

Suggested GASB 75 OPEB Note Disclosures for Employers Financial Statements for the Fiscal Year Ended August 31, 2026 Measurement Year Ended 8/31/25

(Instructions are provided below in parentheses and should not be included in your note disclosures.)

Summary of Significant Accounting Policies

Other Post-Employment Benefits. (OPEB) The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Note X. Defined Other Post-Employment Benefit Plans

A. Plan Description

The [employer] participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing, defined benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

B. OPEB Plan Fiduciary Net Position

Detail information about TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications> ; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

C. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The 88th Legislature amended the Texas Insurance Code Chapter 1575 via Senate Bill 1854 allowing TRS to offer coverage for dental and vision care to retirees. In accordance with Chapter 1575.1601, TRS established the TRS-Care Dental and TRS-Care Vision plans. TRS-Care Dental and TRS-Care Vision are optional plans that are available to retirees who are eligible for TRS-Care. This includes their dependents, surviving spouses, and surviving dependent children. Retirees do not have to be enrolled in TRS-Care

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medical and pharmacy plans to be eligible for TRS-Care Dental and TRS-Care Vision. The first enrollment period for the plans began in October 2024 and coverage started in January 2025.

The General Appropriations Act passed by the 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$381,400,000 as of August 31, 2025.

The premium rates for retirees are reflected in the following table.

Retiree Type	Medicare	Non-Medicare	TRS-Care Dental	TRS-Care Vision
Retiree or Surviving Spouse	\$ 75	\$ 200	\$ 41.64	\$ 6.89
Retiree and Spouse	280	689	83.29	13.79
Retiree or Surviving Spouse and Children	408	408	87.45	15.57
Retiree and Family	613	999	129.93	24.08

D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions; and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS Board does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	<u>2025</u>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding remitted by Employers	1.25%
Employer # XXXX - 2025 Employer Contributions	\$xxx,xxx,xxx

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Employer # XXXX - 2025 Member Contributions	\$xxx,xxx,xxx
Employer # XXXX - 2025 NECE On-behalf Contributions	\$xxx,xxx,xxx

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS-Care OPEB program*). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2024. Update procedures were used to roll forward the total OPEB liability to August 31, 2025. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2025 TRS ACFR, Note 9, page 81.*

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2024 TRS pension actuarial valuation that was rolled forward to August 31, 2025:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2024 rolled forward to August 31, 2025
Actuarial Cost Method	xxx
Inflation	x.x%
Single Discount Rate	x.x%
Aging Factors	xxx
Expenses	xxx
Projected Salary Increases	x.x% to x.x%
Healthcare Trend Rates	x.x% to x.x%
Election Rates	xx %

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Ad hoc post-employment benefit changes

Other Information:

(Other information you may want to include in your note disclosure is listed in the TRS 2025 ACFR on pages 81 and 82)

Discount Rate

A single discount rate of 5.23 percent was used to measure the total OPEB liability. This was an increase of 1.36 percent in the discount rate since the previous year. The Discount Rate can be found in the 2025 TRS ACFR on page 82.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2025, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

F. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (x%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (4.23%)	Current Single Discount Rate (5.23%)	1% Increase in Discount Rate (6.23%)
[Entity's] proportionate share of the net OPEB liability:	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx

G. Healthcare Trend Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
[Entity's] proportionate share of the net OPEB liability:	\$xxx,xxx	\$xxx,xxx	\$xxx,xxx

H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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On August 31, 2025, the [employer] reported a liability of \$_____ for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the [employer]. The amount recognized by the [employer] as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the [employer] were as follows:

[Employer's] Proportionate share of the collective net OPEB liability	\$xxx,xxx
State's proportionate share that is associated with [employer]	<u>\$xxx,xxx</u>
Total	<u>\$xxx,xxx</u>

The net OPEB liability was measured as of August 31, 2024 and rolled forward to August 31, 2025 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2024 thru August 31, 2025.

On August 31, 2025, the employer's proportion of the collective net OPEB liability was xx.x% which was an increase (decrease) of x.xx% from its proportion measured as of August 31, 2024.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period: *These can be found in the 2025 TRS ACFR on page 82*

- The single discount rate changed from 3.87 percent as of August 31, 2024 to 5.23 percent as of August 31, 2025
- The salary increase rates were revised to match those used in the pension valuation, and the health care trend rates were reset to reflect the plan's anticipated experience.

Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by (Employer) in the reporting period was \$ xxx,xxx.

For the year ended August 31, 2025, the [employer] recognized OPEB expense of \$_____ and revenue of \$_____ for support provided by the State. (Refer to the 2025 Allocation (Schedule) of Non-Employer Contributing Entity On-Behalf Payments (Contributions) for this information posted on the TRS website under GASB Statements 74 & 75.)

On August 31, 2025, the [employer] reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources: (The amounts

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shown below will be the cumulative layers for the current and prior years combined.) *The current year amounts can be found on the GASB 75 Plan Level Schedule of Deferred Inflows and Outflows file, collective plan totals (future amortization) in columns G and H.*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Economic Experience	\$xxx,xxx	\$xxx,xxx
Changes in Actuarial Assumptions	xxx,xxx	xxx,xxx
Difference between Projected and Actual Investment Earnings	xxx,xxx	xxx,xxx
Changes in Proportion and Difference between Employer Contributions and Proportionate Share of Contributions	xxx,xxx	xxx,xxx
Contributions paid to TRS subsequent to the measurement date of the net OPEB liability [to be calculated by employer]	xxx,xxx	
Total	\$xxx,xxx	\$xxx,xxx

The [employer] recognized \$_____ as deferred outflows of resources related to OPEB resulting from [employer] contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year ended August 31	OPEB Expense Amount
2026	\$xx,xxx
2027	xx,xxx
2028	xx,xxx
2029	xx,xxx
2030	xx,xxx
Thereafter	xx,xxx