, Part 3, Chapter 41. The inception of the plan was in fiscal year 1986.

TRS Enterprise Application Modernization (TEAM) – A multiyear initiative that seeks to modernize TRS technologies and business processes, giving the agency greater flexibility in providing services to TRS members and reducing the risks associated with obsolete technology.

Unexpended Balance (UB) or Carry-Forward – The unobligated amount left in an item of appropriation at the end of an appropriation period. The term also refers to the amount of an appropriation, a fund, or a category of revenue which is brought forward (appropriated) to the subsequent fiscal year. Agencies must have legislative authority to move funds from one year to the next and/or from one biennium to the next biennium.

Unfunded Actuarial Accrued Liability (UAAL) – The UAAL represents the difference between the retirement system's assets and the benefits owed to current and future retirees.

User acceptance testing (UAT) – The last phase of the software testing process that verifies whether a product or software is fit for the purpose it was built for.

APPENDIX C:

GENERAL APPROPRIATIONS ACT FY 2026-27
TEACHER RETIREMENT SYSTEM

	For the Years Ending	
	August 31, 2026	August 31, 2027
Method of Financing:		
General Revenue Fund	$3,692,446,093	$3,799,036,860
GR Dedicated – Estimated Other Educational and General Income Account No. 770	$40,680,322	$41,761,299
Teacher Retirement System Trust Account Fund No. 960	$291,612,800	$256,873,800
Total, Method of Financing	$4,024,739,215	$4,097,671,959
This bill pattern represents an estimated 2.7% of this agency's estimated total available funds for the biennium.		
Number of Full-Time-Equivalents (FTE):	1,139.3	1,139.3
Schedule of Exempt Positions:		
Executive Director	$588,500	$588,500
Chief Investment Officer	800,000	800,000
Items of Appropriation:		
A. Goal: TEACHER RETIREMENT SYSTEM To Administer the System as an Employee Benefit Trust.		
A.1.1. Strategy: TRS - PUBLIC EDUCATION RETIREMENT Retirement Contributions for Public Education Employees. Estimated	$2,746,403,191	$2,796,022,682
A.1.2. Strategy: TRS - HIGHER EDUCATION RETIREMENT Retirement Contributions for Higher Education Employees. Estimated.	410,735,594	440,976,927
A.1.3. Strategy: ADMINISTRATIVE OPERATIONS	291,612,800	256,873,800
A.2.1. Strategy: RETIREE HEALTH – STATUTORY FUNDS Health care for Public Ed Retirees Funded by Statute. Estimated.	575,987,630	603,798,550
Total, Goal A: TEACHER RETIREMENT SYSTEM	$4,024,739,215	$4,097,671,959
Grand Total, TEACHER RETIREMENT SYSTEM	$4,024,739,215	$4,097,671,959
Object-of-Expense Informational Listing:		
Salaries and Wages	$167,675,400	$176,048,400
Other Personnel Costs	3,734,656,515	3,842,391,659
Professional Fees and Services	55,735,300	33,835,100
Fuels and Lubricants	4,000	4,000
Consumable Supplies	731,900	731,900
Utilities	2,991,200	2,991,200
Travel	2,994,100	2,994,100
Rent - Building	462,800	462,800
Rent - Machine and Other	950,500	950,500
Other Operating Expense	42,118,200	37,208,300
Capital Expenditures	16,419,300	54,000
Total, Object-of-Expense Informational Listing	$4,024,739,215	$4,097,671,959

TEACHER RETIREMENT SYSTEM
(Continued)

Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act:

Employee Benefits		
Group Insurance	$ 10,892,871	$ 11,102,814
Social Security	9,927,779	10,020,108
Benefits Replacement	11,899	9,674
Total, Estimated Allocations for Employee Benefits and Debt Service Appropriations Made Elsewhere in this Act	$ 20,832,549	$ 21,132,596

1. **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.

A. Goal: TEACHER RETIREMENT SYSTEM	2026	2027
Outcome (Results/Impact):		
TRS Retirement Fund Annual Operating Expense Per Member in Dollars (Excluding Investment Expenses)	74.41	74.68
TRS Retirement Fund Investment Expense as Basis Points of Net Assets	48.56	45.38
Service Level Percentage of Calls Answered in Specified Time Interval	90%	90%
A.1.3. Strategy: ADMINISTRATIVE OPERATIONS		
Output (Volume):		
Number of TRS Benefit Applications Processed	100,000	100,000

2. **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.

