April/May 2026

TRUSTEES

TRS Board of Trustees Meeting

Teacher Retirement System of Texas
4655 Mueller Blvd.
Austin, Texas 78723

TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES

AGENDA

April 30, 2026 – 9:00 a.m.
May 1, 2026 – 9:00 a.m.

All or part of the April 30 – May 1, 2026 meeting of the TRS Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have the presiding officer and a quorum 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.***

Members of the public may provide virtual public comment by registering first with the Board Secretary by submitting an email to publiccomment@trs.texas.gov identifying the name of the speaker and topic, no later than 5:00 pm on April 30, 2026.

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

NOTE: The Board may take up any item posted on the agenda during its meeting on April 30 – May 1, 2026 beginning at the time and place specified on this agenda.

1. Call roll of Board members.

2. Consent Agenda: Consider the following items that may be taken up by consent without discussion – Robert H. Walls, Jr:
   A. February 2026 Board Meeting Minutes (Agenda Item 3A);
   B. Excuse Board member absences from the February 2026 meeting (Agenda Item 3B);
   C. Acceptance of the Procurement and Contracting report (Agenda Item 5D)

3. Consider the following administrative matters including – Robert H. Walls, Jr.:
   A. Approval of the February 2026 proposed meeting minutes *(Proposed Consent Agenda 2A)*; and
   B. Excusing Board member absences from the February 2026 meeting *(Proposed Consent Agenda 2B)*.

4. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:
   A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative, personnel matters, TEAM and notification of contract renewals.

B. Board operational matters, including a review of draft agendas for upcoming meetings.
C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.

5. Receive the Deputy Director's update including – Caasi Lamb:
   A. Consider the Experience Study Findings and Recommendations;
   B. Pension Design Study;
   C. Quarterly AI Governance and Technology; and
   D. Consider the acceptance of the Procurement and Contracting report *(Proposed Consent Agenda 2C)*.

6. Receive an update and consider selection of the Board Investment Consultant, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person. – Heather Traeger.

7. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger.

NOTE: *The Board meeting likely will recess after the last item above and will resume May 1, 2026, Friday morning, to take up items listed below.*

8. Provide an opportunity for public comment – Robert H. Walls, Jr.

9. Receive the report of the Investment Management Committee on its April 30, 2026 meeting – Committee Chair.

10. Receive the report of the Governance Committee on its April 30, 2026 meeting and consider the following – Committee Chair:

    A. Adopting proposed changes to the Fiscal Year 2027 – 31 Strategic Plan Goals, Objectives and Strategies.
    B. Adopting the proposed amendments to the Investment Policy Statement to address Manager Concentration limit.

11. Receive the report of the Budget Committee on its April 30, 2026 meeting – Committee Chair.

12. Receive the report of the Audit, Compliance, and Ethics Committee on its April 30, 2026 meeting – Committee Chair.

13. Receive the report of the Benefits Committee on its May 1, 2026 meeting and consider the following - Committee Chair:
    A. Acceptance of the Medical Board Meeting minutes of November 2025 and January 2026 meetings;
    B. Approval of the Benefit Payments for December 2025 - February 2026;
    C. Approval of the FY 2027 Rates and Benefits for the TRS-ActiveCare Plans, including two TRS-ActiveCare Primary Innovation Plans and rates for early-returning entities under HB 3126; and
    D. Approval of the Special Transitional Plan rates for Amarillo ISD.

14. Receive quarterly update on Data Governance and Information Security – Frank Williams.

The Board may convene in Executive Session under the following, but not limited to:

A. Texas Government Code, Section 551.071: Consultation with Attorney;
B. Texas Government Code, Section 551.072: Deliberation Regarding Real Property;
C. Texas Government Code, Section 551.074: Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees including but not limited to the Executive Director, Chief Audit Executive, Chief Investment Officer.
D. Texas Government Code, Section 551.076: Deliberation Regarding Security Devices or Security Audits;
E. Texas Government Code, Section 551.0761: Deliberation Regarding Critical Infrastructure Facility;
F. Texas Government Code, Section 551.089: Deliberation Regarding Security Devices or Security Audits; or
G. Texas Government Code, Section 825.115: Applicability of Certain Laws;
H. Texas Government Code, Section 825.3011: Certain Consultations Concerning Investments.

Minutes of the Board of Trustees

February 12, 2026

The Board of Trustees of the Teacher Retirement System of Texas met on Thursday, February 12, 2026, in the boardroom located on the Second Floor of TRS' offices located at 4655 Mueller Blvd., Austin, Texas 78723.

Board Members Present:
Robert H. Walls, Jr., Chairman
Michael Ball, Vice Chairman
Brittny Allred
David Corpus
Laronda Graf
John Rutherford
Elvis Williams

Others who participated:

Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Jase Auby, TRS
Amanda Jenami, TRS
Don Green, TRS
Barbie Pearson, TRS
Katrina Daniel, TRS
Michelle Pagán, TRS
Kirk Sims, TRS
Lori LaBrie, TRS
Kyle McKay,TRS
Yimei Zhao, TRS
Jeff Bain, TRS
Katherine Farrell, TRS

Suzanne Dugan, Cohen Milstein
Dr. Keith Brown, Investment Advisor

Collin Bebee, Meketa
Mika Malone, Meketa
Joe Newton, GRS
Karli Fehrman, GRS
Damian Esquibel, UHC
Eliza Gibson, Omaha Health
Victoria Redfern, Evernorth/ESI
Nick Arnold, Humana
Joe Cowles, Humana
Scott Richardson, Humana
Claire York, BCBS TX
Steve Alexander, BCBS TX
Karen Haywood, BCBS TX
Jim Springfield, BCBS TX
Shawn Menz, GCM Grosvenor
Katherine Joyce, GCM Grosvenor
Brent Jensen, Milliman
John Roger, Milliman
Barb Dewey, Milliman
Ashley Srictual, Humana
Shannon Meroney, Humana

At 9:00 a.m., Mr. Walls called the meeting to order.

1. Call roll of Board members.

Ms. Farrell called the roll. A quorum of the Board was present, Trustee John Elliott was absent.

2. Consider the following administrative matters, including approval of the December 2025 proposed meeting minutes.

On a motion by Mr. Rutherford, seconded by Mr. Corpus, the Board unanimously voted to approve the proposed minutes of the December 2025 Board meeting as presented.

3. Review and discuss the Executive Director's report on the following matters – Brian Guthrie:

- **A. Administrative operational matters, including updates on financial, audit, legal, staff services, special projects, strategic planning, legislative, personnel matters, and Moving Forward Together, Update including new regional office.**
- **B. Board operational matters, including a review of draft agendas for upcoming meetings.**
- **C. Event notices or reminders; holiday and other schedules of interest; board member, employee or other individual recognitions; and expressions of thanks, congratulations, or condolences.**

Mr. Brian Guthrie explained that the February Board meeting was not a typical quarterly meeting and was structured primarily as an educational session. He said the focus, particularly on the second day, would be on AI and how TRS is utilizing AI to improve service to members and internal operations. He then reviewed upcoming conferences, TRS workforce demographic trends, and succession planning considerations. He concluded by reviewing the next two board meeting's proposed agenda items.

4. Receive an overview of the proposed Fiscal Year 2027–31 Strategic Plan Goals, Objectives and Strategies – Don Green and Michelle Pagán.

Mr. Don Green provided background on how the Strategic Plan is a five-year plan adopted every even-numbered year as required by statute. He stated the strategic plan is the basis by which budget priorities are identified. He said the four goals of the plan mirror the structure of the agency. Ms. Michelle Pagán discussed refinements to goals and objectives, a reduction in the number of strategies, and increased emphasis on data modernization and artificial intelligence initiatives. In response to Mr. Williams inquiry, Ms. Pagan agreed to amend Objective 7 to add investigating best practices of AI, since this technology continues to evolve. She concluded by noting that the Strategic Plan will be considered at the next board meeting in April.

5. Review and consider the TRS Experience Study findings and recommendations – Joe Newton, Gabriel, Roeder, Smith & Co.

Mr. Joe Newton reviewed the experience study process noting the board reviews this every four years, which is industry standard. He reported the current assumption set is appropriate with a few recommended small adjustments. He provided background and peer comparison for maintaining the assumed rate of return as 7 percent. He discussed proposed refinements related to employer contribution growth assumptions and active member demographic groupings. He said historically the one grouping was used as far as assumptions go, especially for turnover. In

the last few years, he said teachers join at a younger age and stay while everyone else, in general, come in later and turn-over quicker. He reported the growth has occurred in this second group over the past five years. He recommended splitting these groups which would result in a change of one year off of the funding period. In response to Mr. Walls' inquiry, Mr. Newton stated the cause is that higher-ed is growing faster than public ed and that those positions supporting teachers is also growing at a faster rate. In response to Mr. Balls inquiry, Mr. Guthrie expounded upon the different contributions from public ed and higher ed and how things have changed since 2013. Mr. Newton then reviewed the recommendation to slightly increase the inflation component. He concluded by stating the employer contribution growth rate increased the funding period by two-years, with a decrease of one-year due to segmenting the two groups, nets a one year increase in the funding period from 35 up to 36. He said that staff would return in April for Board consideration and adoption of the assumption set.

6. Receive the CIO Update including Talent Management; Accomplishments; Notices; Awards; Key Dates and Upcoming Events – Jase Auby.

Jase Auby, reported on investment performance, noting strong absolute return of 15.9 percent for the one-year, 176 basis points of alpha. He said for the calendar year 2025, IMD experienced a 9.6 percent staffing turnover. He then provided a market update including the effects of tariffs and the run up of gold and silver. Mr. Auby concluded with a special topic discussion on the total portfolio approach.

7. Receive the Annual Review of the Emerging Manager Program – Kirk Sims.

Mr. Kirk Sims presented the annual review of the Emerging Manager Program, outlining program goals, participation levels, and progress in supporting emerging investment managers. He said his team of four conducted 324 manager meetings, participated in 38 engagement activities. He reported the Emerging Manager Conference was held on February 10th with over 700 meetings hosted in a six-hour period. He said the one-year performance was 5.8 percent versus the 6.8 benchmark.

8. Receive the Ombudsman's Annual Report – Lori LaBrie.

Ms. Lori LaBrie presented the Ombud's annual report. She reported for 2025, the office received 636 visitor-initiated communications with the majority of those being service retirees followed by active members. She said the top social media trend was focused on Social Security followed by health. She noted a rise in point-in-time complaints totaling 116 in 2025. She concluded by reviewing outreach and engagement efforts made by the Ombuds Office for the year and goals for the upcoming year of 2026.

9. Receive a TRS-Care and TRS-ActiveCare health plans including a review of annual performance with benchmark comparisons as well as updates on new dental and vision

plans – Katrina Daniel and Kyle McKay.

Ms. Katrina Daniel reviewed the annual report of the Health Division. She highlighted the size of the plan which plays an important part in the leverage brought during procurement such as the one to be discussed that day. She reported collaborating with IT Division to institute a web self-service for the dental and vision benefits enrollment. Mr. Kyle McKay reviewed the work the Health Analytics team performs. He discussed the internal data warehouse and how it is instrumental in generating data resulting in cost savings from drug pricing to regional ratings. He reviewed efforts to automate and engage in AI so the team has more time and resources to do data science. He concluded by reviewing employer contributions to employees health insurance and unlike payroll there is no correlation to what the neighboring ISD is paying. Ms. Daniel stated the outreach team will take this information and increase awareness.

