July 2026

ACCOUNTABILITY

BUDGET
Committee Meeting

TRS
TEACHER RETIREMENT SYSTEM OF TEXAS

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

All or part of the July 16, 2026, meeting of the TRS Budget Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 or 551.127 of the Texas Government Code. The Committee and Board intend to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: ***4655 Mueller Blvd, 2nd Floor, Boardroom.***

The open portions of the July 16, 2026, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at www.trs.texas.gov. A recording of the meeting will be available at www.trs.texas.gov.

NOTE: The Committee may take up any item posted on the agenda during its meeting on July 16, 2026, beginning at the time and place specified on this agenda.

AGENDA
July 16, 2026 – 12:00 p.m.

1. Call roll of Committee members.

2. Consent Agenda: Consider the following items that may be taken up by consent without discussion– Committee Chair:
   A. Approval of the proposed April 2026 committee meeting minutes (Agenda Item 3);
   B. Consider recommending to the Board the following statutory certification of estimated state contributions – Don Green (Agenda Item 5):
      i. To the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2027.
      ii. To the Legislative Budget Board and the Office of the Governor, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal years 2028 and 2029.
      iii. To the State Comptroller of Public Accounts, the estimated amount of state contributions to the Pension Trust Fund for fiscal years 2028 and 2029.

3. Consider the approval of the proposed minutes of the April 2026 committee meeting – Committee Chair (*Proposed Consent Agenda 2A*).

4. Consider recommending to the Board adoption of the following – Don Green, Janie Duarte, and Jessica Brown:
   A. Consider the adoption of the proposed fiscal year 2027 pension trust fund administrative operations budget, general provisions, and resolution authorizing transfer of pension trust funds to the TRS expense account to cover the expenses approved under the fiscal year 2027 budget;

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Budget Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

B. Consider the adoption of the proposed fiscal year 2027 administrative operations budgets and general provisions for the TRS health benefits funds (retired and active plans).

5. Consider recommending to the Board the following statutory certification of estimated state contributions – Don Green (*Proposed Consent Agenda 2B*):
   A. To the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal year ending August 31, 2027.
   B. To the Legislative Budget Board and the Office of the Governor, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for the fiscal years 2028 and 2029.
   C. To the State Comptroller of Public Accounts, the estimated amount of state contributions to the Pension Trust Fund for fiscal years 2028 and 2029.

6. Receive an overview of the proposed Legislative Appropriations Request for fiscal years 2028 and 2029 – Don Green

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Budget Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because the full Committee constitutes a quorum of the Board, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.

Minutes of the Budget Committee
April 30, 2026

The Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 30, 2026, in the boardroom located on the Second Floor of TRS' offices located at 4655 Mueller Blvd, Austin, Texas, 78723.

Committee members present:
Mr. John Rutherford, Chair
Mr. Michael Ball
Ms. Laronda Graf
Mr. Robert H. Walls, Jr.

Other TRS Board Members Present:
Ms. Brittny Allred
Mr. John Elliott
Mr. Elvis Williams

Others who participated:
Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Don Green, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein

Budget Committee Chair, Mr. John Rutherford, called the meeting to order at 12:55 p.m.

1. Call roll of Committee members.

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

2. Consider the approval of the proposed minutes of the December 2025 Budget Committee meeting – Chair John Rutherford.

On a motion by Ms. Graf, seconded by Mr. Ball, the committee voted to approve the proposed minutes for the December 2025 Budget Committee meeting as presented.

3. Receive an update on FY26 & FY27 Budget and FY28 & FY29 Legislative Appropriations Request – Don Green.

Mr. Don Green provided an overview of the fiscal year 2026 and 2027 budgets and the legislative appropriations request for fiscal years 2028 and 2029.

He reported the fiscal year 2026 operating budget as approximately $417.9 million and projected 93 percent of the budget being expended. He noted the contingency fund is not expected to be utilized. Mr. Green reported lapse amounts are primarily within the Pension Trust Fund at just over 10 percent, with health care funds ranging between approximately 7 and 9 percent.

Regarding staffing, Mr. Green reported that the agency expects to end the fiscal year with approximately 1,300 full-time equivalent positions, which is below the authorized level, and noted that Pension Services had the highest rate of turnover at about 6.6 percent.

Mr. Green also reported that fiscal year 2027 appropriations are approximately $9 million higher than fiscal year 2026.

He discussed anticipated resource needs related to artificial intelligence initiatives and noted that staffing may include both full-time and contracted personnel, primarily within IT and information security. He added that the new regional office in Rio Grand Valley regional office has not opened yet and expected its operating costs would be in the FY 27 budget.

Mr. Green concluded with an overview of the legislative appropriations request for fiscal years 2028 and 2029, that no significant changes are anticipated to rider provisions or performance measures.

With no further business before the Committee, the meeting adjourned at 1:06 p.m.

Approved by the Budget Committee of the Board of Trustees of the Teacher Retirement System of Texas on __________, 2026.

