

Exhibit I**Statement of Fiduciary Net Position****Fiduciary Funds**

As of August 31, 2024 (With Comparative Data as of August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Assets		
Cash		
Cash in State Treasury	\$ 523,981,316	\$ 4,467,596,634
Cash in Bank (Note 3B)	72,111,154	
Cash on Hand (Note 3B)	3,937,969	
Total Cash	\$ 600,030,439	\$ 4,467,596,634
Receivables		
Sale of Investments	\$ 8,078,239,641	\$
Interest and Dividends	463,421,335	18,796,400
Member and Retiree	869,597	
Service Credit Purchase	12,776,967	2,912
Due from Employers	617,780,131	46,249,236
Due from State's General Fund	127,523,053	61,964,612
Due from Employees Retirement System of Texas	2,877,708	
Other Receivables	5,474,058	389,873,018
Total Receivables	\$ 9,308,962,490	\$ 516,886,178
Investments (Note 3)		
Short-Term Investments	\$ 9,209,814,617	\$
Equity Investments	\$ 52,506,356,349	\$
Fixed Income Investments	32,697,849,428	
Alternative Investments	110,716,527,278	
Derivative Investments	378,807,647	
Pooled Investments	22,026,382,193	
Total Investments	\$ 227,535,737,512	\$ —
Invested Securities Lending Collateral	\$ 5,276,749,145	\$ —
Prepaid Expenses and Deposits	\$ 409,816	\$ —
Capital Assets (Note 2)		
Intangible Assets	\$ 65,910,412	\$ 13,028,366
Right to Use Assets	35,098,813	
Less Accumulated Amortization	(80,929,952)	(8,034,159)
Depreciable Assets	20,533,097	
Less Accumulated Depreciation	(17,762,580)	
Non-Depreciable Assets	344,406,464	
Total Capital Assets	\$ 367,256,254	\$ 4,994,207
Total Assets	\$ 243,089,145,656	\$ 4,989,477,019

(Continued)

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 4,991,577,950	\$ 4,050,041,485		\$ 9,431
72,111,154	89,799,630		
3,937,969	3,504,732		
\$ 5,067,627,073	\$ 4,143,345,847		\$ 9,431
\$ 8,078,239,641	\$ 2,836,619,259		
482,217,735	418,874,178		
869,597	2,367,570		
12,779,879	15,402,869		
664,029,367	591,098,842		
189,487,665	56,347,234		
2,877,708	2,729,453		
395,347,076	337,427,045		
\$ 9,825,848,668	\$ 4,260,866,450		\$ —
\$ 9,209,814,617	\$ 9,681,597,696		
52,506,356,349	45,778,659,456		
32,697,849,428	27,444,070,364		
110,716,527,278	103,361,824,061		
378,807,647	247,309,645		
22,026,382,193	16,782,940,493		
\$ 227,535,737,512	\$ 203,296,401,715		\$ —
\$ 5,276,749,145	\$ 5,675,098,936		\$ —
\$ 409,816	\$ 344,488		\$ —
\$ 78,938,778	\$ 78,938,778		
35,098,813	28,975,264		
(88,964,111)	(74,689,876)		
20,533,097	19,810,590		
(17,762,580)	(16,693,699)		
344,406,464	162,001,141		
\$ 372,250,461	\$ 198,342,198		\$ —
\$ 248,078,622,675	\$ 217,574,399,634		\$ 9,431