10. Consider selecting Health Plan Administrators (HPAs) for TRS-ActiveCare and TRS-Care Standard; and a Medicare Advantage carrier for TRS-Care, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Katrina Daniel, Yimei Zhao, and Jeff Bain.

Ms. Daniel provided an overview of the procurement and the team's efforts to drive a competitive process. Mr. Jacob Bledsoe reviewed the procurement process and timeline. Ms. Yimei Zhao described how this RFP had four categories of service: TRS-ActiveCare self-funded, TRS-Care, TRS-Care Medicare Advantage and a standalone utilization management firm for the self-funded TRS-ActiveCare and TRS-Care programs. Mr. Jeff Bain further described the regional approach taken to drive competition in the ActiveCare space. Mr. Bledsoe stated for the first two categories, TRS-ActiveCare self-funded and TRS-Care the top scoring respondents for both categories were Blue Cross Blue Shield and UnitedHealthcare Commercial Team. He said the TRS-Care Medicare Advantage top scoring respondents were Humana and UnitedHealthcare.

Mr. Jim Springfield and Ms. Claire York presented on behalf of Blue Cross Blue Shield.

Mr. Dave Milich and Mr. Phil Barbaro presented on behalf of UnitedHealthCare.

Mr. Joe Cowles and Mr. Scott Richardson presented on behalf of Humana.

Ms. Linda Jones and Mr. David Myers presented on behalf of UnitedHealthCare.

On a motion by Ms. Graf, seconded by Ms. Allred the Board voted to find that deliberating or conferring on item 10 would have a detrimental effect on the position of the Retirement System in negotiations with a third person.

At 2:59 p.m., Mr. Walls announced the Board would go into executive session under the following agenda item and sections of the Government Code: item 10, under Sections 825.115(e) and 551.071, to consider selection of health plan administrators for the TRS-ActiveCare and TRS-Care Standard and Medicare Advantage carrier for TRS-Care, and to consult with legal counsel as needed.

At 4:57 p.m., Mr. Walls reconvened the Board in open meeting. On a motion by Mr. Ball, seconded by Ms. Allred, the Board voted to adopt the following resolution:

RESOLUTION SELECTING THE HEALTH PLAN ADMINISTRATOR(S) FOR THE TRS-ACTIVECARE PROGRAM

Whereas, Texas Government Code § 825.101 provides that the Teacher Retirement System of Texas ("TRS") Board of Trustees ("Board") is responsible for the general administration and operation of the retirement system, and § 825.103(d) provides that the Board has exclusive authority over the purchase of goods and services;

Whereas, Chapter 1579, Texas Insurance Code, governs the Texas School Employees Uniform Group Health Coverage Program (the "TRS-ActiveCare Program") and authorizes TRS, as trustee, to implement the group coverage program described in the statute;

Whereas, Section 1579.054, Texas Insurance Code, establishes that a contract to provide group health coverage under Chapter 1579 may be awarded only through competitive bidding under rules adopted by TRS;

Whereas, on May 20, 2025, TRS issued Solicitation No. TRS000528 with a Request for Proposals (the "RFP") to solicit responses from qualified vendors to provide health plan administration services for the TRS-ActiveCare Program;

Whereas, in the RFP, TRS separated the State of Texas into five different regions (Region 1 Dallas and Fort Worth (DFW)), Region 2 Austin, Region 3 San Antonio, Region 4 Houston, and Region 5 Non-DASH (all remaining Texas regions that are not included in Regions 1 – 4)) and requested proposals for health plan administration services in each region;

Whereas, respondents were allowed to bid for each region separately and were not required to bid on all the regions. However, TRS reserved the right to give preference to respondents who proposed on multiple regions and respondents were not guaranteed an award of all regions they proposed;

Whereas, TRS reserved the right to make a single contract award, multiple contract awards, and contract awards for some regions but not all regions.

Whereas, TRS reserved the right to issue one or more awards with an operational start date in 2026 and to also issue one or more award(s) with an operational start date in 2027.

Whereas, TRS reserved the right to award one contract covering all regions on an exclusive basis, or multiple contracts covering one or more regions on a non-exclusive basis. TRS reserved the right to select more than one health plan administrator for each region so that TRS has access to more than one administrator within each region. Enrollees within a region with more than one awarded health plan administrator will each be attributed to an administrator at TRS' discretion;

Whereas, TRS received a number of responsive proposals to the RFP;

Whereas, a TRS evaluation committee, with the assistance of consultants, evaluated, scored, and ranked the proposals;

Whereas, during the February 2026 Board meeting, the top two (2) ranking respondents gave presentations to the Board in open session and the Board convened in Executive Session (closed session) to deliberate;

Whereas, during Executive Session, TRS staff and consultants assisting staff provided relevant information and recommendations to the Board;

Whereas, the Board has considered the information and recommendations provided by TRS staff, consultants, and the vendor board meeting presentations in making their decision; now, therefore, be it

Resolved, that the Board hereby selects Blue Cross Blue Shield of Texas (primary selection) to be a health plan administrator for the TRS-ActiveCare Program under a contract covering all regions on a non-exclusive basis, for a two-year initial term to commence on September 1, 2026, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than August 31, 2032; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with Blue Cross Blue Shield of Texas (primary selection) on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director, or his designee, to be in the best interest of the TRS-ActiveCare Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-ActiveCare Program;

Resolved, that, if for any reason, the Executive Director, or his designee, concludes that TRS is not reasonably likely to successfully negotiate a contract with Blue Cross Blue Shield of Texas (primary selection), the Board hereby selects UnitedHealthcare (secondary selection) to be a health plan administrator for the TRS-ActiveCare Program under a contract covering all regions on a non-exclusive basis, for a two-year initial term to commence on September 1, 2026, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than August 31, 2032; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with UnitedHealthcare (secondary selection) on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director or a designee to be in the best interest of the TRS-ActiveCare Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-ActiveCare Program;

Resolved, that the Board hereby also selects UnitedHealthcare to be a health plan administrator for the TRS-ActiveCare program, if the Executive Director finds such selection to be in the best interest of TRS, under a contract covering any or all regions on a non-exclusive basis, for a one-year initial term to commence on September 1, 2027, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than August 31, 2032; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with UnitedHealthcare on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director or a designee to be in the best interest of the TRS-ActiveCare Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-ActiveCare Program;

Resolved, that beginning December 2026, staff shall provide quarterly updates to the Board regarding the status of the negotiation of the contract with UnitedHealthcare (having an initial term to commence on September 1, 2027), and shall consult with the Board regarding that contract prior to the execution of the contract; and

Resolved, that nothing in this resolution may be construed as a contract, obligation to contract, an offer to contract, or an acceptance of an offer to contract, and TRS is not and will not be legally bound to any agreement unless and until a full and final written contract is successfully negotiated and executed by both parties.

On a motion by Mr. Ball, seconded Mr. Williams, the Board voted to adopt the following resolution:

RESOLUTION SELECTING THE HEALTH PLAN ADMINISTRATOR FOR THE TRS-CARE STANDARD PROGRAM

Whereas, Texas Government Code § 825.101 provides that the Teacher Retirement System of Texas (“TRS”) Board of Trustees (“Board”) is responsible for the general administration and operation of the retirement system, and § 825.103(d) provides that the Board has exclusive authority over the purchase of goods and services;

Whereas, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Benefits Program (the "TRS-Care Program") and authorizes TRS, as trustee, to implement the group coverage program described in the statute;

Whereas, under Section 1575.158(a), Insurance Code, the TRS-Care Program offers a high deductible health plan which provides coverage to non-Medicare-eligible participants (“TRS-Care Standard plan”);

Whereas, under Section 1575.158(d), Insurance Code, the TRS-Care Program offers the Alternative plan under the TRS-Care Standard Plan (“TRS-Care Alternative plan”), which is closed to new enrollment but serves members that were grandfathered into the program by December 31, 2025;

Whereas, on May 20, 2025, TRS issued Solicitation No. TRS000528 with a Request for Proposals ("RFP") to solicit responses from qualified vendors to provide health plan administration services for the TRS-Care Program Standard, including the Alternative plan;

Whereas, TRS received a number of responsive proposals to the RFP;

Whereas, a TRS evaluation committee, with the assistance of consultants evaluated, scored, and ranked these proposals;

Whereas, during the February 2026 Board meeting the top two (2) ranking respondents gave presentations to the Board in open session and the Board convened in Executive Session (closed session) to deliberate;

Whereas, during Executive Session, TRS staff and consultants assisting staff provided relevant information and recommendations to the Board;

Whereas, the Board considered the information and recommendations provided by TRS staff, consultants, and the vendor board meeting presentations in making their decision; now therefore, be it

Resolved, that the Board hereby selects Blue Cross Blue Shield of Texas (primary selection) to be the health plan administrator for the TRS-Care Standard Program, including the Alternative plan, for a two-year initial term to commence on January 1, 2027, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than December 31, 2033; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with Blue Cross Blue Shield of Texas (primary selection) on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director, or his designee, to be in the best interest of the TRS-Care Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-Care Program;

Resolved, that, if for any reason, the Executive Director, or his designee, concludes that TRS is not reasonably likely to successfully negotiate a contract with Blue Cross Blue Shield of Texas (primary selection), the Board hereby selects UnitedHealthcare (secondary selection), to be the health plan administrator for the TRS-Care Standard

Program, including the Alternative plan, for a two-year initial term to commence on January 1, 2027, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than December 31, 2033; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with UnitedHealthcare (secondary selection) on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director or a designee to be in the best interest of the TRS-Care Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-Care Program; and

Resolved, that nothing in this resolution may be construed as a contract, obligation to contract, an offer to contract, or an acceptance of an offer to contract, and TRS is not and will not be legally bound to any agreement unless and until a full and final written contract is successfully negotiated and executed by both parties.