________________________________ __________________

Katherine H. Farrell
Secretary of the TRS Board of Trustees

Date

TAB 4

Budget Committee

Presentation Date

July 16, 2026

Presented By

Don Green

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

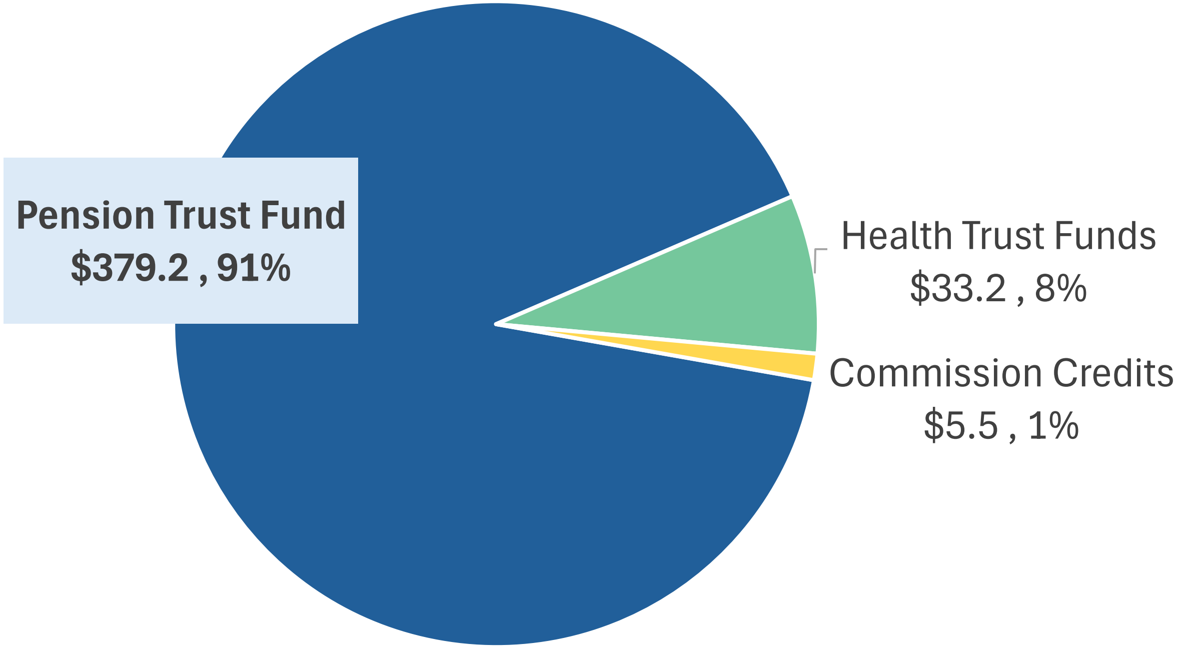
Agenda

- **Adopt the FY 2027 Administrative Operating Budget**
- **Certify State Retirement and Healthcare Contributions**
- **Receive an overview of the FY 2028 - 2029 Legislative Appropriations Request**

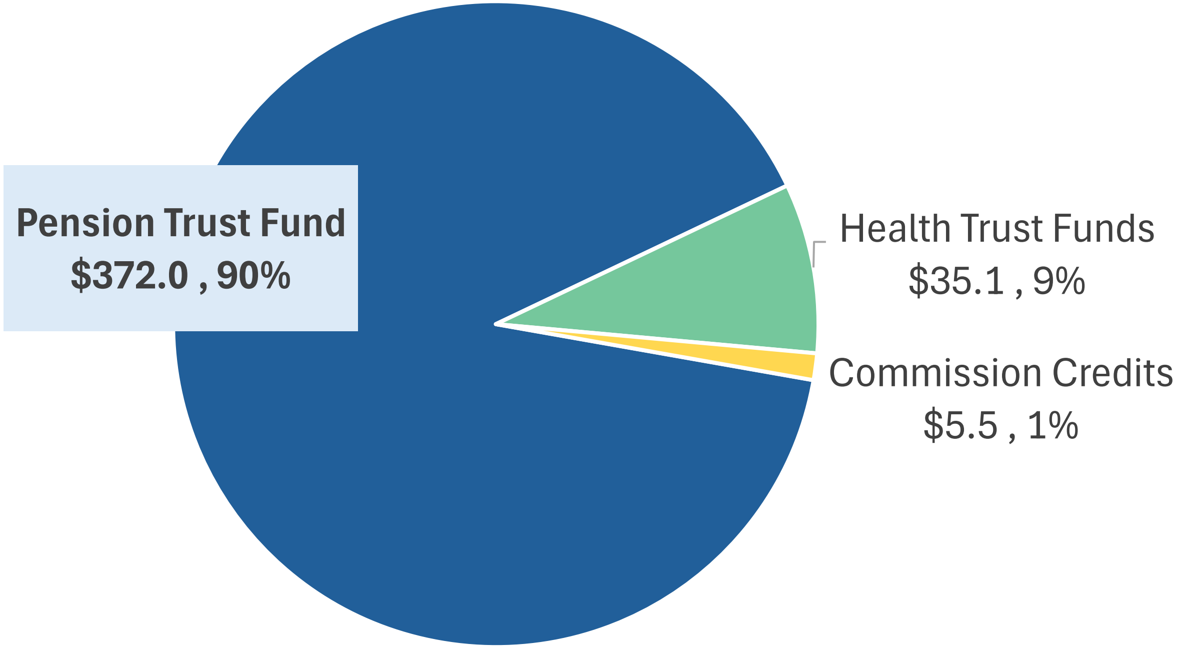
FY27 Administrative Operating Budget

The FY27 Administrative Operating Budget remains flat year over year.

