Board of Trustees, Teacher Retirement System of Texas
Pension Funding Policy
Date: September 18, 2026
Interpretation Contact: Executive Director

Purpose

To formalize a funding policy, including a detailed plan that will systematically decrease the Unfunded Actuarial Accrued Liability (UAAL) over time in order to achieve a funded ratio of the system that is equal to or greater than 100 percent.

References

- Tex. Gov't Code § 821.001 [Definitions]
- Tex. Gov't Code § 821.006, [Action Increasing Amortization Period]
- Tex. Gov't Code § 821.008 [Purpose of Retirement System]
- Tex. Gov't Code § 825.108 [Reports]
- Tex. Gov't Code § 825.206 [Actuary]
- Tex. Gov't Code § 802.2011 [Funding Policy]
- Tex. Gov't Code § 825.402 [Rate of Member Contributions]
- Tex. Gov't Code § 825.4035 [Employer Contributions for Certain Employed Members]
- Tex. Gov't Code § 825.404 [Collection of State Contributions]

Definitions

Actuarial Value of Assets: A smoothed value of the System's fair market assets on the valuation date, used for long term decision making.

Actuarial Liability: The target value of assets that would be needed in the trust as of the valuation date to be able to fully fund benefits based on past service.

Unfunded Actuarial Accrued Liability (UAAL): Any amount of the Actuarial Liability not covered by the Actuarial Value of Assets (positive difference between the two numbers).

Funded Ratio: The ratio of the Actuarial Liability currently covered by the Actuarial Value of Assets.

Benefit Enhancement: A monetary benefit that is provided to retirees, such as a cost-of-living adjustment (COLA) or one-time supplemental payment.

	Board of Trustees means the Board of Trustees of the Teacher Retirement System of Texas as defined by Tex. Gov't Code § 821.001(5).
Policy	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.
Funding Policy Measurements	

Actuarial Valuation

The Board of Trustees will conduct and publish an actuarial valuation of the system's assets and liabilities as of August 31 of each year.

Mid-Year Valuation

The Board of Trustees will conduct and make public a limited actuarial valuation of the assets and liabilities of the retirement system as of February 28 in those years when the Texas Legislature meets in regular session;

Unfunded Actuarial Accrued Liability (UAAL)

Both the actuarial valuation and the mid-year valuation will include a calculation of the extent to which the system's liabilities are unfunded as provided in Tex. Gov't Code § 825.108(b). The Board will annually assess the trend of the UAAL as part of every valuation.

Achieving the Stated Funding Objective of at Least 100% Funded

Actuarial Valuation

The Board of Trustees will conduct and publish an actuarial valuation of the system's assets and liabilities as of August 31 of each year.

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 the following detailed plan for achieving the funding objective:

Contribution Stability and Predictability – The contribution rates for the state, public education employer, and member are prescribed in Tex. Gov't Code § 825.402, 825.4035, and 825.404. Eliminating the UAAL is predicated on the contribution increases being funded as set forth in statute. Therefore, the Board does not support legislative action that would reduce or fail to fund the statutory contribution rates.

Legislative Appropriation Request (LAR) of Contribution Rates – In advance of the legislative session, TRS prepares a LAR with the requested contribution rate. The Executive Director, in consultation with the TRS Board of Trustees, will use the most recent odd-numbered year actuarial valuation available during development of the LAR to determine the appropriate contribution rate to request. If the valuation projects that the UAAL will not begin to decline by the fifth year following the valuation, then TRS will request contribution rate increases sufficient to begin to reduce the UAAL in the even-numbered fiscal year following the legislative session.

Benefit Enhancements – The Board recognizes that there may be alternative methods of financing benefit enhancements and will evaluate any proposal for consistency with the goal of a declining UAAL and pursuant to Tex. Gov't Code § 821.006.

Actuarial Assumptions and Methods

- The external actuary of TRS will use the assumptions and methods approved by the Board in making the annual calculation of the UAAL, including the smoothed value of assets as of the valuation date.

- The assumptions and methods will be reviewed at least once every four years in an Experience Study, with the next one scheduled to follow the August 31, 2029 actuarial valuation.