On a motion by Mr. Ball, seconded by Mr. Williams the Board voted to adopt the following resolution:

RESOLUTION SELECTING THE MEDICARE ADVANTAGE CARRIER FOR THE TRS-CARE PROGRAM

Whereas, Texas Government Code § 825.101 provides that the Teacher Retirement System of Texas (“TRS”) Board of Trustees (“Board”) is responsible for the general administration and operation of the retirement system, and § 825.103(d) provides that the Board has exclusive authority over the purchase of goods and services;

Whereas, Chapter 1575, Texas Insurance Code, governs the Texas Public School Retired Employees Group Benefits Program (the "TRS-Care Program") and authorizes TRS, as trustee, to implement the group coverage program described in the statute;

Whereas, under Section 1575.158(c), Insurance Code, the TRS-Care Program offers a Medicare Advantage Plan that has two components: a fully insured Medicare Part C coverage that offers medical and surgical benefits, and a self-funded Medicare Part D component that offers prescription drug coverage for Medicare eligible participants (“TRS-Care MA Plan”);

Whereas, On May 20, 2025, TRS issued Solicitation No. TRS000528 with a Request for Proposals (the "RFP") to solicit responses from qualified vendors to serve as the carrier of the fully insured Medicare Part C component of the TRS-Care MA Plan under the TRS-Care Program, and the vendors were also requested to propose a fully insured integrated Medicare Part C and Part D Plan (“MA+PD Plan”) for the TRS-Care MA Plan;

Whereas, bidders were advised that TRS would select only one of the options: the fully insured TRS-Care MA Plan (Medicare Part C component only) or the fully insured integrated TRS-Care MA+PD Plan (Medicare Parts C and D);

Whereas, TRS received a number of responsive proposals to the RFP;

Whereas, a TRS evaluation committee, with the assistance of consultants evaluated, scored, and ranked these proposals;

Whereas, during the February 2026 Board meeting the top two (2) ranking respondents gave presentations to the Board in open session and the Board convened in Executive Session (closed session) to deliberate;

Whereas, during Executive Session, TRS staff and consultants assisting staff provided relevant information and recommendations to the Board;

Whereas, the Board considered the information and recommendations provided by TRS staff, consultants, and the vendor board meeting presentations in making their decision; now therefore, be it

Resolved, that the Board hereby selects UnitedHealthcare (primary selection) to be the health plan administrator for the fully insured Medicare Part C component of the TRS-Care MA Plan for a two-year initial term to commence on January 1, 2027, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than December 31, 2033; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with UnitedHealthcare (primary selection) on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director, or his designee, to be in the best interest of the TRS-Care Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-Care Program;

Resolved, that, if for any reason, the Executive Director, or his designee, concludes that TRS is not reasonably likely to successfully negotiate a contract with UnitedHealthcare (primary selection), the Board hereby selects Humana Insurance Company (secondary selection), to be the health plan administrator for the fully insured Medicare Part C component of the TRS-Care MA Plan for a two-year initial term to commence on January 1, 2027, with an option/options to renew for one (1) year or longer for any renewal term, with the last renewal term ending no later than December 31, 2033; subject to the successful negotiation and execution of a final agreement for the implementation and provision of health plan administration services;

Resolved, that the Board hereby authorizes the Executive Director, or his designee, to expend funds and to take all actions deemed by him, or his designee, to be necessary or

advisable to implement this resolution, including the negotiation and execution of all documents needed to finalize an acceptable contract with Humana Insurance Company (secondary selection) on the same or better financial terms presented to the Board and on such other terms and conditions deemed by the Executive Director or a designee to be in the best interest of the TRS-Care Program, and from time to time to amend, modify, renew, or extend the contract as deemed by the Executive Director, or his designee, to be in the best interest of the TRS-Care Program; and

Resolved, that nothing in this resolution may be construed as a contract, obligation to contract, an offer to contract, or an acceptance of an offer to contract, and TRS is not and will not be legally bound to any agreement unless and until a full and final written contract is successfully negotiated and executed by both parties.

Mr. Walls announced after short public presentations regarding items 11 and 12, the Board would then recess into executive session for items 11 through 13.

11. Receive an update and consider leases for the TRS' regional offices in the El Paso and Rio Grande Valley area, including considering a finding that deliberating or conferring in open meeting would have a detrimental effect on the position of the retirement system in negotiations with a third person – Barbie Pearson and Martin Cano.

Ms. Barbie Pearson notified the Board the lease negotiations authorized by the Board in September for the Rio Grande Valley discontinued in early January. She said staff subsequently viewed additional properties and have identified sites for the Board to select for the Rio Grande Valley area.

Ms. Pearson then provided an update on the El Paso Regional Office. She noted the lease expires January 2027 and the Region 19 Education Service Center does not have additional space. She said the Texas Facilities Commission has confirmed there was no available state-owned space in the area either. She said staff toured additional properties and have identified sites for the Board to select for the El Paso Regional Office and a proposed budget for relocation.

12. Receive an annual update on TRS Data Governance and Security – Caasi Lamb, Frank Williams, Chris Cutler and Heather Traeger.

Ms. Caasi Lamb reviewed how TRS is member focused and safeguarding the data for our two million members and retirees is a top priority. She said TRS has established internal committees to provide oversight and accountability over our data governance and security.

13. Review the report of the General Counsel on pending and contemplated litigation, including updates on litigation involving benefit-program contributions, retirement benefits, health-benefit programs, investment matters and open records and on legal or regulatory matters involving certain TRS vendors, investment managers, or other counterparties – Heather Traeger.

There was no public presentation for this item.

On a motion by Mr. Corpus, seconded by Mr. Ball, the Board voted to find that deliberating or conferring on item 11 would have a detrimental effect on the position of the Retirement System in negotiations with a third person.

At 5:07 p.m., Mr. Walls announced the Board would go into executive session under the following agenda items and sections of the Government Code: item 11, under Sections 825.11(e) and 551.071, to consider leases for the TRS regional offices in the El Paso and Rio Grande Valley area and to consult with legal counsel as needed; item 12, under Sections 551.076, 551.076-1, 551.089, and 551.071, to discuss TRS data governance and security and to consult with legal counsel as needed; item 13 under Section 551.071 to consult with legal counsel as needed.

Ms. Allred departed the meeting.

At 7:01 p.m., Mr. Walls reconvened the Board in open meeting. On a motion by Mr. Ball, seconded by Mr. Rutherford, the Board voted to adopt the following resolution relating to the Rio Grande Valley Regional Office:

Authorizing Actions Relating to Leasing Commercial Office Space for the TRS Regional Office in the Rio Grande Valley

Whereas, Texas Government Code §821.007 provides that the buildings comprising the home office of the Teacher Retirement System ("TRS") are under the control and custodianship of the retirement system;

Whereas, TRS identified a need to improve access to services for members throughout the state, including being able to provide in-person office visit appointments for members who live far from the Austin headquarters;

Whereas, In Fiscal Year 2023, TRS opened its first regional office in El Paso, Texas to offer member services in an underserved part of the state;

Whereas, TRS conducted a search for properties for a new regional office in the Rio Grande Valley, and after evaluation of the potential properties, the TRS regional office workgroup identified a potential location, and brought that recommendation to the Board for consideration;

Whereas, the Board in the September 18, 2025 Resolution (September Resolution) authorized the executive director to negotiate with the assistance and advice of legal counsel, a lease for a new regional office at the recommended location, on such terms and conditions and for such period as the executive director in his discretion deems to be advisable and in the best interest of TRS;

Whereas, the executive director as authorized in the September 18, 2025 resolution, concluded in accordance with the September Resolution that TRS is not reasonably likely to successfully negotiate a lease for the selected location that is in the best interest of TRS, and as authorized in said Resolution, the executive director resumed the search for a suitable location;

Whereas, the TRS regional office workgroup worked with a broker to identify locations for a real property lease for TRS' new regional office in the Rio Grande Valley that would best meet the needs of TRS members and identified the following top lease spaces to bring to the Board for consideration: (i) 2401 S Shary Road, Mission, Texas 78572; (ii) 200 S 10th Street, McAllen Texas 78501; and (iii) 900 E Esperanza Avenue, McAllen, Texas 78501

Whereas, TRS staff recommends the lease space at 2401 S Shary Road, Mission, Texas 78572 for the TRS' new regional office in the Rio Grande Valley; now, therefore be it

Resolved*,* That the Board considered the evaluation and recommendation made by TRS staff related to the selection of location for TRS' new regional office in the Rio Grande Valley;

Resolved, That the Board finds that the lease space at 2401 S Shary Road, Mission, Texas represents the best overall value for TRS based on its location, proposed lease terms and conditions, and other relevant factors;

Resolved*,* That the Board hereby selects the lease space at 2401 S Shary Road, Mission, Texas for the TRS' new regional office in the Rio Grande Valley, with the lease space at 200 S 10th Street, McAllen Texas, and 900 E Esperanza Avenue, McAllen, Texas selected as the second and third alternates, respectively;

Resolved, That the Board hereby authorizes the Executive Director or his designee to negotiate, with the assistance of legal counsel, a lease space at 2401 S Shary Road, Mission, Texas for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract for lease space at 2401 S Shary Road, Mission, Texas then the Board hereby selects the lease space at 200 S 10th Street and authorizes the Executive Director or his designee to negotiate, to the extent still available, with the assistance of legal counsel, a lease for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations for the lease space at 200 S 10th Street are deemed successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract for lease space at 200 S 10th Street then the Board hereby selects the lease space at 900 E Esperanza Avenue, McAllen, Texas and authorizes the Executive Director or his designee to negotiate, to the extent still available, with the assistance of legal counsel, a lease for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations for the lease space at 900 E Esperanza Avenue, McAllen, Texas are deemed successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That the Executive Director is authorized to (a) contract and pay for brokerage services and commissions for leases, (b) consider, negotiate, and agree to lease terms that the Executive Director deems reasonable and in the best interest of TRS, and (c) expend such budgeted and available TRS funds and enter any agreements and related documents as the Executive Director deems in his discretion to be reasonably necessary and advisable to achieve the objectives of this resolution;

Resolved, That the Executive Director is directed to report to and update the Board at its regular meetings, as requested, on the actions taken and activities performed under these resolutions; and

Resolved, That nothing in these resolutions may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an offer to contract and the retirement system is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

On a motion by Mr. Ball, seconded by Mr. Williams, the Board voted to adopt the following resolution relating to the El Paso Regional Office:

Authorizing Actions Relating to Leasing Commercial Office Space for the TRS Regional Office in El Paso, Texas

Whereas, Texas Government Code §821.007 provides that the buildings comprising the home office of the Teacher Retirement System ("TRS") are under the control and custodianship of the retirement system;

Whereas, TRS identified a need to improve access to services for members throughout the state, including being able to provide in-person office visit appointments for members who live far from the Austin headquarters;

Whereas, In Fiscal Year 2023, TRS opened its first regional office in El Paso, Texas to offer member services in an underserved part of the state;

Whereas, The current TRS office space lease in El Paso is scheduled to expire on January 31, 2027;

Whereas, With the projected growth of the regional office service needs for El Paso, TRS has identified the need for a larger office space in order to properly service members for that region;

Whereas, TRS staff worked with a broker to identify potential new locations for an expanded regional office in El Paso that would best meet the growing needs of TRS members.

Whereas, TRS staff presented to the Board the following commercial office spaces for consideration:(i) 330 N Mesa Street, El Paso, Texas 79901 and (ii) 201 E Main Drive, Suite 101, El Paso, Texas 79901;

Whereas, Based on an evaluation of the regional office space criteria and on site-visits of the locations, TRS staff recommends the lease space at 330 N. Mesa Street, El Paso, Texas 79901 for the TRS' new regional office in El Paso; now, therefore be it

Resolved*,* That the Board considered the evaluation and recommendation made by TRS staff related to the selection of a location for TRS' new regional office in El Paso;

Resolved, That the Board finds that the lease space at 330 N. Mesa Street, El Paso, Texas represents the best overall value for TRS based on its location, proposed lease terms and conditions, and other relevant factors;

Resolved*,* That the Board hereby selects the lease space at 330 N. Mesa Street, El Paso, Texas for the TRS' new regional office in El Paso, with the lease space at 201 E Main Drive, Suite 101, El Paso, Texas selected as the alternate option;

Resolved, That the Board hereby authorizes the Executive Director or his designee to negotiate, with the assistance of legal counsel, a lease space at 330 N. Mesa Street, El Paso, Texas for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations are deemed in his or her discretion to be successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That if for any reason, the Executive Director concludes in his sole judgment that TRS is not reasonably likely to successfully negotiate a contract for lease space at 330 N. Mesa Street, El Paso, Texas, then the Board hereby selects the lease space at 201

E Main Drive, Suite 101, El Paso, Texas and authorizes the Executive Director or his designee to negotiate, with the assistance of legal counsel, a lease for a term that is in the best interest of TRS to include an initial term of no more than 10 years and any optional renewal period(s) also deemed to be in the best interest of TRS; and, if negotiations for the lease space at 201 E Main Drive, Suite 101, El Paso, Texas are deemed successful, then the Executive Director or his designee is hereby authorized to execute such lease, including future amendments, on such terms and conditions as such officer may deem, in his or her discretion, to be in the best interest of TRS, and further to execute and deliver all such other documents, including all future extensions or amendments to the contracts, that such officer may deem reasonably necessary or appropriate to effectuate this resolution, as conclusively evidenced by the taking of the action or the execution and delivery of the documents, and to expend funds and take all actions reasonably necessary or advisable with respect to such contracts or amendments on financial terms and conditions deemed by the Executive Director to be in the best interest of TRS.