FY26, $417,909,100



FY27, $412,647,800

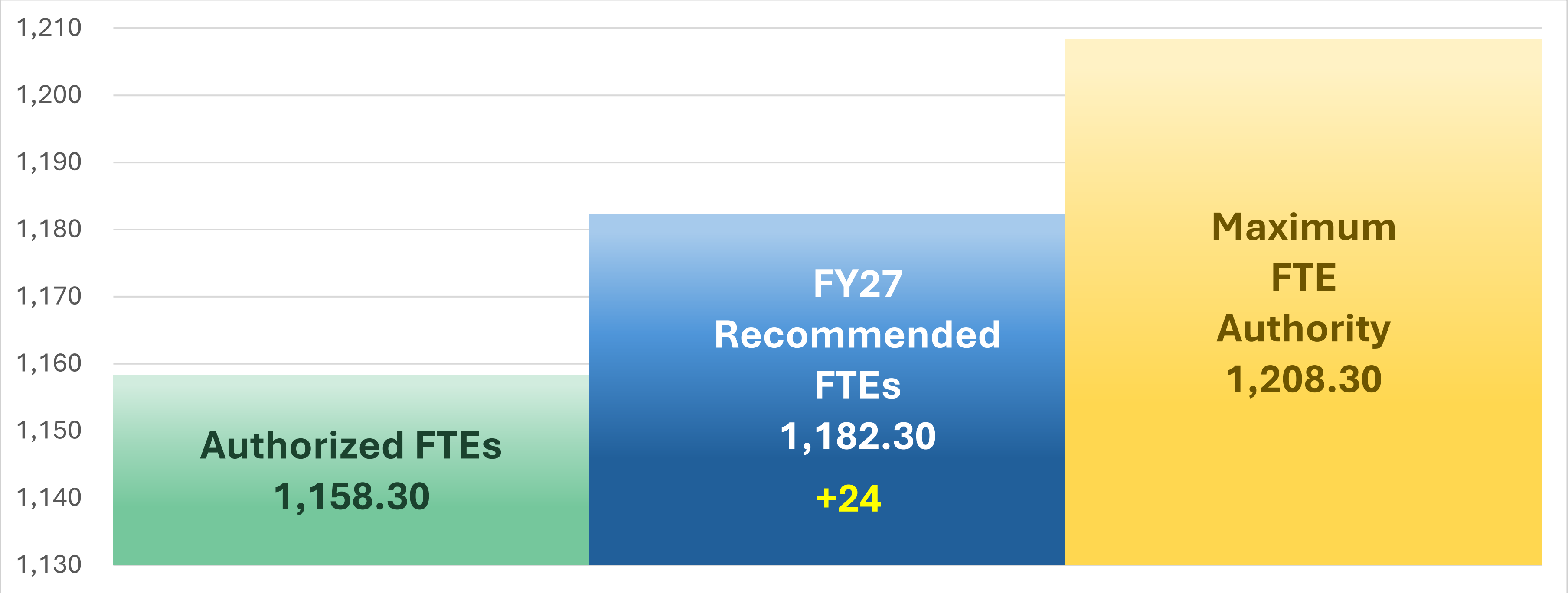


The total amount requested for the FY27 Administrative Operating Budget from the Pension Trust Fund represents approximately 0.17% of the value of the fund

FY27 Recommended FTEs

FTE Authority provided by the legislature in the 2026-27 General Appropriations Act is 1,158.3

Pursuant to Article IX, Section 6.03 of the 2026-27 General Appropriations Act, agencies are permitted to exceed their authorized FTE cap by up to 50 additional FTEs



FY27 Recommended FTEs

Staff recommend the approval of 24 new FTEs for FY27

1,158.3 — **Pension Funded GAA FTEs**

24 — **Pension Funded Article IX, 50+**

- **16 New FTEs** Strategically employ artificial intelligence (AI) technology for the ongoing benefit of TRS members in a secure, efficient and productive way.
- **8 New FTEs** Strengthening member services through quality assurance, cybersecurity, and data management.

158 — **Healthcare Funded FTEs**

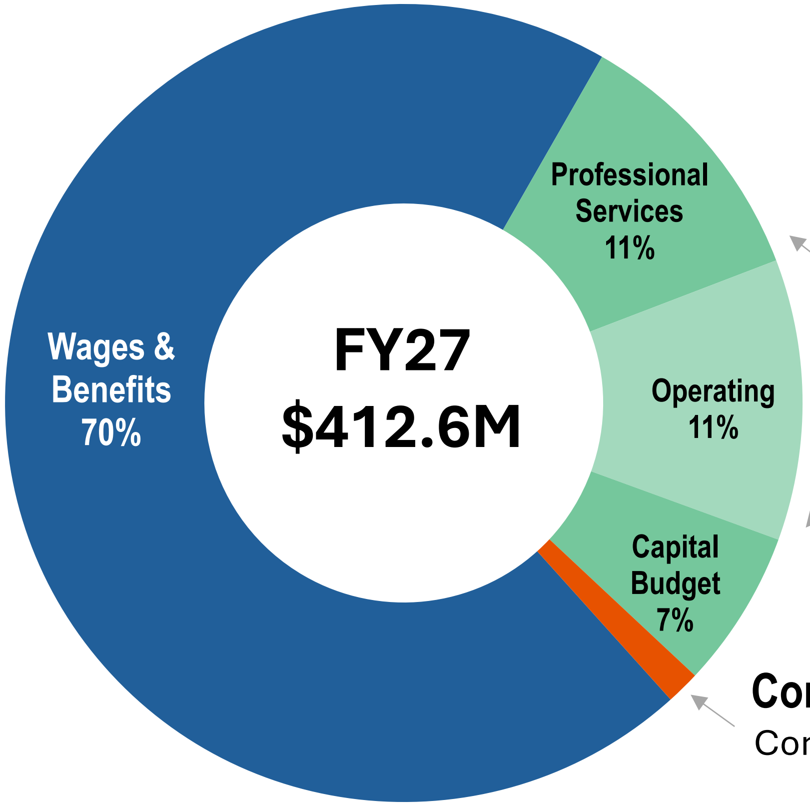
- **68** Health Administrative Operations
- **55** Health Agency Support
- **35** Health Line of Business Support

FY27 Budget Allocations

The FY27 Budget maintains a strong focus on advancing strategic initiatives in artificial intelligence (AI), cybersecurity, and data management.