	2026	2027
a. Repair or Rehabilitation of Buildings and Facilities		
(1) Building Renovations	$ 3,000,000	$ 0
b. Acquisition of Information Resource Technologies		
(1) IT Infrastructure Upgrades	$ 7,300,000	$ 0
(2) Investment Data Modernization	32,100,000	$ 0
Total, Acquisition of Information Resource Technologies	$ 39,400,000	$ 0
c. Data Center/Shared Technology Services		
(1) Data Center Services	$ 2,180,000	$ 0
Total, Capital Budget	$ 44,580,000	$ 0
Method of Financing (Capital Budget):		
Teacher Retirement System Trust Account Fund No. 960	$ 44,580,000	$ 0
Total, Method of Financing	$ 44,580,000	$ 0

TEACHER RETIREMENT SYSTEM
(Continued)

3. **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. **State Contribution to Teacher Retirement Program.** The amounts specified above in Strategy A.1.1, TRS-Public Education Retirement, $2,746,403,191 in fiscal year 2026 and $2,796,022,682 in fiscal year 2027, and A.1.2, TRS- Higher Education Retirement, $410,735,594 in fiscal year 2026 and $440,976,927 in fiscal year 2027 are based on a state contribution of 8.25 percent of payroll in year 2026 and 8.25 percent in year 2027 of the biennium, estimated.

5. **State Contribution to Texas Public School Retired Employees Group Insurance Program.** The amounts specified above in Strategy A.2.1, Retiree Health-Statutory Funds, $575,987,630 in fiscal year 2026 and $603,798,550 in fiscal year 2027 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 without providing 60 calendar days notice to the Legislative Budget Board.

6. **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.

7. **Transfer of Other Educational and General Income.** The Comptroller of Public Accounts is hereby authorized to transfer the necessary appropriations made above in Strategy 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. **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. **Annual School District Contribution Rate to TRS-Care.** The annual contribution rate for school districts for fiscal years 2026 and 2027 shall be 0.75 percent of total payroll.

10. **Full-Time Equivalent Positions Intern Exemption.** The number of Full-Time Equivalent (FTE) positions associated with the Teacher Retirement System's (TRS) Internship Program held by undergraduate students, trade school students, community college students, law school students, graduate school students, or post-graduate fellowship recipients 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. **Limitation on Retirement Contributions to Public Community/Junior Colleges.** 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 8.25 percent in fiscal year 2026 and 8.25 percent in fiscal year 2027 of the total covered payroll for Public Community and Junior Colleges, in accordance with Government Code, Section 825.4071.

12. **Performance Incentive Compensation Payments.** The Teacher Retirement System Board of Trustees may make performance incentive compensation payments to the staff of 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 payment 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 calendar days prior to the execution of any performance incentive payment based on the Retirement Trust Fund's investment performance. 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.

TEACHER RETIREMENT SYSTEM
(Continued)

13. **Settle-Up Dollars Directed to TRS-Care.** Any settle-up payments made in the fiscal year ending August 31, 2027, from the Teacher Retirement System of Texas pension fund or from the TRS-Care program are appropriated to the TRS-Care program. Settle-up funds are all estimated from the General Revenue Fund for fiscal year 2026 in excess of the state's actual statutory obligations for retirement and retiree insurance contributions, and those funds are re- appropriated to the TRS-Care program, for deposit to the Texas Public School Retired Employees Group Insurance Trust Fund. For the purposes of this section, settle-up payments from the pension fund include any net payments made in excess of the state's total obligation to both Public Education Retirement and Higher Education Retirement.

14. **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 appropriations from the General Revenue Fund in Strategy A.2.1, Retiree Health - Statutory Funds, in fiscal year 2027 to fiscal year 2026 and such funds are appropriated for fiscal year 2026. 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 2026 costs associated with providing retiree health benefits will exceed the funds appropriated for these services for fiscal year 2026.

    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.

15. **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.

    Within thirty business days of such a finding, the Teacher Retirement System Board of Trustees shall provide written notification to the Legislative Budget Board and the Governor of the amounts anticipated to be necessary to achieve these purposes.

16. **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.

17. **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.

18. **Right to Shop Incentive.** It is the intent of the Legislature that the Teacher Retirement System incentivize members of TRS-Care and TRS-ActiveCare to shop for lower cost care within the health plans in order to achieve shared savings. Pursuant to the provisions of Insurance Code, Section 1575.109 and 1579.052, and Article IX, Section 7.11, Notification of Certain Purchases or Contract Awards, Amendments, and Extensions, the agency may contract with a third-party vendor for this purpose.

19. **Exception to FTE Limitation for Board Fiduciary Finding.**

    (a) In addition to the funding and "Number of Full-Time Equivalents (FTE)" appropriated above, the Teacher Retirement System (TRS) is authorized to employ additional FTEs and contract workers under a Fiduciary Finding of the TRS Board of Trustees (the Board) if the Board determines the additional staff are necessary to perform the fiduciary duties of the Board, pursuant to Government Code Section 825.313.

    (b) It is the intent of the Legislature that the Board approve a statement of justifications and objectives for adopting the additional FTEs, contract workers, and any additional funding related to those staff. No later than 30 business days following the adoption of a Fiduciary Finding pursuant to subsection (a), TRS shall submit to the Legislative Budget Board (LBB) and the Governor:

        (1) A statement of the justifications and objectives for the additional funding and staff;

        (2) The current operating budget, as approved by the Board, for each fiscal year of the 2026-27 biennium that is amended by the Fiduciary Finding described in subsection (a);

        (3) Performance metrics proposed by TRS to evaluate the impact of additional staff on the Board's objectives in approving the additional staff; and

        (4) Any additional information requested by the LBB or the Governor regarding the Fiduciary Finding described in subsection (a).