Exhibit I**Statement of Fiduciary Net Position****Fiduciary Funds**

As of August 31, 2024 (With Comparative Data as of August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Deferred Outflow of Resources		
Related to Participation in ERS' OPEB Plan (Note 10K)	\$ 54,604,892	\$ —
Total Deferred Outflow of Resources	\$ 54,604,892	\$ —
Liabilities		
Accounts Payable	\$ 84,194,794	\$ 3,902,049
Payroll Payable	13,963,424	1,430,072
Investment Fees Payable	16,698,434	
Benefits Payable	340,677,143	
Health Care Claims Payable		126,697,616
Fees Payable		8,129,888
Net Other Post-Employment Benefits Liability (Note 10F)	108,783,871	
Investment Purchased Payable	1,572,530,503	
Securities Sold Short	4,936,316,660	
Obligations Under Reverse Repurchase Agreements	20,005,277,339	
Collateral Obligations	5,348,701,331	
Due to State's General Fund	66,546,478	30,982,306
Due to Employees Retirement System of Texas	10,707,836	
Due to Office of Governor		
Employee Compensable Absences Payable (Note 4)	19,215,525	1,688,777
Right to Use Obligations (Note 5)	7,867,054	
Other Liabilities	144,564	
Funds Held for Others	(37,573)	
Total Liabilities	\$ 32,531,587,383	\$ 172,830,708
Deferred Inflow of Resources		
Related to Participation in ERS' OPEB Plan (Note 10K)	\$ 36,852,044	\$ —
Gain on Sale - Red River (Note 5)	32,052,626	
Total Deferred Inflow of Resources	\$ 68,904,670	\$ —
Net Position		
Net Investment in Capital Assets	\$ 359,389,200	\$ 4,994,207
Restricted for Pensions	210,183,869,295	
Restricted for Other Post-Employment Benefits		4,458,252,104
Restricted for OPEB - 60 Day Contingency		353,400,000
Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 210,543,258,495	\$ 4,816,646,311

See accompanying Notes to the Financial Statements.

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 54,604,892	\$ 50,173,422		
\$ 54,604,892	\$ 50,173,422		—
\$ 88,096,843	\$ 79,394,231		
15,393,496	25,282,648		
16,698,434	33,567,038		
340,677,143	317,818,243		
126,697,616	178,457,357		
8,129,888	8,123,056		
108,783,871	104,206,608		
1,572,530,503	751,039,668		
4,936,316,660	2,614,427,700		
20,005,277,339	16,475,945,908		
5,348,701,331	5,786,408,584		
97,528,784	30,488,870		
10,707,836	41,109,093		
20,904,302	19,104,670		
7,867,054	9,560,241		
144,564	157,110		
(37,573)	(67,300)		9,431
\$ 32,704,418,091	\$ 26,475,023,725		\$ 9,431
\$ 36,852,044	\$ 34,218,126		
32,052,626	55,030,444		
\$ 68,904,670	\$ 89,248,570		—
\$ 364,383,407	\$ 188,781,957		
210,183,869,295	186,989,353,481		
4,458,252,104	3,546,165,323		
353,400,000	336,000,000		
\$ 215,359,904,806	\$ 191,060,300,761		

Exhibit II**Statement of Changes in Fiduciary Net Position****Fiduciary Funds**

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Additions		
Contributions		
Member (Notes 9, 11)	\$ 4,921,798,309	\$ 290,204,743
Non-Employer Contributing Entity - State (Notes 9, 11)	2,483,580,868	505,172,755
Employer (Notes 9, 11)		
Employer	2,113,219,285	334,851,497
State - Higher Education	313,657,649	
Employer - Paid at State Rate		52,913,289
Employer Surcharges (Notes 9, 11)		
Employment after Retirement - Employee Rate	28,966,289	
Employment after Retirement - Employer Rate	28,966,289	16,318,100
Public Education Employers	666,516,787	
Service Credit Purchase - Refundable	27,045,770	
Service Credit Purchase - Non-Refundable	20,987,761	
State Contributions for 415 Excess Benefit Arrangement	4,334,908	
Employees Retirement System of Texas		
Service Contributions	33,284,703	
415 Excess Benefit Arrangement	26,806	
Total Contributions	\$ 10,642,385,424	\$ 1,199,460,384
Net Investment Income		
Investment Income (Loss)	\$ 24,962,673,167	\$ 202,197,474
Less: Investing Activity Expenses (Schedule 1)	(1,188,815,570)	
Total Investment Income (Loss)	\$ 23,773,857,597	\$ 202,197,474
Securities Lending Income (Loss)	\$ 396,465,572	\$
Less: Securities Lending Expenses	(380,880,720)	
Total Securities Income (Loss)	\$ 15,584,852	\$
Total Net Investment Income	\$ 23,789,442,449	\$ 202,197,474
Other Additions		
Federal Revenue (Note 6)	\$	\$ 221,928,259
Rebate and Discount Income		645,294,092
Supplemental Funding - Appropriations	5,000,000,000	
Miscellaneous Revenue	1,158,272	15,132,300
Gain on Capital Assets	27,156,818	
Funds Received for Others		
Total Other Additions	\$ 5,028,315,090	\$ 882,354,651
Total Additions	\$ 39,460,142,963	\$ 2,284,012,509