Administrative Payroll

Includes 5% estimated payroll growth and $4.0M for 24 new FTEs.



Administrative Operating

Includes $2.5 million to fund strategic AI technology initiatives, while preserving existing funding levels for facilities management, staff development, travel, professional services, and other core operating expenses.

Contingency, 1%

Contingency for unforeseen needs.

FY27 Administrative Operating Budget

FUNDING SOURCE	FY26 BUDGET	FY27 BUDGET	VARIANCE	
Pension Trust Fund	**$ 352,217,100**	**$ 367,598,000**	**$ 15,380,900**	**4%**
Administrative Operations	241,011,100	254,416,000	13,404,900	6%
Capital Projects	28,643,100	26,431,000	(2,212,100)	-8%
Employee Payroll Benefits	42,429,400	44,551,000	2,121,600	5%
Performance Pay Plan	40,133,500	42,200,000	2,066,500	5%
Commission Credits	**$ 5,510,000**	**$ 5,510,000**	**-**	**0%**
Healthcare Trust Funds	**$ 31,981,400**	**$ 33,911,000**	**$ 1,929,600**	**6%**
TRS-Care Admin Operations	26,044,400	27,678,000	1,633,600	6%
TRS-ActiveCare Admin Operations	5,937,000	6,233,000	296,000	5%
Contingency	**$ 28,200,600**	**$ 5,628,800**	**$ (22,571,800)**	**-80%**
Pension Trust Funds - Admin Ops	27,019,600	4,428,800	(22,590,800)	-84%
Healthcare Trust Funds - Admin Ops	1,181,000	1,200,000	19,000	2%
Grand Total	**$ 417,909,100**	**$ 412,647,800**	**$ (5,261,300)**	**-1%**

Budgeted FTEs	Pension Funded FTEs	1,158.3	1,182.3	24.0	2%
	Health Funded FTEs	158.0	158.0	-	0%
	Grand Total	**1,316.3**	**1,340.3**	**24.0**	**2%**

Key Budget Drivers

- The FY27 Administrative Operating Budget is within the parameters of the FY26-27 General Appropriations Act (GAA)
- Capital Projects: El Paso Regional Office Relocation, New RGV Regional Office, Investment Data Modernization, & IT Infrastructure Upgrades
- Recommendation of 24 new FTEs for FY27 new Strategic Initiative: Artificial Intelligence (AI) and critical operational support roles.

FY27 General Provisions

TEACHER RETIREMENT SYSTEM OF TEXAS
GENERAL PROVISIONS

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

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

~~**PENSION TRUST FUND HEADQUARTERS ACCOUNT** – The board finds that authorizing staff to transfer from the interest account to the expense account an amount necessary to cover build out related expenses for the leased portion of the Alpha building under the approved budget, subject to a not to exceed in the amount of $3,485,565.~~

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 $~~57.9~~ 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.

FY27 General Provisions

TEACHER RETIREMENT SYSTEM OF TEXAS

GENERAL PROVISIONS

(continued)

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, ~~and~~ 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) within the budget for necessary expenses that includes $~~6,871,700~~ 4,428,800 in Pension Administrative Operations, ~~$19,026,900 in Capital UB,~~ and $~~1,181,000~~ 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 transfers are necessary in performing its fiduciary duties.

FY27 Budget Resolution

Resolution
Authorizing Expenditure and Transfer of Trust Funds
for Pension Trust Fund Administrative Operations

July 16, 2026

Whereas, Section 825.312 of the Government Code provides that the retirement system shall pay from the expense account of the retirement system account for the pension trust fund all administrative expenses of the retirement system that are required to perform the fiduciary duties of the board;

Whereas, Section 825.313(d) of the Government Code provides that the TRS Board of Trustees (board) may authorize transferring from the interest account to the expense account of the retirement system an amount necessary to cover TRS' operating expenses for the fiscal year that are required to perform the fiduciary duties of the board;

Whereas, Rider 15, "Contingent Appropriation of Pension Trust Funds for GASB Statement Implementation," of the TRS bill pattern in the State General Appropriations Act, 89th Legislature provides that upon a finding of fact by the TRS board that additional resources are necessary to implement accounting guidelines related to Governmental Accounting Standards Board statements and pronouncements;

FY27 Budget Resolution

Resolved, That the board approves the amendments to the General Provisions for the Pension Trust Fund Administrative Operations, including a change to the perfomance pay plans maximum award of $61.1 million.