TEACHER RETIREMENT SYSTEM
(Continued)

(c) No later than October 31 following a fiscal year for which the TRS Board has adopted a Fiduciary Finding described in subsection (a), TRS shall provide a report to the LBB and the Governor on:

(1) The actual number of additional FTEs and contract workers hired during the preceding fiscal year pursuant to subsection (a);

(2) The actual total expenditures for the preceding fiscal year related to additional FTEs and contract workers described in subsection (c) (1); and

(3) A report on the agency's actual performance on metrics described in subsection (b)(3) for the preceding fiscal year.

20. **Contingent Appropriation for Teacher Retirement System (TRS) Additional Regional Office..** In addition to the amounts appropriated above and notwithstanding the provisions of Article IX, Section 6.10, Limitation on State Employment Levels, TRS is authorized to expend additional funds out of the TRS Pension Trust Fund and employ additional FTEs upon a finding of fact by the TRS Board of Trustees that additional resources are necessary to open an additional regional office. No later than 30 business days after such a finding, the TRS Board of Trustees shall notify the Legislative Budget Board (LBB) and the Governor of the amount of funding and number of FTEs anticipated to be necessary for these purposes.

21. **Pension Plan Design Study.** Out of funds appropriated elsewhere in this Act, the Teacher Retirement System (TRS) shall produce a report that compares TRS' current defined benefit plan with alternative benefit plan designs. The report shall consider workforce and demographic trends among TRS members and retirees and the actuarial and fiscal impacts of the alternative plan designs. The report shall be submitted to the Legislative Budget Board and the Governor no later than September 1, 2026.

This page is intentionally left blank.

APPENDIX D:
General Provisions

The Teacher Retirement System (TRS) uses as guidelines the provisions of Article IX (General Provisions) of the General Appropriations Act (GAA) adopted by the 89th Texas Legislature in administering the system to the extent that the Executive Director or a designee acting in the absence of the Executive Director determines that individual provisions of Article IX are in the best interests of TRS and are not in conflict with applicable TRS laws, fiduciary duties, or policies. In addition, it is the intent of the TRS Board of Trustees (Board) that the General Provisions also apply to the TRS-Care Fund, and the TRS-ActiveCare Fund. The following provisions are also subject to this paragraph.

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

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

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

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

PERSONNEL SERVICES:

- **Hiring and Personnel Actions** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to hire personnel, to transfer personnel within the agency, and to approve base salaries, salary changes, and other personnel actions, including but not limited to promotions, demotions, re-assignment, merits, and recruitment and retention bonuses. TRS will generally base its salary schedules, position classifications, and salary administration practices on the provisions of Article IX, Chapter 659 of the Government Code, and other relevant legislation to the extent the Executive Director determines a particular provision is in the best interest of the system and not in conflict with applicable law, fiduciary duty or TRS policy. The board will set the salary rate for the Executive Director. The Executive Director is authorized to set the base salaries for other exempt positions within the not-to-exceed amounts listed in the GAA or any amended limits adopted by the board from time to time.

- **Performance Pay Plans** – The Executive Director, or Deputy Director in the absence of the Executive Director, is authorized to implement performance pay plan(s) as approved from time to time by the board, including authorizing payment of the performance pay to the extent funds have been included in the approved board resolution for that purpose or are otherwise made available through the Budget Execution Authority in these General Provisions; in an amount not to exceed $61.1 million.

- **Longevity Pay and Benefit Replacement Pay** – The Board authorizes the payment of Longevity Pay and Benefit Replacement Pay in addition to base pay. The payment of Longevity Pay and Benefit Replacement Pay to eligible TRS employees shall be administered in a manner consistent with the provisions of Chapter 659 of the Government Code and other relevant legislation.

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

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

COUNSELING SERVICES – In accordance with Texas Government Code, Chapter 825, Subchapter G, the board authorizes the Executive Director or his designees, to the extent feasible, to make individual retirement benefits counseling sessions available to members in conjunction with informational or educational presentations that TRS provides for groups throughout the state, in order to promote efficiency and minimize

the cost of such services. TRS will determine the geographic regions most in need of retirement benefits counseling and will provide retirement benefits counseling services in these regions throughout Texas.

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

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

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

CONTINGENCY FUNDING – TRS will operate a contingency account(s) for necessary expenses that includes $4,428,800 in Pension Administrative Operations, and $1,200,000 in Health Administrative Operations. The Executive Director will inform the Board of Trustees of any cumulative transfer in excess of 10% of the total contingency budget at the next board meeting. The board finds that such reasonable transfer are necessary in performing its fiduciary duties.





OUR SHARED COMMITMENT

Every day, the employees of TRS are proud to provide our members with the services they've earned and the respect they deserve for serving Texas.









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.





TRS
TEACHER RETIREMENT SYSTEM OF TEXAS

Teacher Retirement System of Texas
4655 Mueller Blvd., Austin, Texas 78723 • 1-800-223-8778
www.trs.texas.gov