Resolved, That the Executive Director is authorized to (a) contract and pay for brokerage services and commissions for leases, (b) consider, negotiate, and agree to lease terms that the Executive Director deems reasonable and in the best interest of TRS, and (c) expend such budgeted and available TRS funds and enter any agreements and related documents as the Executive Director deems in his discretion to be reasonably necessary and advisable for the buildout of the new regional office space and to achieve the objectives of this resolution;

Resolved, That the Executive Director is authorized at his discretion to extend the existing lease with the Region 19 Education Service Center as needed to provide temporary office space during the buildout of the new regional office space, ensuring continuity of operations for TRS until the new regional office is ready for occupancy;

Resolved, That in the event the Executive Director is unable to extend the existing lease with the Region 19 Education Service Center, as referenced above, the Executive Director at his discretion is hereby authorized to identify, negotiate, and secure a temporary lease in the area. This authorization applies for the period during which the buildout of the new regional office space is underway, ensuring continuity of operations for TRS until the new regional office is ready for occupancy.

Resolved, That the Executive Director is directed to report to and update the Board at its regular meetings, as requested, on the actions taken and activities performed under these resolutions; and

Resolved, That nothing in these resolutions may be construed as a contract, an offer to contract with a power of acceptance that would form a contract, or an acceptance of an offer to contract and the retirement system is not and will not be legally bound to any agreement unless and until the Executive Director has executed and delivered definitive agreements relating to the subject matter, as applicable.

At 7:03 p.m., Mr. Walls recessed the meeting to reconvene at 9:00 a.m., February 13, 2026.

Minutes of the Board of Trustees

February 13, 2026

The Board of Trustees of the Teacher Retirement System of Texas met on Friday, February 13, 2026, in the boardroom located on the Second Floor of TRS' offices located at 4655 Mueller Blvd., Austin, Texas 78723.

Board Members Present:
Robert H. Walls, Jr., Chairman
Michael Ball, Vice Chairman
David Corpus
John Elliott
Laronda Graf
John Rutherford
Elvis Williams

Others present:
Brian Guthrie, TRS
Caasi Lamb, TRS
Heather Traeger, TRS
Amanda Jenami, TRS
Barbie Pearson, TRS
Chris Cutler, TRS
Beth Hallmark, TRS
Frank Williams, TRS
Billy Lowe, TRS
Adam Fambrough, TRS
Kyle Weigum, TRS
Michelle Gray, TRS
Kyle McKay, TRS
Tim Koek, TRS
Kristi Glasgall, TRS
Christine Bailey, TRS
Katy Hoffman, TRS
Katherine Farrell, TRS
Suzanne Dugan, Cohen Milstein
Jordan Ash, Private Equity Stakeholder Project
Cheryl Fecteau
Mary Davis
Beaman Floyd, TASA
Collin Bebee, Meketa
Mika Malone, Meketa
Joe Newton, GRS
Karli Fehrman, GRS
Josh Wilson, Mercer

16. Provide opportunity for public comment – Robert H. Walls, Jr.

Mr. Jordan Ash, representing Private Equity Stakeholder Project, expressed concern regarding a TRS investment with a private equity firm, Brookfield, which was in the process of acquiring Yes! Communities, one of the largest owners of manufactured home parks in the country.

Ms. Cheryl Fecteau, representing herself as a resident, expressed concern about the potential sale of Yes! and its affect on senior citizens in lower income housing.

Ms. Mary Davis, representing herself as a resident, expressed concern about the potential sale of Yes! and the possibility of rents being raised.

17. Receive the Deputy Director's Update including an update on the Pension Design Study - Caasi Lamb.

Ms. Caasi Lamb provided an update to the Pension Design Study regarding member and retiree profiles. She said there were eight position categories that exist in both public and higher education that are reported to TRS for active members. She noted not all who are eligible participate in TRS pension, less than 40 percent of higher ed elect to participate in the optional retirement program (ORP) administered by the Texas Higher Education Coordinating Board. She reported the average salary for public ed was around $56,000 and for higher ed was $78,000. She noted public ed numbers included IDSs and charger schools while higher ed numbers included community and junior colleges, four-year institutions and medical school. She then reviewed specific position codes and comparing higher ed and public ed. For retirees, she reported the average salaries have increased, resulting in average annuity amounts increasing but the average years of service have remained relatively flat. Ms. Lamb concluded by reviewing the timeline for the next funding policy review, actuarial valuations and upcoming legislative session.

Mr. Walls announced without objection taking up agenda item 14.

14. Receive an update on the TEAM Program – Jennifer Whitman, Billy Lowe and Adam Fambrough.

Mr. Chris Cutler reported that the PBT release was a go, with 16 days left before the actual cutover. He took a moment to acknowledge the extraordinary work that brought about this milestone. He said all of the final cutover practices are done and the PBT quality gate checkpoint has passed. He reported parallel payroll processing was at 99.9972 percent.

Mr. Adam Fambrough noted that with a release of this size there will be some service level interruptions. He said going into this release compared to 2017 they are more confident due to being fully staffed and service levels at a much better place. He said currently there are 236 known workarounds identified during the quality assurance testing, 138 have no impact to the business and 98 with potentially minimal business impacts. However, he said any additional processing time could impact service levels. He reported this cutover is migrating a large volume of data. He said there would be a learning curve in the new system but looking forward to the efficiencies gained from staff working out of one system.

Mr. Billy Lowe described the cutover process and how members will be notified. He said the cutover is scheduled for a four-day window but should take only three days. He said the extra day was for contingency if needed. He noted decommissioning of the mainframe will take place during the summer timeframe.

18. Receive an overview on TRS' AI Strategy, Implementation and Considerations - Brian Guthrie, Chris Cutler, Kyle Weigum, Michelle Gray, Adam Fambrough, Kyle McKay, Tim Koek, Kristi Glasgall, Beth Hallmark, Heather Traeger.

Mr. Guthrie provided context as to how TRS is viewing AI. He said TRS had exposure to AI not only in direct investments but in tech companies and other related AI infrastructure companies. He noted that AI was the largest technology priority for TRS moving forward. He said currently TRS does not have the resources, people with the skill sets to take advantage of these technologies. He said it is difficult to hire people with these skills. He said they are looking at options to provide training and other opportunities for current staff and back filling their previous role. He noted in April staff will come with a more developed request leading into July's budget request.

Mr. Cutler provided an overview of how AI is set to reshape how we live and work. He said the choices today will determine if TRS falls behind, keeps pace or develop the next generation of services for members.

Mr. Kyle Weigum and Ms. Michelle Gray provided an overview of TRS AI journey, its milestones and successes to date, and also the workforce enablement efforts.

Mr. Fambrough, Mr. Kyle McKay and Tim Koek provided the view of how the core business areas, Pension, Health and IMD, are leveraging AI to drive outcomes.

Mr. Cutler, Ms. Kristi Glasgall and Ms. Beth Hallmark provided a view of how Shared Services team is supporting and scaling AI initiatives across TRS with strong governance principles and compliance at the center.

Mr. Weigum concluded with reviewing surveys conducted to share where peers are and what is shaping TRS priorities for 2026.

19. Receive an overview on TRS' AI Governance and Risk Assurance - Heather Traeger, Frank Williams, Amanda Jenami.

Ms. Traeger, Mr. Frank Williams, Ms. Amanda Jenami and Ms. Suzanne Dugan reviewed the governance structure and risk management established at TRS and what role the Board plays as fiduciaries.

15. Receive an overview of TRS Performance Payment Plans – Christine Bailey, Katy Hoffman; Josh Wilson and Susan Lemke, Mercer Consulting.

Ms. Chris Bailey and Ms. Katy Hoffman provided the historical background of the performance pay plans for the investment group and the Executive Director. Ms. Bailey reviewed the payment and the internal and external audit reviews performed on the payments. Mr. Josh Wilson provided an update on how TRS compared to the marketplace. He said from a salary perspective, annual increases for 2025 are just below five percent, three to six percent for most pension plans that work with them. He said for the incentive pay the trend is to include more of the non-direct investment people which TRS has done since 2007. He said long term incentives measuring three-year performance is another trend being examined for retention purposes.

At 1:24 p.m., the meeting adjourned.

APPROVED BY THE BOARD OF TRUSTEES OF THE TEACHER RETIREMENT SYSTEM OF TEXAS ON THE __ DAY OF APRIL 2026.

ATTESTED BY:

_____ _____

Katherine H. Farrell
Secretary to the TRS Board of Trustees

Date

TAB 4

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Executive Director's Report

Presentation Date
April 30, 2026

Presented By
Brian Guthrie

Discussion Topics:

- Modifications to TRS Board Meetings and Presentations
- General Updates
- TRS FY 2027 – 31 Strategic Plan & AI
- Legislative Update: 2026 Interim
- 2027 Trustee Election Timeline
- Contract Renewal Notices
- Honors and Special Acknowledgments
- Upcoming Board Meeting Agendas

Appendix

- Executive Director’s Key Priorities and April Agenda Items

Results of Staff Survey

- Staff focus on summarization
- Maintain member focus and financial impact to members
- Consent agenda items
- Board Meeting structure – where opportune, have exec sessions earlier in the day
- Abbreviated Committee Reports

General Updates

Upcoming Conferences and Meetings:

- May 16 – 20, 2026: NCPERS Trustee Education and Annual Conference, Las Vegas, NV
- June 24 – 26, 2026: NCTR System Directors Meeting, Chicago, IL
- July 12 – 15, 2026: NCTR 25th Annual Trustee Workshop, Williamsburg, VA
- August 8 – 12, 2026: NASRA Annual Conference, Boston, MA
- September 23 – 25, 2026: NCPERS 2026 Public Pension HR Summit, Scottsdale, AZ
- October 3 - 6, 2026: NCTR's 104th Conference, Coeur d'Alene, ID

Past Meetings and Updates:

- February 28 – March 2, 2026: NCTR/NASRA Winter Meeting, Washington D.C.
- March 9 – 11, 2026: CII's 2026 Spring Conference

General Updates – TRICOT Visit

March 23 – 27, 2026

- Met with general partners
- Discussed ongoing relations and implementation of AI

Teacher Retirement Investment Company of Texas Ltd. (TRICOT)

- Private limited company incorporated in United Kingdom; Operations began in FY 2016
- TRICOT helps sourcing and portfolio management of TRS' 162 private market investments in Europe worth $14 billion.

7 office personnel in less than 1,500 sq ft

Source: 2025 TRICOT Annual Financial Report

TRS
TEACHER RETIREMENT SYSTEM OF TEXAS
LONDON

TRS FY 2027 – 31 Strategic Plan & AI

Adopting AI Technologies

TRS FY 2027 - 2031 Strategic Plan includes the employment of AI for the ongoing benefit of TRS members in a secure, efficient and productive way.