Resolved, That the board finds the expenditure of pension trust funds for operating expenses in Fiscal Year 2027 including the changes listed below are required to perform the fiduciary duties of the board in administering the retirement system in the amount of $372,026,800, as approved today in the Fiscal Year 2027 Budget and General Provisions for the Pension Trust Fund Administrative Operations, as amended, plus such additional amounts as may be necessary for the following expenditures and changes to the General Provisions:

- To pay the actual amount of performance incentive compensation payable up to $61.1 million in Fiscal Year 2027, if any;
- To reimburse reasonable and necessary employee transportation and other expenditures necessary for employees to attend orientation, training and staff development activities conducted at TRS headquarters; and
- To achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by such General Provisions adopted by the board; and to implement GASB statements; and

Resolved, That the staff is authorized to transfer from the interest account to the expense account an amount necessary to cover the expenses of the retirement system under the approved budget for Fiscal Year 2027, but not to exceed the amount of $372,026,800 plus, any additional amounts necessary to pay performance incentive compensation payable in Fiscal Year 2027 and, as applicable, to achieve recovery of operational capabilities in the event of a catastrophic occurrence as contemplated by the General Provisions adopted by the board.

FY28-29 Legislative Appropriations Request

TRS LAR Components

Administrator's Statement

- Pension Trust Fund status: a 1.0% - 1.5% contribution rate increase is necessary beginning September 1, 2027, for the UAAL to be expected to begin decreasing year over year beginning with FY28.
- TRS-ActiveCare funding and legislative intent to maintain below 10% on average increase in premiums through FY 28/29. Final phase of five-year plan.

State Match Contributions

(General Revenue)

Includes current contributions from the state, public education employers, and active employees to make the pension fund actuarially sound.

- State and Member Rate, 8.25%
- Public Ed Employer Rate, 2.00%
- TRS-Care Rate, 1.25%

Administrative Operations

(Pension Trust Fund)

- Appropriated by the legislature
- Approximately 0.17% of the total pension trust fund balance
- Full Time Equivalents (FTEs) appropriation
- Appropriation of capital projects

Additional components

Rider Additions and/or Deletions Performance Measure Changes	Exceptional Items Request Estimated Total of All Agency Funds Outside of the GAA Bill Pattern (Health Funds)

FY28-29 Legislative Appropriations Request

	FY26 Appropriation	FY27 Appropriation	FY28 Legislative Appropriations Request	FY29 Legislative Appropriations Request	Biennial Change	
Public Education	2,762,739,282	2,812,358,773	3,072,595,357	3,161,700,622	659,197,924	12%
Higher Education						
GR, Fund 0001	370,055,272	399,215,628	407,747,647	419,008,771	57,485,518	7%
GR-D, Fund 0770	40,680,322	41,761,299	43,431,751	45,169,021	6,159,151	7%
Higher Education Subtotal	410,735,594	440,976,927	451,179,398	464,177,792	63,644,669	7%
TRS-Care	596,431,827	628,488,126	643,481,398	662,142,358	80,703,803	7%
Grand Total	**$3,769,906,703**	**$3,881,823,826**	**$4,167,256,153**	**$4,288,020,772**	**$ 803,546,396**	**11%**
Administrative Operations	**$ 310,581,300**	**$ 285,275,800**	**$ 292,576,100**	**$ 303,281,100**	**-**	**0%**

Payroll estimates for Public & Higher Education and TRS-Care includes the 2026 actuarial experience study general wage inflation assumption of 2.90%.

The Board is required to certify the following estimated state contributions:

- To the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for FY 2027.
- To the Legislative Budget Board and the Office of the Governor, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for FY 2028 and FY 2029.
- To the State Comptroller of Public Accounts, the estimated amount of state contributions to the Pension Trust Fund for FY 2028 and FY 2029.

Administrative Operations

- FY27-29 estimated administrative operating budget excludes fringe benefits paid by the Pension Trust Fund and Performance Pay Plan.

Appendix

FY27 Administrative Operating Budget

	FY 2026 Budgeted	FY 2027 Recommended	FY 2026-27 Variance	Variance %
Budget Category				
Wages & Benefits	283,343,493	294,270,900	10,927,407	4%
Pro Fees	77,296,007	63,152,700	(14,143,307)	-18%
Support Costs	10,967,000	9,216,000	(1,751,000)	-16%
Travel	2,569,300	2,687,600	118,300	5%
Operating	42,933,300	42,745,600	(187,700)	0%
Capital	800,000	575,000	(225,000)	-28%
Total, Budget Category	**$ 417,909,100**	**$ 412,647,800**	**$ (5,261,300)**	**-1%**
Program				
Investment Management	119,866,982	125,685,200	5,818,218	5%
Pension Services	40,592,310	44,208,200	3,615,890	9%
Healthcare Administration	31,344,300	33,184,500	1,840,200	6%
Administrative Services	26,479,700	24,029,100	(2,450,600)	-9%
Contract Services	3,859,100	4,297,700	438,600	11%
Executive	10,125,925	6,491,500	(3,634,425)	-36%
Financial Services	9,335,845	10,362,500	1,026,655	11%
Information Security Office	4,647,600	5,714,200	1,066,600	23%
Information Technology	63,781,126	84,108,900	20,327,774	32%
Internal Audit	4,820,080	5,365,700	545,620	11%
Legal & Compliance	16,862,655	15,863,400	(999,255)	-6%
Organizational Excellence	12,632,500	13,740,300	1,107,800	9%
TEAM	16,726,020	-	(16,726,020)	-100%
Investment Data Modernization	22,370,517	22,377,300	6,783	0%
Agencywide	6,263,840	11,590,500	5,326,660	85%
Contingency	28,200,600	5,628,800	(22,571,800)	-80%
Total, Program	**$ 417,909,100**	**$ 412,647,800**	**$ (5,261,300)**	**-1%**