(Continued)

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 5,212,003,052	\$ 4,769,986,561	\$	\$
2,988,753,623	2,753,765,920		
2,448,070,782	2,254,859,893		
313,657,649	267,636,271		
52,913,289	59,248,095		
28,966,289	23,555,279		
45,284,389	38,103,623		
666,516,787	610,418,144		
27,045,770	28,578,706		
20,987,761	25,351,789		
4,334,908	4,703,369		
33,284,703	32,274,517		
26,806	46,533		
\$ 11,841,845,808	\$ 10,868,528,700	\$	—
\$ 25,164,870,641	\$ 7,836,654,527	\$	\$
(1,188,815,570)	(843,963,417)		
\$ 23,976,055,071	\$ 6,992,691,110		
\$ 396,465,572	\$ 324,996,043	\$	\$
(380,880,720)	(301,655,066)		
\$ 15,584,852	\$ 23,340,977		
\$ 23,991,639,923	\$ 7,016,032,087	\$	—
\$ 221,928,259	\$ 188,172,734	\$	\$
645,294,092	578,020,367		
5,000,000,000	21,285,114		
16,290,572	41,278,091		
27,156,818	46,564,222		
			90,485
\$ 5,910,669,741	\$ 875,320,528	\$	90,485
\$ 41,744,155,472	\$ 18,759,881,315	\$	90,485

Exhibit II**Statement of Changes in Fiduciary Net Position****Fiduciary Funds**

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Pension and Other Post-Employment Benefits (OPEB) Trust Funds	
	Pension Trust Fund	TRS-Care
Deductions		
Benefits	\$ 15,114,584,479	\$
Refunds of Contributions - Active	734,052,938	
Refunds of Contributions - Death	10,430,901	
415 Excess Benefit Arrangement	4,170,171	
Benefits Paid to Employees Retirement System of Texas		
Service Contributions	125,188,573	
415 Excess Benefit Arrangement	191,542	
Other Post-Employment Benefits Expense (Note 10K)	14,084,381	
Health Care Claims		1,898,949,514
Less: Health Care Premiums Paid by Retirees (Note 1)		(583,752,411)
Health Care Claims Processing		18,588,327
Insurance Premium Payments		5,051
Affordable Care Act Fees		209,058
Funds Paid to Others		
Administrative Expenses, Excluding Investing Activity Expenses		
Salaries and Wages	49,526,875	11,482,468
Payroll Related Costs	2,039,478	1,609,154
Professional Fees and Services	3,688,324	2,510,535
Travel	296,092	85,518
Materials and Supplies	4,282,620	1,370,908
Communications and Utilities	1,241,199	97,112
Repairs and Maintenance	5,578,836	412,762
Rentals and Leases	2,817,151	192,135
Printing and Reproduction	17,206	(2,390)
Depreciation Expense	1,045,737	
Amortization Expense	8,822,472	2,605,673
Other Expenses	5,361,051	2,767,987
Total Deductions	\$ 16,087,420,026	\$ 1,357,131,401
Net Increase (Decrease) in Net Position	\$ 23,372,722,937	\$ 926,881,108
Beginning Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 187,170,535,558	\$ 3,889,765,203
Prior Period Adjustments		
Beginning Net Position, as Restated	\$ 187,170,535,558	\$ 3,889,765,203
Ending Net Position Restricted for Pensions and Other Post-Employment Benefits	\$ 210,543,258,495	\$ 4,816,646,311

See accompanying Notes to the Financial Statements.

Total Pension and Other Post-Employment Benefits (OPEB) Trust Funds		Custodial Funds	
2024	2023	Child Support Employee Deductions	
\$ 15,114,584,479	\$ 12,740,413,069		
734,052,938	696,523,162		
10,430,901	11,293,669		
4,170,171	4,503,031		
125,188,573	121,685,000		
191,542	246,871		
14,084,381	12,241,646		
1,898,949,514	1,781,336,522		
(583,752,411)	(502,154,458)		
18,588,327	29,614,524		
5,051	5,051		
209,058	201,264		
			90,485
61,009,343	61,188,697		
3,648,632	4,256,605		
6,198,859	6,279,262		
381,610	322,820		
5,653,528	5,827,838		
1,338,311	764,972		
5,991,598	6,065,748		
3,009,286	2,217,143		
14,816	217,753		
1,045,737	1,128,943		
11,428,145	11,001,225		
8,129,038	8,716,248		
\$ 17,444,551,427	\$ 15,003,896,605	\$	90,485
\$ 24,299,604,045	\$ 3,755,984,710	\$	—
\$ 191,060,300,761	\$ 187,303,554,414		
	761,637		
191,060,300,761	187,304,316,051		
\$ 215,359,904,806	\$ 191,060,300,761		