Modernizing TRS Processes

Investigate best practices and integrate AI within existing processes to optimize investment performance and improve member services.

Formal Adoption by Trustees

February Board Meeting received an overview of the proposed changes to the Strategic Plan. Board to consider adopting the Strategic Plan at this April meeting. If adopted, submit to the Governor's Office by June 1, 2026.

2026 Interim Legislative Charges

187 House Interim Charges
across 28 Committees

Texas House

Pensions, Investments & Financial Services Committee

- Review TRS' actuarial soundness, contribution levels, defined benefit plan assumptions, and projected liabilities to ensure the long-term financial stability of the system. Evaluate impact of basing employer contributions on total payroll, options to increase parity in the contribution rates for all entities, and impact of benefit enhancements.

Various Charges by Topic

- Technology, Artificial Intelligence, Data Privacy & Security
- Fraud, Waste, and Abuse
- Teacher Recruitment & Retention
- Foreign Adversary Influence, Protections, Risks
- Health Care Affordability
- Texas Public Information Act

74 Senate Interim Charges
across 15 Committees

Texas Senate

Various Charges by Topic

- Technology, Artificial Intelligence, Data Privacy & Security (*Financial Technology Innovation; Preparing Texas Workforce for AI*)
- Pay Increases for Teachers
- School Choice
- Fraud, Waste, and Abuse
- Rising Health Care and Insurance Costs

Source: Speaker Dustin Burrows, House Interim Charges (Mar. 26 & Apr. 20) | Lt. Gov. Dan Patrick, Senate Interim Charges (Rounds 1 & 2, Jan. 30 & Mar. 27, 2026)

Directly impacts TRS Overall monitoring

2027 Trustee Election Timeline

Public School District Trustee Election

Nomination and Petition Phase

Nomination period runs from June 2026 to Jan. 25, 2027. First-year eligible members can directly link to nomination site from the MyTRS Member Portal.

Voting and Results

Ballots are mailed in March 2027. First-year eligible members may directly access election site through MyTRS Member Portal. Deadline is May 5, 2027; results counted in late May, and final candidates sent to the Governor.

New Trustee Takes Office

The new trustee may assume office no earlier than September 1, 2027.

Contract Renewal Notices

Notice of Board Contracts expiring with ED Authorization to Renew:

Express Scripts, Inc.
PBM TRS-Care Standard,
1 of 3 yr renewals

Express Scripts, Inc.
PBM TRS-Care Medicare RX,
1 of 3 yr renewals

Special Honors and Acknowledgments

Beth Hallmark

2026 Public Pension Communicator of the Year

National Conference on Public Employee Retirement Systems (NCPERS) awarded Beth **Communicator of the Year** for her leadership through a comprehensive digital transformation, reimagining how 2.1 million members interact with their pension system through innovative technology, inclusive design, and member-centered solutions.

Beth has continuously evolved her expertise to meet the demands of modern public pension communications, developing new capabilities in AI strategy, and data-driven decision-making. Her strategic approach has led to unprecedented member engagement and marked improvement in user satisfaction.

Special Honors and Acknowledgments

Recognizing TRS TEAM Board Liaison 2013 - 2026

Chris Moss

Board TEAM Liaison
10 years

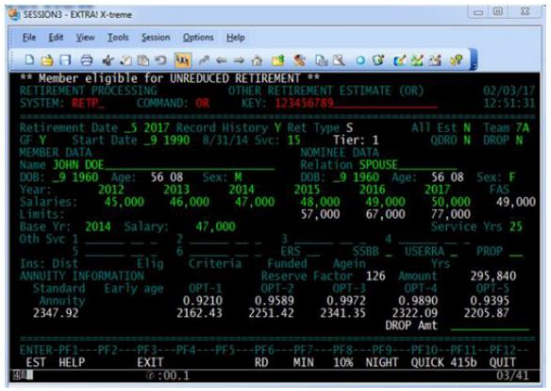
Robert H. Walls, Jr.

Board TEAM Liaison
1.5 years

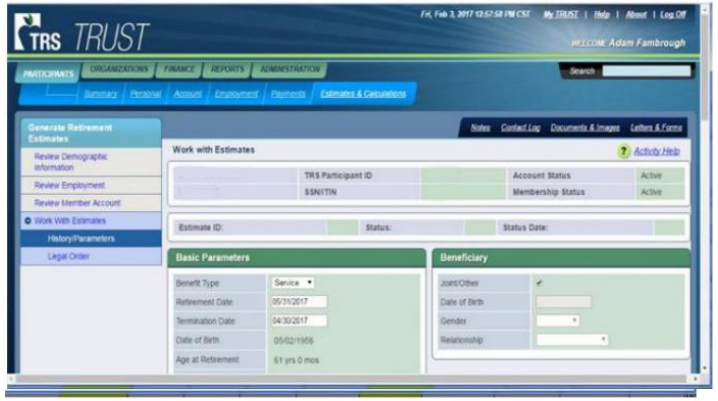
Brittny Allred

Board TEAM Liaison
2 years

Legacy System



TRUST System



Above: One of the improvements made in TEAM from black screen Legacy system to new TRUST system

Left: Former Trustee Chris Moss and Brian Guthrie at the beginning of TEAM

Upcoming Board Meeting Agendas

July 16-17, 2026
Board & Committee Meetings

- Adopt TRS-Care Standard and MA rates and benefits
- Adopt TRS-Care Dental and Vision rates and benefits
- Adopt FY 2027 Budget
- Discuss Legislative Appropriations Request (LAR)
    - Contribution Rate Request
- Rvw Proposed Changes to ED's Areas of Focus
- Rvw Proposed Changes to Performance Pay Plans

September 17-18, 2026
Board & Committee Meetings

- Adopt rates for individually underwritten districts entering for a transitional plan
- Select ACFR Auditor
- Rvw Bylaws
- Rvw Outreach Plan
- Rvw Benefit Counseling Policy
- Rvw Pension Funding Policy
- Board Direct Reports Evaluations
- Performance Incentive Pay Plans

Recurring activities at each meeting:

- Exec. Director Report
- Deputy Director Report
- Litigation Report
- Info. Security Report
- AI Update
- Committee Reports

* Blue font – action items, green font – informational item

Appendix

April Board Agenda Items by Area of Focus

MEMBER Focused

LEADERSHIP Effectiveness

TALENT Effectiveness

OPERATIONAL Effectiveness

CONTINUOUS Improvement

Area of Focus					Committee	Agenda Item
MF	LE	TE	OE	CI		
✓	✓	✓			Board Meeting	3. Executive Director's Report
✓	✓		✓		Board Meeting	4. Deputy Director's Update including Procurement & Contracting Report, Experience Study, Pension Design Study and Artificial Intelligence
	✓				Board Meeting	5. Receive Update and Consider Selection of Board Investment Consultant
			✓	✓	Board Meeting	14. Quarterly Update on TRS Data Protection & Information Security
	✓	✓		✓	Investment Management	3. CIO Update
	✓				Investment Management	5. Annual Review of Public Markets
	✓				Investment Management	6. Semi-Annual Risk Report
	✓		✓		Budget	3. Update on FY26 & FY27 Budget and FY28 & FY29 Legislative Appropriations Request
✓	✓	✓	✓	✓	Governance	3. Consider Adoption of Proposed Changes to Fiscal Year 2027-31 Strategic Plan Goals, Objectives and Strategies
	✓				Governance	6. Consider Board Adoption of Proposed Amendments to Investment Policy Statement
✓				✓	Benefits	3.C. Operational Update on Activities and Performance including Member Education and Counseling Overview
✓	✓				Benefits	4.B. Consider and Recommend Approval of FY 2027 Rates and Benefits for Self-Funded TRS-ActiveCare Plans
✓	✓				Benefits	4.C. Consider and Recommend Approval of Special Transitional Plan Rates for Amarillo ISD

These presentation topics align with the Executive Director's FY 26 Areas of Focus.

TAB 5

Deputy Director Report

Presentation Date
April 30, 2026

Presented By
Caasi Lamb

TRS TEACHER RETIREMENT SYSTEM OF TEXAS

Topics for Discussion

Experience Study

Pension Design Study

AI Governance and Technology Update

Procurement and Contracting Report

Experience Study

Experience Study

General Findings

- The current assumption set was found to be appropriate, with only minor adjustments to certain assumptions that generally offset one another:
    - The 2.0% public education employer contribution has not been growing as fast as previously assumed (was assumed to grow with total payroll). GRS recommended a discount to this growth assumption which will **extend** the funding period by **two years**.
    - GRS grouped the active member data into two groups for turnover and new entrant replacements. This **shortens** the funding period by **one year** and will be a more adaptive model if the demographics continue to change.
- The **net impact** is **one additional year** on the funding period.
- A full list of recommendations is in the Appendix.

Pension Design Study

Today's Focus: Pension Plan Profile

Purpose of study: Inform legislative decision-making by comparing the current plan with alternative designs considering workforce and demographic trends as well as actuarial and fiscal impacts.

Completed

Alternative Plan Structures

- Retirement Plan Type Continuum
- Examples
- Trade-offs
- Teacher Plan Distribution

Workforce & Demographic Trends

Social Security

Member & Retiree Profiles

Assessing Pension Plan Health

Current

Pension Plan Profile

Upcoming

Benchmarking Research

Considerations in Plan Design

Pension Funding Equation

Inputs

CONTRIBUTIONS

State | Employer | Member

Determined by Constitution & Statutes

+

INVESTMENTS

7.0% Investment Return Assumption

Approved by Board

=

Outputs

BENEFITS

Annuity Payments

Determined by Statutes

C The State, Employers, and Members contribute

State*
8.25%

Member
8.25%

Public Education Employer**
2.0%

Determined by State Law

*State contribution also includes funding from public education and higher education employers
**Does not apply to higher education employers