FY27 Capital Projects

	FY 2026 Budgeted	FY 2027 Recommended	FY 2026-27 Variance	Variance %
Building Renovations *Funds facility needs to create a secure, productive, and space-efficient workplace.*	5,090,000	1,750,000	(3,340,000)	-66%
IT Infrastructure Upgrades *Funds to develop and maintain premise-based and cloud-based IT infrastructure applications, equipment, technologies, implement the fraud prevention tool and security needs.*	3,000,000	4,300,000	1,300,000	43%
Investment Data Modernization *Improves fiduciary oversight of Trust asset valuation and performance by filling functional and technological gaps within current data structures and systems.*	19,460,100	19,546,000	85,900	0%
Data Center Services *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.*	1,093,000	835,000	(258,000)	-24%
Total Capital Projects	**$ 28,643,100**	**$ 26,431,000**	**$ (2,212,100)**	**-8%**

FY27 Budgeted FTEs

Division	FY 26-27 GAA FTEs	Article IX, 50+		FY27 Healthcare Funded	FY27 Health Agency Support	FY27 HILOB	FY27 Budgeted FTEs
		New AI FTEs	New Member Services, Cybersecurity, & Data Management FTEs				
Pension Services	411.5		2.0		18.0		**431.5**
Health				68.0		8.0	**76.0**
Investment Management	260.0	3.0					**263.0**
Administrative Services	67.8		1.0		7.0		**75.8**
Contract Services	25.0				2.0		**27.0**
Executive	16.5	1.0			3.0		**20.5**
Financial Services	48.0	1.0			3.0		**52.0**
Information Security Office	19.0	3.0	2.0		2.0		**26.0**
Information Technology	203.5	7.0	3.0		11.0	27.0	**251.5**
Internal Audit	17.0				2.0		**19.0**
Legal & Compliance	46.0	1.0			5.0		**52.0**
Organizational Excellence	44.0				2.0		**46.0**
Grand Total	**1,158.3**	**16.0**	**8.0**	**68.0**	**55.0**	**35.0**	**1,340.3**

Key Budget Players

Legislative Budget Board (LBB)

- Adopts a constitutional spending limit
- Prepares a general appropriations bill
- Prepares agency performance reports
- Prepares, fiscal notes identifying the probable costs of proposed legislation and impact statements

Office of the Governor

- Involved in the budget process beginning with strategic planning and ending with budget execution
- Provides overall vision, mission, and philosophy, as well as statewide goals and benchmarks
- Has line-item veto power

Comptroller of Public Accounts (CPA)

- Submits the Biennial Revenue Estimate (BRE)
- Certifies the appropriations bill by determining whether appropriations are within available revenue
- Collects state taxes, tracks revenue and spending funds

State Auditor's Office (SAO)

- Serves as independent auditor of state agencies, including institutions of higher education
- Audits the accuracy of reported performance measures and assesses the related internal controls

Constitutional Spending Limits

Pay-As-You-Go Limit: Requires bills making appropriations be sent to the Comptroller of Public Accounts (CPA) for certification

Limitation on the Growth of Certain Appropriations: Limits the biennial growth of appropriations from state tax revenue not dedicated by the Constitution to the estimated rate of growth of the state's economy (8%)

Welfare Spending Limit: Provides the amount that may be paid out of state funds for assistance grants not exceed 1 percent of the state budget in any biennium

Debt Limit: Limits the authorization of additional state debt, if in any fiscal year, the resulting annual debt service payable from unrestricted GR exceeds 5 percent of the average annual unrestricted GR funds for the previous three years

DATE: July 16, 2026

TO: Budget Committee

THROUGH: Brian Guthrie, Executive Director

FROM: Don Green, Chief Financial Officer

RE: FY27 Administrative Operating Budget, State Retirement and Healthcare Certifications, FY28-29 Legislative Appropriations Request

Item Type: Action, Consent and Informational Items

Executive Summary: At this meeting Staff will bring forward the proposed FY 2027 Administrative Operating Budget totaling $412,647,800 for the Committee and the Board to consider. The FY27 proposed budget includes 24 new FTEs to support AI initiatives, member services, cybersecurity and data management. Staff will also provide an overview of the FY 2028-29 Legislative Appropriations Request (LAR) that is to be submitted before the next board meeting in Sept.

Background : State agencies develop their LAR and submit it in early fall to the Governor's Office of Budget, Planning and Policy (GOBPP), Legislative Budget Board (LBB), State Auditor's Office (SAO) and the Office of the Comptroller (Comptroller) along with other offices. The LBB prepares the general appropriations bill that is filed in each house of the legislature at the beginning of each regular session. Passing this bill is the only required action of the Legislature during session. The general appropriations bill sets the agencies' budget to be implemented over a two-year period.