Exhibit III**Statement of Net Position****Proprietary Funds**

As of August 31, 2024 (With Comparative Data as of August 31, 2023)

	Enterprise Funds-Major	
	TRS-ActiveCare	
	2024	2023
Assets		
Current Assets		
Cash		
Cash In State Treasury	\$ 832,714,429	\$ 474,316,944
Total Cash	\$ 832,714,429	\$ 474,316,944
Receivables		
Interest	\$ 3,824,856	\$ 2,225,082
Rebate and Discount Income	170,129,104	123,489,390
Total Receivables	\$ 174,046,093	\$ 125,714,472
Total Assets	\$ 1,006,760,522	\$ 600,031,416
Liabilities		
Current Liabilities		
Accounts Payable	\$ 619,064	\$ 683,441
Payroll Payable	227,809	431,558
Fees Payable	1,260,568	1,210,996
Health Care Claims Payable (Note 12)	315,861,067	313,322,761
Employee Compensable Absences Payable (Note 4)	189,280	160,195
Total Current Liabilities	\$ 318,157,788	\$ 315,808,951
Non-Current Liabilities		
Employee Compensable Absences Payable (Note 4)	\$ 125,925	\$ 103,672
Total Non-Current Liabilities	\$ 125,925	\$ 103,672
Total Liabilities	\$ 318,283,713	\$ 315,912,623
Deferred Inflow of Resources		
Deferred Revenue - School Districts	\$	\$ 281,828
Total Deferred Inflow of Resources	\$ —	\$ 281,828
Net Position		
Restricted for Health Care Programs	\$ 688,476,809	\$ 283,836,965
Total Net Position	\$ 688,476,809	\$ 283,836,965

See accompanying Notes to the Financial Statements.

Exhibit IV**Statement of Revenues, Expenses, and Changes in Net Position****Proprietary Funds**

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Enterprise Funds-Major TRS-ActiveCare	
	2024	2023
Operating Revenues		
Health Care Premiums	\$ 1,907,469,935	\$ 1,830,920,436
Rebate and Discount Income	289,318,116	227,883,761
Total Operating Revenues	\$ 2,196,788,051	\$ 2,058,804,197
Operating Expenses		
Health Care Claims (Note 12)	\$ 2,276,218,388	\$ 2,192,774,626
Health Care Claims Processing (Note 12)	75,272,131	67,402,400
Premium Payments to HMOs	72,524,931	83,782,801
Affordable Care Act Fees	1,131,855	1,112,036
Administrative Expenses		
Salaries and Wages	2,450,384	2,287,348
Payroll Related Costs	279,111	242,939
Professional Fees and Services	299,168	2,183,352
Travel	65,805	38,841
Materials and Supplies	43,877	32,680
Communications and Utilities	60,293	33,133
Repairs and Maintenance	92,762	131,766
Rentals and Leases	2,487	844
Other Expenses	425,785	223,762
Total Operating Expenses	\$ 2,428,867,055	\$ 2,350,246,528
Operating Income (Loss)	\$ (232,079,004)	\$ (291,442,331)
Non-Operating Revenues		
Supplemental Funding - Appropriations	\$ 588,518,000	\$
Investment Income	48,200,848	27,739,321
Total Non-Operating Revenues	\$ 636,718,848	\$ 27,739,321
Change in Net Position	\$ 404,639,844	\$ (263,703,010)
Beginning Net Position	\$ 283,836,965	\$ 547,539,975
Ending Net Position	\$ 688,476,809	\$ 283,836,965

See accompanying Notes to the Financial Statements.