C Stair-step rate increases approved in FY 2019

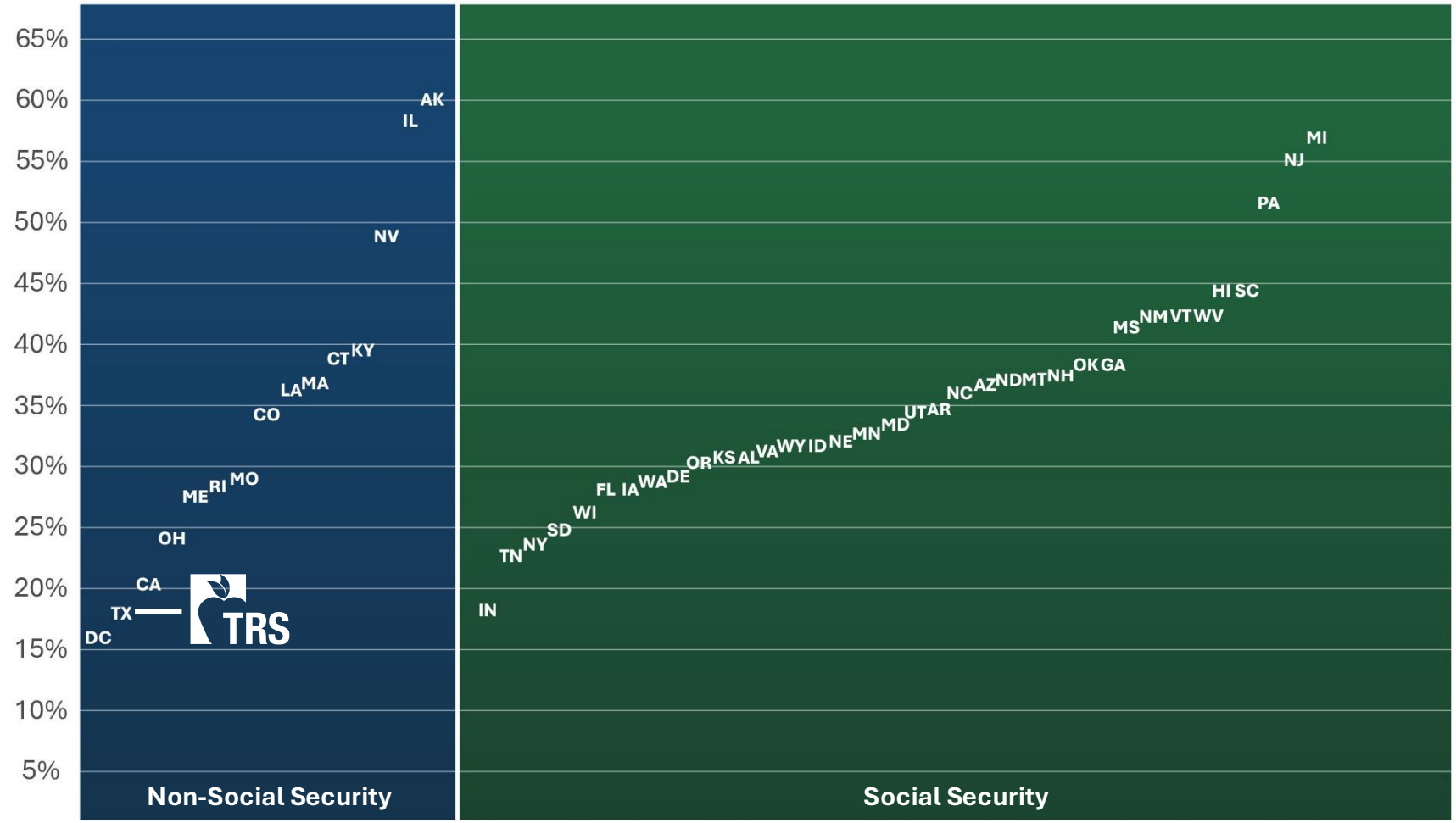
	Prior	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
State	6.80%	7.50%	7.50%	7.55%	8.00%	8.25%	8.25%	8.25%	8.25%
Member	7.70%	7.70%	7.70%	8.00%	8.00%	8.25%	8.25%	8.25%	8.25%
Public Education Employer	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.00%	2.00%

All contribution rates are set in state law.

*The Public Education Employer Contribution began in FY 2015. From FY 2015-2019, the Public Education Employer Contribution applied to public education employers not contributing to Social Security. This expanded to include public education employers participating in Social Security in FY 2020. The Public Education Employer Contribution does not apply to higher education employers.

TRS rates remain among lowest in the nation

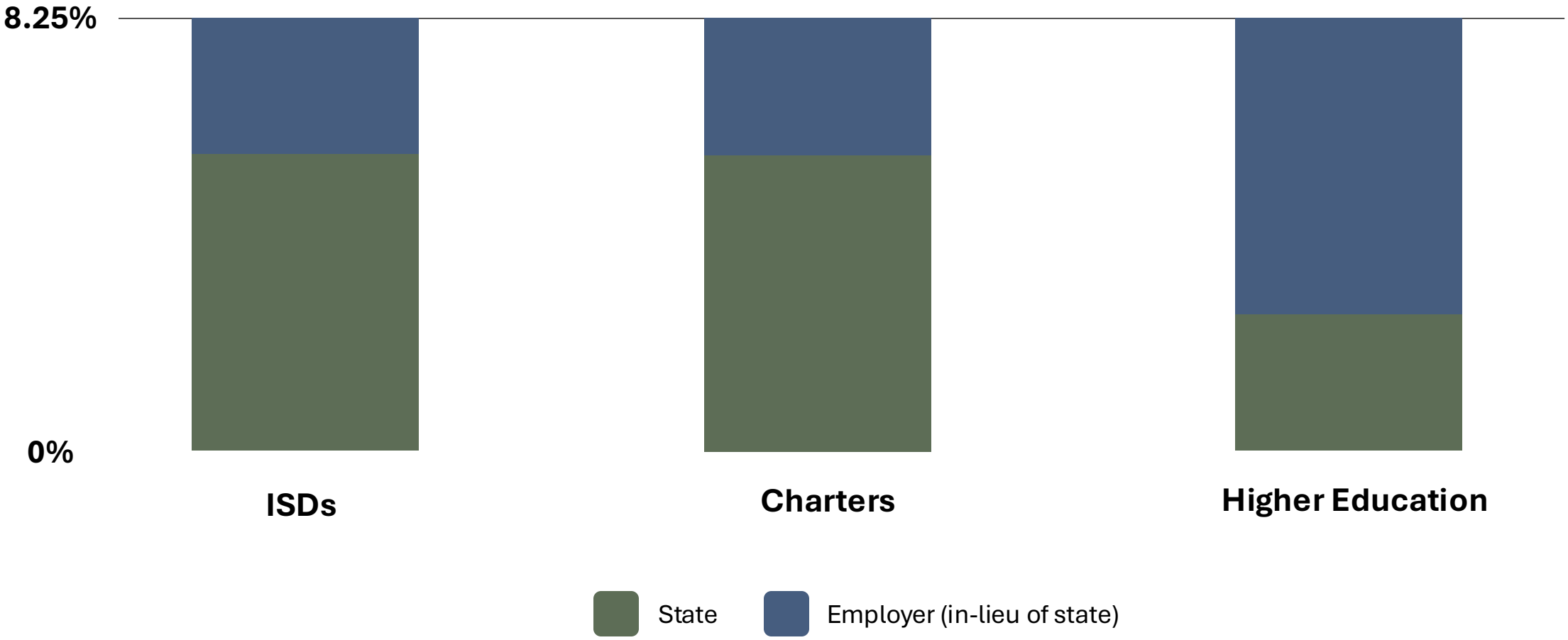
State, Member, and Employer Contributions with/without Social Security



Source: *NASRA 2024*

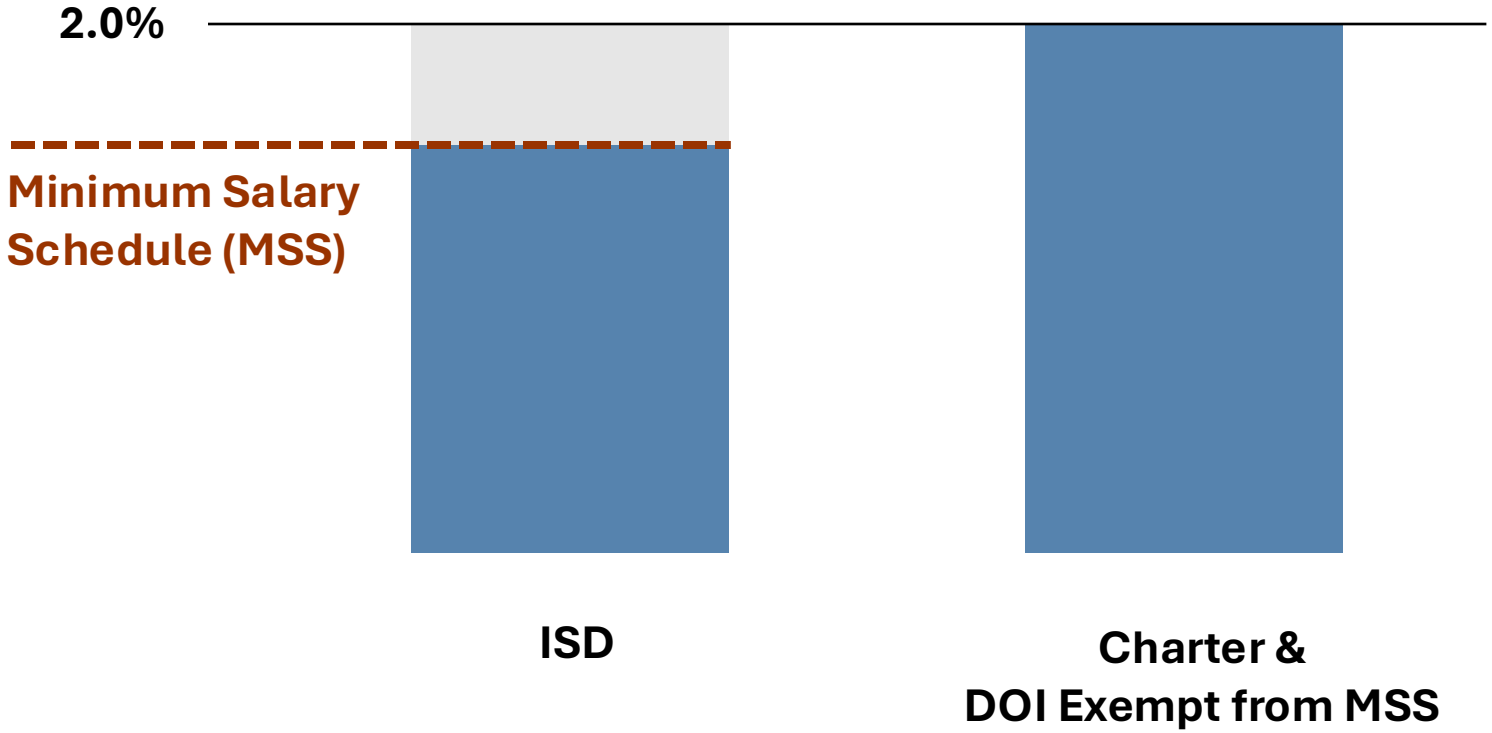
C Employers cover a portion of the State's 8.25% contribution

Amount of 8.25% paid by State vs Employer



C Only Public Education Employers required to contribute 2.0%

2.0% paid by Public Education Employer



Traditional ISDs: For positions subject to the Minimum Salary Schedule (MSS), ISDs pay the Employer Contribution of 2.0% for salary up to the MSS.

Charter Schools and Certain Districts of Innovation (DOI): These entities pay the 2.0% Employer Contribution on total salary.

Higher Education: Employer Contribution is not applicable to higher education employers.

TRS Investments make up 61% of the Pension Fund

TRS is the **6th largest public pension fund*** in the United States.

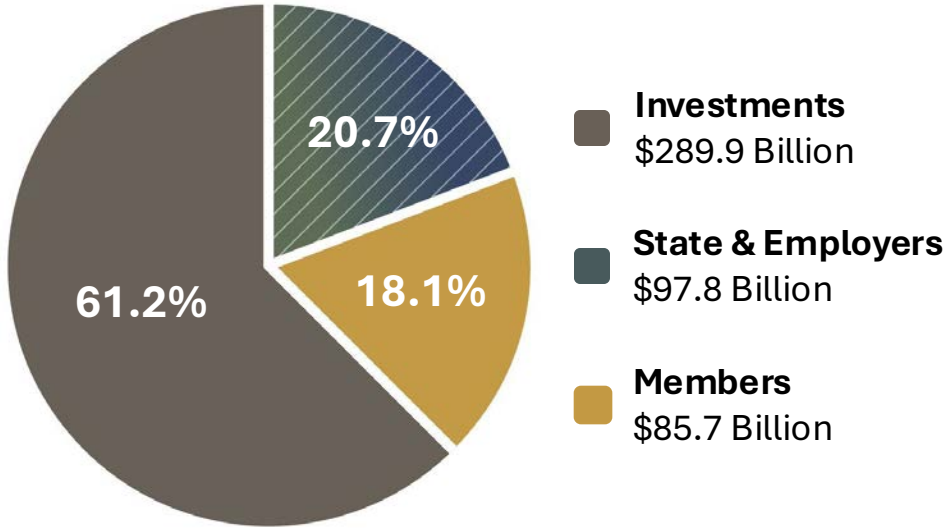
Expected to earn an average **long-term** return of 7.0% per year — the actuarial investment return assumption set by the board.