Proposals for the Board/Committee Consideration – Agenda Item 4:

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. The Pension Trust Fund portion represents approximately 0.17% of the fund's value. The FY27 Administrative Operating Budget is allocated across the following categories:

a. **Administrative Payroll** – Includes 5% estimated payroll growth for existing staff and the recommendation of approval for 24 new FTEs. TRS FTE Authority provided by the legislature in the 2026-27 General Appropriations Act is 1,158.3. Pursuant to Article IX, Section 6.03 of the 2026-27 General Appropriations Act, agencies are permitted to exceed their authorized FTE cap by up to 50 additional FTEs. Pension-funded FTEs increase from 1,158.3 to 1,182.3, funded at $4.0M. The 24 positions break down as follows:

- **16 New FTEs – Artificial Intelligence (AI):** Strategically employ artificial intelligence (AI) technology for the ongoing benefit of TRS members in a secure, efficient and productive way.
- **8 New FTEs – Member Services, Cybersecurity & Data Management:** Strengthening member services through quality assurance, cybersecurity, and data management.

b. **Administrative Operating** – Includes $2.5 million to fund strategic AI technology initiatives, while preserving existing funding levels for facilities management, travel, professional services, and other core operating expenses (rent, utilities, technology, equipment, and staff development).

c. **Capital Projects** – Includes funds carried forward from FY26 to FY27 to fund build-out activities for the relocation of the El Paso Regional Office, the new Regional Office in the Rio Grande Valley area, the final phase of the Investment Data Modernization project, & IT Infrastructure Upgrades.

d. **Contingency** – 1% of the administrative operating budget ($5.6 million) is held in contingency to address unforeseen challenges and pursue in-year opportunities.

FUNDING SOURCE		FY26 BUDGET	FY27 BUDGET	VARIANCE	
Pension Trust Fund		**$ 352,217,100**	**$ 367,598,000**	**$ 15,380,900**	**4%**
Administrative Operations		241,011,100	254,416,000	13,404,900	6%
Capital Projects		28,643,100	26,431,000	(2,212,100)	-8%
Employee Payroll Benefits		42,429,400	44,551,000	2,121,600	5%
Performance Pay Plan		40,133,500	42,200,000	2,066,500	5%
Commission Credits		**$ 5,510,000**	**$ 5,510,000**	**-**	**0%**
Healthcare Trust Funds		**$ 31,981,400**	**$ 33,911,000**	**$ 1,929,600**	**6%**
TRS-Care Admin Operations		26,044,400	27,678,000	1,633,600	6%
TRS-ActiveCare Admin Operations		5,937,000	6,233,000	296,000	5%
Contingency		**$ 28,200,600**	**$ 5,628,800**	**$ (22,571,800)**	**-80%**
Pension Trust Funds - Admin Ops		27,019,600	4,428,800	(22,590,800)	-84%
Healthcare Trust Funds - Admin Ops		1,181,000	1,200,000	19,000	2%
Grand Total		**$ 417,909,100**	**$ 412,647,800**	**$ (5,261,300)**	**-1%**
Budgeted FTEs	Pension Funded FTEs	1,158.3	1,182.3	24.0	2%
	Health Funded FTEs	158.0	158.0	-	0%
	Grand Total	**1,316.3**	**1,340.3**	**24.0**	**2%**

Division	FY27 GAA FTEs	Article IX, 50+		FY27 Healthcare Funded	FY27 Health Agency Support	FY27 HILOB	FY27 Budgeted FTEs
		New AI FTEs	New Member Services, Cybersecurity, & Data Management FTEs				
Pension Services	411.5		2.0		18.0		**431.5**
Health				68.0		8.0	**76.0**
Investment Management	260.0	3.0					**263.0**
Administrative Services	67.8		1.0		7.0		**75.8**
Contract Services	25.0				2.0		**27.0**
Executive	16.5	1.0			3.0		**20.5**
Financial Services	48.0	1.0			3.0		**52.0**
Information Security Office	19.0	3.0	2.0		2.0		**26.0**
Information Technology	203.5	7.0	3.0		11.0	27.0	**251.5**
Internal Audit	17.0				2.0		**19.0**
Legal & Compliance	46.0	1.0			5.0		**52.0**
Organizational Excellence	44.0				2.0		**46.0**
Grand Total	**1,158.3**	**16.0**	**8.0**	**68.0**	**55.0**	**35.0**	**1,340.3**

Proposals for the Board/Committee Consideration – Agenda Item 5:

The statutory certificates are estimated contributions that are sent to the Comptroller, LBB and Office of the Governor. Staff is recommending this item be presented as a consent agenda item.

Informational Item for the Committee – Agenda Item 6:

The FY28-29 Legislative Appropriations Request (LAR) includes state match contributions funded by general revenue, administrative operations funded from the Pension Trust Fund, FTE and capital project appropriations, plus exceptional items, rider changes, and performance-measure updates. Key components of the LAR include:

a. **Administrator's Statement** – Staff provide a status overview of the Pension Trust Fund: staff estimate a 1.0 - 1.5% contribution rate increase is necessary beginning Sept 1, 2027, for the UAAL to be expected to begin decreasing year over year beginning with FY28. TRS-ActiveCare funding and legislative intent to maintain below 10% on average increase in premiums through FY 28/29. Final phase of five-year plan.

b. **State Match Contributions** – Current contribution rates include 8.25% for State and Member Rates, Public Ed Employer Rate at 2.00%, and TRS-Care Rate at 1.25%. Payroll estimates for Public & Higher Education and TRS-Care includes the 2026 actuarial experience study general wage inflation assumption of 2.90%.

   - **The Board is required to certify the following estimated state contributions:**
     1. To the State Comptroller of Public Accounts, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for FY 2027 - $628,488,126.
     2. To the Legislative Budget Board and the Office of the Governor, the estimated amount of state contributions to be received by the retired school employees group health benefit fund for FY 2028 - $643,481,398 and FY 2029 - $662,142,358.

3. To the State Comptroller of Public Accounts, the estimated amount of state contributions to the Pension Trust Fund for FY 2028 - $3,523,774,755 and FY 2029 - $3,625,878,414.

c. **Administrative Operations** – Appropriated by the legislature and funded by the Pension Trust Fund. FY27-29 estimated Administrative Operating Budget excludes fringe benefits paid by the Pension Trust Fund and Performance Pay Plan.