Exhibit V**Statement of Cash Flows****Proprietary Funds**

For the Fiscal Year Ended August 31, 2024 (With Comparative Data for August 31, 2023)

	Enterprise Funds-Major TRS-ActiveCare	
	2024	2023
Cash Flows from Operating Activities		
Receipts from Health Care Premiums	\$ 1,907,095,974	\$ 1,830,694,485
Receipts from Rebate and Discount Income	242,678,402	188,789,034
Payments for Administrative Expenses	(3,936,538)	(4,530,413)
Payments for Health Care Claims	(2,273,680,082)	(2,159,860,051)
Payments for Health Care Claims Processing	(75,272,131)	(67,402,400)
Payments for HMO Premiums	(72,524,931)	(83,782,801)
Payments for Affordable Care Act Fees	(1,082,283)	(1,025,540)
Net Cash Provided (Used) by Operating Activities	\$ (276,721,589)	\$ (297,117,686)
Cash Flows from Non-Capital Financing Activities		
Proceeds from Other Non-Operating Revenues	\$ 588,518,000	\$ —
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ 588,518,000	\$ —
Cash Flows from Investing Activities		
Interest Received	\$ 46,601,074	\$ 26,563,993
Net Cash Provided (Used) by Investing Activities	\$ 46,601,074	\$ 26,563,993
Net Increase (Decrease) in Cash	\$ 358,397,485	\$ (270,553,693)
Beginning Cash and Cash Equivalents	\$ 474,316,944	\$ 744,870,637
Ending Cash and Cash Equivalents	\$ 832,714,429	\$ 474,316,944
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (232,079,004)	\$ (291,442,331)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Changes in Assets & Liabilities		
(Increase) Decrease in Health Care Premium Receivables	\$ (373,961)	\$ (225,951)
(Increase) Decrease in Rebate and Discount Income	(46,639,714)	(39,094,727)
Increase (Decrease) in Health Care Claims Payable	2,538,306	32,914,575
Increase (Decrease) in Affordable Care Act Fees Payable	49,572	86,496
Increase (Decrease) in Accounts Payable	(64,377)	394,497
Increase (Decrease) in Payroll Payable	(203,749)	222,720
Increase (Decrease) in Employee Compensable Absences Payable	51,338	27,035
Total Adjustments	\$ (44,642,585)	\$ (5,675,355)
Net Cash Provided (Used) by Operating Activities	\$ (276,721,589)	\$ (297,117,686)

See accompanying Notes to the Financial Statements.

Exhibit B**Investment Performance****Annualized Time-Weighted Total Returns**

As of August 31, 2024

Asset Class	Returns (A)			
	1 Year %	3 Years %	5 Years %	10 Years %
Global Equity				
USA	29.60	9.52	15.13	11.47
Non-US Developed	22.66	4.81	9.33	5.92
Emerging Markets	19.91	(1.24)	6.47	3.96
Private Equity	7.27	3.89	13.16	12.12
Total Global Equity	19.07	4.99	11.77	8.80
Stable Value				
Government Bonds	1.69	(11.71)	(6.41)	0.26
Absolute Return	16.19	8.44	9.08	7.61
Stable Value Hedge Funds	11.10	8.17	8.11	6.34
Total Stable Value	5.99	(4.56)	(0.89)	2.90
Real Return				
Real Estate	(3.90)	4.81	6.51	8.84
Energy, Natural Resources & Infrastructure	14.41	13.76	9.25	N/A
Commodities	(2.75)	3.10	6.92	(5.04)
Total Real Return	1.48	7.42	7.33	7.69
Total Risk Parity	13.69	(2.15)	2.30	3.66
Investment Exposure	12.01	2.71	7.48	N/A
Asset Allocation Leverage				
Asset Allocation Leverage	N/A	N/A	N/A	N/A
Cash	6.64	4.52	3.05	2.65
Total Net Asset Allocation Leverage	N/A	N/A	N/A	N/A
Total Fund	12.83	3.01	7.94	7.24
(A) All returns were calculated by the Custodian and are net of fees. Any blanks in the table are due to a new asset class that was not established over the entire timeframe.				
(B) The rate of return for other TRS funds is 5.31%.				



November 21, 2023

Board of Trustees
Teacher Retirement System of Texas
1000 Red River Street
Austin, TX 78701-2698

Subject: Actuary's Certification of the Actuarial Valuation as of August 31, 2023

We certify that the information included herein and contained in the 2023 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) Pension Fund (Fund) as of August 31, 2023. This report was prepared at the request of the Board of Trustees (Board) and is intended for use by the TRS staff and those designated or approved by the Board. This report may be provided to parties other than TRS staff only in its entirety and only with the permission of the Board.