$ This equates to $16.5 billion annually, or **$65.8 million every business day** of the year.

*Pension & Investments 2025

Sources of Pension Fund Revenue Since Inception

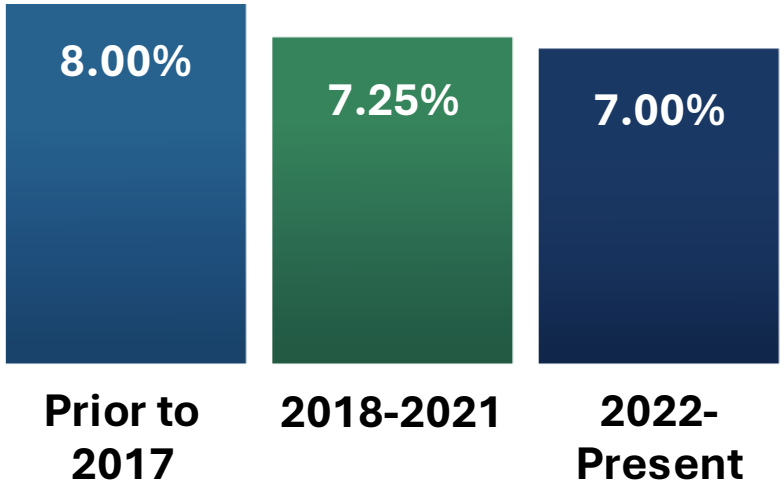
(FY 1938-2025)



3/5th Over three-fifths of pension fund revenue comes from investments

TRS exceeded 7.0% in 1, 3, 5 and 10 year returns

Board adopts an assumed rate of return as part of the Experience Study



Average Annualized Returns*

1 Year	10.75%
3 Years	7.88%
5 Years	9.33%
10 Years	7.78%

The time horizon over which TRS invests the contributions is very long. TRS has 24 years on average to invest contributions before a benefit payment becomes due.**

*TRS Annual Comprehensive Financial Report, Investments, Table 7, as of June 30, 2025 **Source: GRS

B Benefits are established by law

Years of Service X **2.3%** X **Highest Annual Average Salary***

÷

12

=

Monthly Standard Annuity

* Average three- or five-years of highest annual salaries depending on tier

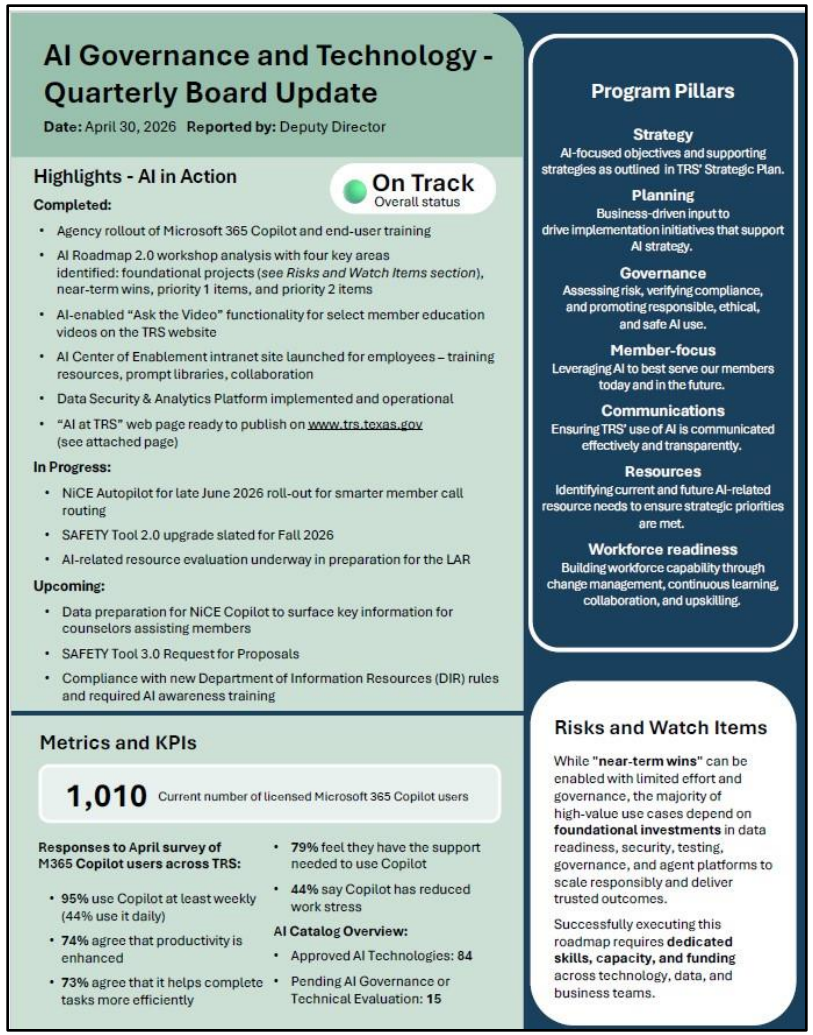
TRS offers a defined benefit plan. The standard annuity is:

- Defined in Texas law
- Based on service, a multiplier, and salary – not the amount in an account
- Stable through market conditions
- Paid for life once earned

AI Governance and Technology Update

New Quarterly AI Update and Web Page

Update



AI Governance and Technology - Quarterly Board Update

Date: April 30, 2026 **Reported by:** Deputy Director

Highlights - AI in Action

On Track
Overall status

Completed:

- Agency rollout of Microsoft 365 Copilot and end-user training
- AI Roadmap 2.0 workshop analysis with four key areas identified: foundational projects (*see Risks and Watch Items section*), near-term wins, priority 1 items, and priority 2 items
- AI-enabled "Ask the Video" functionality for select member education videos on the TRS website
- AI Center of Enablement intranet site launched for employees – training resources, prompt libraries, collaboration
- Data Security & Analytics Platform implemented and operational
- "AI at TRS" web page ready to publish on www.trs.texas.gov (see attached page)

In Progress:

- NiCE Autopilot for late June 2026 roll-out for smarter member call routing
- SAFETY Tool 2.0 upgrade slated for Fall 2026
- AI-related resource evaluation underway in preparation for the LAR

Upcoming:

- Data preparation for NiCE Copilot to surface key information for counselors assisting members
- SAFETY Tool 3.0 Request for Proposals
- Compliance with new Department of Information Resources (DIR) rules and required AI awareness training

Program Pillars

Strategy
AI-focused objectives and supporting strategies as outlined in TRS' Strategic Plan.

Planning
Business-driven input to drive implementation initiatives that support AI strategy.

Governance
Assessing risk, verifying compliance, and promoting responsible, ethical, and safe AI use.

Member-focus
Leveraging AI to best serve our members today and in the future.

Communications
Ensuring TRS' use of AI is communicated effectively and transparently.

Resources
Identifying current and future AI-related resource needs to ensure strategic priorities are met.

Workforce readiness
Building workforce capability through change management, continuous learning, collaboration, and upskilling.

Metrics and KPIs

1,010 Current number of licensed Microsoft 365 Copilot users

Responses to April survey of M365 Copilot users across TRS:

- **95%** use Copilot at least weekly (44% use it daily)
- **74%** agree that productivity is enhanced
- **73%** agree that it helps complete tasks more efficiently
- **79%** feel they have the support needed to use Copilot
- **44%** say Copilot has reduced work stress

AI Catalog Overview:

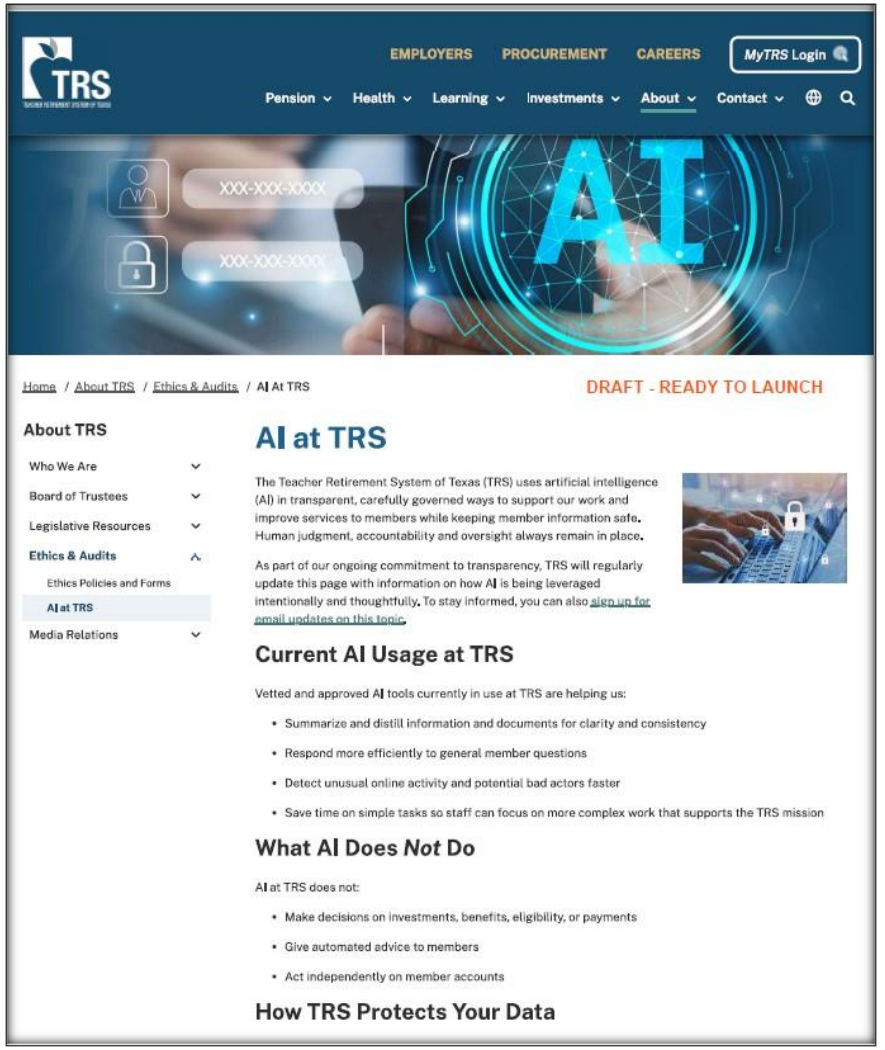
- Approved AI Technologies: **84**
- Pending AI Governance or Technical Evaluation: **15**

Risks and Watch Items

While **"near-term wins"** can be enabled with limited effort and governance, the majority of high-value use cases depend on **foundational investments** in data readiness, security, testing, governance, and agent platforms to scale responsibly and deliver trusted outcomes.