	FY26 Appropriation	FY27 Appropriation	FY28 Legislative Appropriations Request	FY29 Legislative Appropriations Request	Biennial Change	
Public Education	2,762,739,282	2,812,358,773	3,072,595,357	3,161,700,622	659,197,924	12%
Higher Education						
GR, Fund 0001	370,055,272	399,215,628	407,747,647	419,008,771	57,485,518	7%
GR-D, Fund 0770	40,680,322	41,761,299	43,431,751	45,169,021	6,159,151	7%
Higher Education Subtotal	410,735,594	440,976,927	451,179,398	464,177,792	63,644,669	7%
TRS-Care	596,431,827	628,488,126	643,481,398	662,142,358	80,703,803	7%
Grand Total	**$3,769,906,703**	**$3,881,823,826**	**$4,167,256,153**	**$4,288,020,772**	**$ 803,546,396**	**11%**
Administrative Operations	**$ 310,581,300**	**$ 285,275,800**	**$ 292,576,100**	**$ 303,281,100**	**-**	**0%**

PowerPoint Presentation: Yes

TAB 5

DATE: July 16, 2026

TO: **TRS Board of Trustees**

Brian K. Guthrie, Executive Director

Caasi Lamb, Deputy Director

FROM: **Don Green, Chief Financial Officer**

RE: Required State Comptroller Certifications

Annual Certification for Retiree Health Benefits Plan (TRS-Care)

This annual certification provides that before August 31 of each year, the Board must certify to the Comptroller of Public Accounts the estimated amount of state contributions due the Texas Public School Retired Employees Group Insurance Program for the upcoming fiscal year under the appropriations authorized by law. The certification is required under Section 1575.209 of the Insurance Code.

Certification of State Contributions to TRS-Care for FY 2028-2029

Not later than October 31 preceding each regular session of the Legislature, the Board is required to certify to the Legislative Budget Board and the budget division of the Governor's Office the amounts necessary to pay the state contributions for the following biennium to the Texas Public School Retired Employees Group Insurance Trust Fund. The certification is required under Section 1575.208 of the Insurance Code.

Certification of State Contributions to the Pension Fund for FY 2028-2029

Before the 2nd day of November of each even-numbered year, the Board shall certify to the Comptroller of Public Accounts for review and adoption an estimate of the amount necessary to pay the state contributions to the retirement system for the following biennium. The certification is required under Section 825.404 of the Government Code.

These estimates are based on a state contribution rate of 8.25% for FY 2028 and 8.25% for FY 2029 with assumed payroll growth of 2.90% per year derived from long term trending. These estimates include an adjustment for community college enrollment in compliance with Government Code, Section 825.404 (b-1).

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

At its meeting on July 16, 2026, the Board of Trustees of the Teacher Retirement System, voted to certify $628,488,126 as the estimated amount of state contributions to be received by the retired school employees group insurance fund (TRS-Care) for the 2027 fiscal year under the appropriations authorized by Chapter 1575 of the Insurance Code, the Texas Public School Retired Employees Group Benefits Program. This amount is authorized in the General Appropriations Act (Senate Bill 1, 89th Legislature, Regular Session) and is based on 1.25 percent of the salary of each active public school employee.

This estimate of state contributions is required by Section 1575.209 of the Insurance Code.

SIGNED: ______________________________

Robert H. Walls, Jr.
Chairman, Board of Trustees

SIGNED: ______________________________

Brian Guthrie
Executive Director

STATE OF TEXAS	§	
	§	
COUNTY OF TRAVIS	§	

At its meeting on July 16, 2026, the Board of Trustees of the Teacher Retirement System, voted to certify the following estimated amounts as necessary to pay the state's contributions to the retired school employees' group insurance fund for the 2028–2029 biennium:

Fiscal Year 2028	$ 643,481,398
Fiscal Year 2029	$ 662,142,358

These estimates are required by Section 1575.208 of the Insurance Code and are based upon the assumption that covered payroll will grow 2.90 percent per year and that the minimum statutory contribution rate of 1.25 percent will apply to both fiscal year 2028 and fiscal year 2029.

SIGNED: _______________________________

Robert H. Walls, Jr.
Chairman, Board of Trustees

SIGNED: _______________________________

Brian Guthrie
Executive Director

STATE OF TEXAS	§	
	§	
COUNTY OF TRAVIS	§	

At its meeting on July 16, 2026, the Board of Trustees of the Teacher Retirement System, in compliance with Texas Government Code, Section 825.404 (b), voted to certify the following estimated amounts as necessary to pay the state's contributions from General Revenue to the retirement system for the 2028–2029 biennium based on the appropriated contribution rate of 8.25 percent for FY28 and 8.25 percent for FY29 of the aggregate annual compensation of all members of the Teacher Retirement System to be:

Fiscal Year 2028	$ 3,523,774,755
Fiscal Year 2029	$ 3,625,878,414

These amounts are net of estimated funds to be received by the System from employer reporting entities including contributions based on compensation above the statutory minimum, other educational and general income, federal/private funding sources, and new member contributions. These estimates assume a covered payroll growth rate of 2.90 percent for Public Education and Higher Education.

SIGNED: ______________________________

Robert H. Walls, Jr.
Chairman, Board of Trustees

SIGNED: ______________________________

Brian Guthrie
Executive Director