All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, the results presented comply with the requirements of the Texas statutes and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The undersigned are independent actuaries. Mr. Newton is an Enrolled Actuary, a member of the American Academy of Actuaries and is qualified to give a Statement of Opinion. All are experienced in performing valuations for large public retirement systems.

ACTUARIAL VALUATIONS

The primary purpose of the valuation report is to determine the adequacy of the statutory contribution rates through measuring the resulting funding period, to describe the current financial condition of the Fund, and to analyze changes in the Fund's condition. In addition, the report provides various summaries of the data. This report may not be appropriate for other purposes. The information required by the Fund in connection with Governmental Accounting Standards Board Statement No. 67 (GASB No. 67) will be provided under separate cover. Valuations are prepared annually, as of August 31 of each year, the last day of the Fund's plan and fiscal year.

FINANCING OBJECTIVE OF THE PLAN

The employee, employer, and State contribution rates are established by State law that, over time, are intended to remain level as a percent of payroll and provide assets to cover benefits when due. The

assessment of the current contribution rates performed in this actuarial valuation are intended to ensure they provide for the normal cost plus fully amortizing the unfunded actuarial accrued liability (UAAL) over a reasonable time.

The 2019 Legislature increased contribution rates for the State, employers, and the members in a phased-in schedule that will end in Fiscal Year 2025. The State's base rate of 8.00% in Fiscal Year 2023 will become 8.25% by Fiscal Year 2024. In addition, covered public education employers contributed 1.80% of salary (capped at the minimum salary schedule) in Fiscal Year 2023 and this will increase to 1.90% in Fiscal Year 2024 and 2.00% in Fiscal Year 2025. These employer contributions are assumed to be approximately 1.21% of total payroll at the end of the phase-in. Combined, these contributions are ultimately assumed to approximate 9.46% of total payroll. Over the same period, the member contribution rate has increased from 7.70% to the current 8.00% and will increase to 8.25% in Fiscal Year 2024. In addition to these contributions, there are contributions made on behalf of members who are receiving a pension but who have also returned to work. These contributions are assumed to be approximately 0.08% of total payroll. As a result, for Fiscal Year 2025 and thereafter, the Fund is expected to receive a total contribution rate of 17.79% of pay. All funding calculations in this report assume the rate will remain at that level thereafter.

In 2019, the Board adopted a funding policy per Texas Government Code Sec. 802.2011. In it, the Board states that a *"declining UAAL over time will be evidence that contribution and benefit policies are being implemented consistent with Tex. Gov't Code § 802.2011."* In addition, *"after the phase-in of contributions in SB 12, if at any time the annual valuation of TRS does not project the UAAL to begin to decline in the next 5 years, the LAR request for TRS will include an increase in contribution rates so that the UAAL would be projected to begin to decline the year following the legislative session."* Thus, this valuation is also assessing whether the UAAL is decreasing, or if it is not decreasing, how soon before it is expected to begin to do so.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVE

Based on this actuarial valuation as of August 31, 2023, the Fund's UAAL has increased to \$57.9 billion compared to \$51.7 billion as of August 31, 2022. The primary reason for the increase was continued recognition of the investment performance for Fiscal Year 2022 which produced a loss on the actuarial value of assets of \$3.7 billion. In addition, there was an approximate \$2 billion loss on the liability side associated with higher-than-expected salary increases for continuing active employees, which appear to be primarily driven from federal grants and recent inflation.

The total contribution rate pattern discussed above is sufficient to pay this normal cost and amortize the current UAAL of the Fund over a period of 29 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the Statute are expected to be met (assuming all assumptions are realized).

However, based on the contribution schedule established in 2019, the UAAL was anticipated to grow in nominal dollars through 2028 before beginning to decline annually after that. As of 2023, the UAAL is \$3.7 billion greater than originally projected in the 2019 Legislative impact statement for SB12 and is currently expected to peak in 2031. This difference is mainly due to the change in the assumed investment return in 2021, but also due to the cumulative impact of other adverse experience, notably salary increases being higher than expected. Thus, at this time the UAAL is not expected to begin to decrease in the next five years. Per the Board's policy, a contribution rate increase of 0.93% of payroll is necessary beginning in Fiscal Year 2025 for the UAAL to be expected to begin decreasing. Alternatively, a legacy payment structure, similar to the one passed in HB 600 in the 88th Legislative Session, would also be expected to move the UAAL towards full amortization, although it would take longer than five years before the UAAL would begin to decline.

The actuarial valuation report as of August 31, 2023 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 77.5%, decreasing from 79.0% last year. The funded status is one of many metrics used to show trends and develop future expectations about the health of the Fund. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

Please note these expectations are based on the current benefit provisions, assumptions, contribution rates and a level active population. Any additional benefit enhancements (ad hoc Cost of Living Adjustments or "COLAs") granted without additional funding would increase the ultimate UAAL and extend the funding period before the funding status begins to improve. Thus, we continue to advise against any future benefit enhancements without additional sources of funding that cover the cost of the enhancement.

PLAN PROVISIONS

The plan provisions used in the actuarial valuation are described in Appendix 1 of the valuation report. Except as noted below, there have been no changes to the ongoing benefit provisions of the Fund since the prior valuation.

The 88th Texas Legislature (2023) passed two benefit enhancements for retired public education employees. The first was a one-time stipend to be paid in the fall of 2023. The legislation also provided for a one-time contribution expected to equal to the total amount of the stipend. The second enhancement is an ad hoc COLA which would permanently increase the benefits of certain retirees. However, this benefit increase was contingent upon an amendment to the Texas Constitution. The election for this amendment took place in November of 2023. With the passage of the constitutional amendment, the COLA will now be paid to the retirees but an additional contribution equal to the present value of the COLA will be made from the State's general fund in Fiscal Year 2024. Since both benefit enhancements and the one-time contributions to pay for them will occur after the valuation date (and because the one-time contributions offset the additional

liabilities of the benefit increases), they are not reflected in the valuation results and are not expected to impact future results.

DISCLOSURE OF PENSION INFORMATION

Beginning with Fiscal Year 2014, the Fund began reporting financial information in accordance with GASB Statement No. 67. The disclosure information for GASB No. 67 is provided in a separate report and is not contained herein.

This report should not be relied on for any purpose other than the purpose described above. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

ACTUARIAL METHODS AND ASSUMPTIONS

The actuarial methods and assumptions have been selected by the Board based upon our analysis and recommendations. These assumptions and methods are detailed in Appendix 2 of this valuation report. The Board has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are primarily based on a study of actual experience for the period ending August 31, 2021 and adopted on July 15, 2022. The most notable change was a reduction in the assumed invested return from 7.25% to 7.00%. Please see our experience study report dated July 15, 2022 for more information on the rationale for the current assumptions. In our opinion, the actuarial assumptions and methods used in this funding valuation meet the parameters set by the Actuarial Standards of Practice (ASOP) issued by the Actuarial Standards Board (ASB) for such purposes.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. To illustrate this point, on page 9 of this report we have shown illustrative results based on future investment experience deviating from the assumptions. Based on the scope of this engagement, we have not performed analysis on the potential range of future measurements based on other factors. The actuarial calculations are intended to provide information for rational decision making.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the Fund and to reasonable expectations.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Data

Member data for retired, active and inactive members was supplied as of August 31, 2023 by the TRS staff. The staff also supplied asset information as of August 31, 2023. While GRS did not audit this data, we did apply a number of tests to the data and concluded that it was reasonable and consistent with the prior year's data. It is also our understanding that TRS' auditor has attested to this information. GRS is not responsible for the accuracy or completeness of the information provided to us by TRS.

The following schedules in the Actuarial Section of the TRS Annual Comprehensive Financial Report were prepared by GRS:

- Actuarial Present Value of Future Benefits
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Post-Retirement Mortality
- Rates of Retirement
- Probability of Decrement due to Withdrawal
- Active Mortality

All other schedules shown in the actuarial section were prepared by TRS staff based upon our work. For further information please see the full actuarial valuation report.

This document and the PowerPoint presentation of the actuarial valuation results presented to the TRS Board in December 2023 comprise the full actuarial report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Lewis Ward
Consultant



Joseph P. Newton, FSA, EA, MAAA
Pension Market Leader and Actuary

Actuarial Disclosure

The Actuarial Section is based on a valuation as of August 31, 2023.

Table 1: Actuarial Present Value of Future Benefits
(With Comparative Data for August 31, 2022)

	2023	2022
Present Value of Benefits Presently Being Paid		
Service Retirement Benefits	\$ 121,228,651,468	\$ 116,831,601,519
Disability Retirement Benefits	1,253,162,105	1,268,694,353
Death Benefits	1,134,410,754	1,101,317,268
Present Survivor Benefits	372,296,035	359,855,389
Total Present Value of Benefits Presently Being Paid	\$ 123,988,520,362	\$ 119,561,468,529
Present Value of Benefits Payable in the Future to Present Active Members		
Service Retirement Benefits	\$ 153,452,492,658	\$ 145,250,741,563
Disability Retirement Benefits	5,411,262,155	4,844,260,984
Termination Benefits	18,201,090,371	16,859,685,949
Death and Survivor Benefits	2,634,107,756	2,492,915,908
Total Active Member Liabilities	\$ 179,698,952,940	\$ 169,447,604,404
Present Value of Benefits Payable in the Future to Present Inactive Members		
Inactive Vested Participants	\$ 7,103,073,295	\$ 6,446,570,982
Refunds of Contributions to Inactive Non-vested Members	1,138,614,072	1,070,097,132
Future Survivor Benefits Payable On Behalf of Present Annuitants	1,995,830,968	1,927,287,686
Total Inactive Liabilities	\$ 10,237,518,335	\$ 9,443,955,800
Total Actuarial Present Value of Future Benefits	\$ 313,924,991,637	\$ 298,453,028,733

Table 2: Summary of Cost Items
(With Comparative Data for August 31, 2022)

	2023	2022
Present Value of Future Benefits	\$ 313,924,991,637	\$ 298,453,028,733
Present Value of Future Normal Costs	(56,381,732,199)	(52,892,062,383)
Actuarial Accrued Liability	\$ 257,543,259,438	\$ 245,560,966,350
Actuarial Value of Assets	\$ (199,663,655,982)	\$ (193,908,589,662)
Unfunded Actuarial Accrued Liability	\$ 57,879,603,456	\$ 51,652,376,688



November 2, 2023

Board of Trustees
Teacher Retirement System of Texas
1000 Red River Street
Austin, TX 78701-2698

Subject: Actuary's Certification of the GASB Statement No. 74 Actuarial Valuation as of August 31, 2023 for TRS-Care

Submitted in this report are the results of an Actuarial Valuation of the liabilities associated with the employer financed retiree health benefits provided through TRS-Care, a benefit program designed to provide post-retirement medical benefits for certain members of the Teacher Retirement System of Texas (TRS). The date of the valuation was August 31, 2022. Update procedures were used to roll forward the total OPEB liability to August 31, 2023. This report was prepared at the request of TRS.

The actuarial calculations were prepared for purposes of complying with the requirements of Statement No. 74 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of this accounting standard. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of TRS-Care and participating employers may produce significantly different results. Actuarial valuations of the post-retirement benefits are performed annually.

The valuation was based upon information, furnished by TRS, concerning retiree health benefits, members' census, and financial data. Data was checked for internal consistency but was not otherwise audited. Certain actuarial assumptions applicable only to the TRS-Care OPEB valuation have changed since the prior report. These changes are disclosed in the assumptions section of this report.

The following Annual Comprehensive Financial Report (ACFR) schedules were prepared by GRS and can be found in Sections D and E of this report:

1. Key Actuarial Assumptions and Methods
2. Schedule of Retirees and Beneficiaries Added and Removed from Rolls

GRS is not responsible for any trend data schedules not found in this report.

The current objective is to fund the Trust in order to maintain benefits through individual biennial periods. There is no arrangement into which the participating employers would make contributions to advance-fund the obligation. However, a Trust does exist into which participating employers are making contributions based on the current funding policy.

The Net OPEB Liability (NOL) decreased by \$1.8 billion, from \$23.9 billion as of August 31, 2022 to \$22.1 billion as of August 31, 2023. The decrease was primarily due to a favorable claims experience.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

To the best of our knowledge, this report is complete and accurate. The assumptions and methods used for financial reporting purposes are reasonable and in accordance with generally accepted actuarial principles set by the Actuarial Standards of Practice (ASOPs). Joseph Newton and Blake Orth are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein. The signing individuals are independent of the plan sponsor.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



Joseph P. Newton, FSA, EA, FCA, MAAA
Pension Market Leader



Blake Orth, FSA, EA, MAAA
Consultant and Actuary