Successfully executing this roadmap requires **dedicated skills, capacity, and funding** across technology, data, and business teams.

Web page



TRS

EMPLOYERS PROCUREMENT CAREERS MyTRS Login

Pension Health Learning Investments About Contact

Home / About TRS / Ethics & Audits / AI At TRS

DRAFT - READY TO LAUNCH

About TRS

- Who We Are
- Board of Trustees
- Legislative Resources
- Ethics & Audits
  - Ethics Policies and Forms
  - AI at TRS
- Media Relations

AI at TRS

The Teacher Retirement System of Texas (TRS) uses artificial intelligence (AI) in transparent, carefully governed ways to support our work and improve services to members while keeping member information safe. Human judgment, accountability and oversight always remain in place.

As part of our ongoing commitment to transparency, TRS will regularly update this page with information on how AI is being leveraged intentionally and thoughtfully. To stay informed, you can also sign up for email updates on this topic.

Current AI Usage at TRS

Vetted and approved AI tools currently in use at TRS are helping us:

- Summarize and distill information and documents for clarity and consistency
- Respond more efficiently to general member questions
- Detect unusual online activity and potential bad actors faster
- Save time on simple tasks so staff can focus on more complex work that supports the TRS mission

What AI Does *Not* Do

AI at TRS does not:

- Make decisions on investments, benefits, eligibility, or payments
- Give automated advice to members
- Act independently on member accounts

How TRS Protects Your Data

Procurement and Contracting Report

Procurement and Contracting Report – Q2

Solicitations and Contracts with a Value of $1 Million or More per Year

Type	Q1	Q2	Q3	Q4	Total
New Executed Contracts	1	3			4
New Executed Health Contracts	0	0			0
New FY 25 Solicitations	0	1			1
New FY 25 Health Solicitations	0	0			0

BOARD PROCUREMENT POLICY

For those contracts that are to be brought to the Board for approval solely because they exceed an estimated value of $1 million or more per year, ***TRS staff will present a report to the Board at each quarterly meeting*** *summarizing the key information for the proposed procurement. The Board may* ***accept*** *the report in its entirety or identify specific procurements for additional discussion or direct selection or approval by the Board.*

Appendix

Appendix: Experience Study Recommendations

Economic Assumptions

We recommend:

- **Increasing the underlying inflation assumption to 2.50% from 2.30%.** While the inflation assumption is not directly used in the valuation process or determining benefits, it is a building block for other assumptions.
- **No change to the investment return assumption.** The current 7.00% investment return assumption is reasonable. Based on the current capital market assumptions from Meketa, TRS' investment consultant, and the System's target asset allocation, the median expected geometric return is 7.3%. To verify those estimates, we used twelve other independent sources and the average result from that survey was 7.2%. These forward-looking expectations for the same portfolio have varied from 6.0% to 7.2% over the last five years. This type of precision and volatility is appropriate for the use by Meketa and IMD in investment decisions because they constantly interact with current market prices and expectations over a specific investment cycle. However, for setting the contribution requirements and funding patterns over a number of investment cycles, consistency around a single number that is in the middle of the range is more appropriate.
- **No change to the administrative expense assumption.** We find continuing to use the average of the last three years actual administrative expenses as the forward-looking assumption in each valuation is reasonable. This expense is included in the normal cost.

GRS

Appendix (cont.): Experience Study Recommendations

- **No change for the general wage inflation (GWI) assumption.** This analysis finds the current GWI assumption of 2.90% to be reasonable. This assumption is comprised of price inflation (2.50%) and general productivity (0.40%). This assumption is used primarily to index each cohort of new entrants used in projections and as a starting point for the individual salary scales and the payroll growth assumption (amortization payment growth rate).
- **No change to the assumption for salary increases to individual members.** Based on comparisons to historical experience, the current assumption is slightly high when adjusted for the recent higher inflation. However, the assumption is lower than experience from the past five years. In addition, legislation passed during the 2025 Texas Legislative Session provided appropriations for salary increases for public educators beginning in fiscal year 2026 and beyond that are not reflected in the historical data.
- **Assuming the contribution from the public education employer contribution will grow at 2.25% annually** instead of with total payroll. This is similar to assuming it will grow with wage inflation but builds in a discount for the sporadic nature of the increases. This change will increase the funding period and increase the contribution rate needed to meet the TRS Board's funding policy.
- **No change to the assumption about benefit enhancements** and we continue to assume there will be either (i) no cost-of-living increases (COLAs) or supplemental payments provided to retirees, or (ii) they will be fully-funded when they are provided.

GRS

Appendix (cont.): Experience Study Recommendations

Mortality Assumptions

We recommend:

- **Updating the post-retirement mortality tables for non-disabled retirees** to reflect recent TRS member experience. These tables will be labeled the 2025 TRS of Texas Healthy Pensioner Mortality Tables and reflect slightly lower longevity. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach and updating that assumption based on the ultimate rates of the most recently published projection scale MP-2021, which we refer to as ("U–MP").
- **Updating post-retirement mortality tables for disabled retirees to reflect recent TRS member experience,** adds another year of set-forward to the current procedures. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach, with projection scale ("U–MP").
- **Updating pre-retirement mortality tables for active employees to the recently published PUB(2016) mortality tables for teachers**, using the below median table. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach, with projection scale ("U–MP").

Appendix (cont.): Experience Study Recommendations

Other Demographic Assumptions

We recommend:

- **Segmenting the member data into two groups for turnover:**
  - (1) Professional/Administrative, Teacher/Full-Time Librarian, and Full-Time Nurse/Counselor for public schools are considered Low Turnover
  - (2) All Other Employees are considered Higher Turnover
  - Only replacing terminating members from one group with recent new entrants from that specific group in the open group projections. This should produce a more adaptive model if the groups are growing at different paces. We have created new turnover patterns for each group separately. These changes will slightly lower the liabilities, contribution requirements, and the funding period by one year.
- **Making small increases to the retirement probabilities for members prior to age 59** consistent with experience and future expectations
- **No change to the assumed disability pattern or the assumption that 20% of the members who become disabled will choose a 100% joint and survivor annuity option**
- **No change to the current marriage assumption and spousal age difference**

Appendix (cont.): Experience Study Recommendations

Actuarial Methods and Policies

We recommend:

- **No change to the current process of estimating the valuation payroll** for the upcoming fiscal year, which is to use the actual known covered payroll for the previous fiscal year and increase it by one year's payroll growth assumption
- **No change to the current asset smoothing method or the smoothing period**
- **No change to the use of the Individual Entry Age (IEAN) actuarial cost method**
- **No change to continue using individual data records in the valuation process.** However, the use of individual data extends the computer run time dramatically. For legislative analyses, we will continue to use celled data and adjust for any difference between the two data sets.

Contribution Examples

Fictional Members and Employers

Sasha Peterson
2nd grade teacher
Cactus Valley Elementary

Jay Nielson
Educational Asst.
Texas City High School

Charles Yarbrough
Art Teacher
Duram Charter School

	Sasha Peterson	Jay Nielson	Charles Yarbrough
TRS Eligible Compensation:	**$70,000**	**$70,000**	**$70,000**
Minimum State Salary (MSS) Applicable	**Yes | $60,000**	**No**	**No* | $60,000**
State Contribution (8.25%)			
State	$60,000 x 8.25% = **$4,950**	$70,000 x 8.25% = **$5,775**	60,000 x 8.25% = **$4,950**
Employer (amounts above MSS)	$10,000 x 8.25% = $825	-	$10,000 x 8.25% = $825
Total State Contributions	**$5,775**	**$5,775**	**$5,775**
Public Employer Education Contribution (2.0%)	**$60,000 x 2.0% = $1,200**	**$70,000 x 2.0% = $1,400**	**$70,000 x 2.0% = $1,400**
Member Contribution (8.25%)	$70,000 x 8.25% = **$5,775**	$70,000 x 8.25% = **$5,775**	$70,000 x 8.25% = **$5,775**
Total Pension Contributions	**$12,750**	**$12,950**	**$12,950**

*For positions that *would* be subject to MSS (if they were in a traditional ISD), Charters and certain Districts of Innovation contribute the state's 8.25% for salaries above the MSS as well

B Annuity calculation in action - teacher

Sasha Peterson
2nd grade teacher
Cactus Valley Elementary*

Years of Service		Multiplier		Average Salary		Annuity
30	×	2.3%	×	$70,000	=	$48,300

$4,025 per month

**Example is a hypothetical persona and intended for illustrative purposes only.*

B Annuity calculation in action – bus driver

Alice Jefferson
BUS DRIVER
Durham ISD*

Years of Service		Multiplier		Average Salary		Annuity
30	×	2.3%	×	$36,000	=	$24,840

$2,070 per month

**Example is a hypothetical persona and intended for illustrative purposes only.*

TEACHER RETIREMENT SYSTEM OF TEXAS

Actuarial Experience Study

As of August 31, 2025

DRAFT

P: 469.524.0000 | www.grsconsulting.com

February 6, 2026

Board of Trustees
Teacher Retirement System of Texas
4655 Mueller Blvd
Austin, TX 78723

Dear Members of the Board

Subject: Results of 2026 Experience Study

We are pleased to present our report on the results of the 2026 Experience Study for the Teacher Retirement System of Texas (TRS). It includes our recommendations for new actuarial assumptions to be effective for the August 31, 2026 actuarial valuation.

With the Board's approval of the recommendations in this report, we believe the actuarial condition of TRS will be more accurately portrayed. The Board's decisions should be based on the appropriateness of each recommendation, not on their collective effect on the funding period or the unfunded liability.

This study was conducted in accordance with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. The undersigned meet all of the Qualification Standards of the American Academy of Actuaries. In addition, the undersigned have extensive experience as retained public sector actuaries for several large, statewide public retirement systems.

We wish to thank the TRS staff for their assistance in providing data for this study.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Lewis Ward
Consultant

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

Karli Fehrman, ASA
Consultant and Actuary

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Section I – Executive Summary

In determining liabilities, contribution rates and funding periods for retirement plans, actuaries must make assumptions about the future. Overall, we have found that most of the assumptions used in the TRS valuations are currently reasonable or only need minor adjustments. The public education employer contributions have not been growing as fast as the overall payroll, and in fact have been growing slower than inflation. Thus, we have recommended assuming this contribution stream will grow at 2.25% per year, which is less than the projected growth in total payroll. We have also recommended segmenting turnover into two groups based on low and higher turnover positions instead of assessing TRS membership in one group. The net result of these changes is an increase in the funding period of one year. Our general findings and recommended changes to the current actuarial assumptions are be summarized as follows:

Economic Assumptions

1. We recommend increasing the underlying inflation assumption to 2.50%. While the inflation assumption is not directly used in the valuation process or determining benefits, it is a building block for the analysis of other assumptions.

2. We find the current 7.00% investment return assumption to be reasonable. Based on the current capital market assumptions from Meketa, TRS' investment consultant, and TRS' target asset allocation, the median expected geometric return is 7.3%. To verify those estimates we used twelve other independent sources and the average result from that survey was 7.2%. These forward-looking expectations for the same portfolio have varied from 6.0% to 7.2% over the last five years. This type of precision and volatility is appropriate for the use by Meketa and the TRS Investment Management Division (IMD) in its investment decisions because they are always interacting with current market prices and expectations over a specific investment cycle. However, for use in setting the contribution requirements and funding patterns over a number of investment cycles, consistency around a single number that is in the middle of the range is more appropriate.

3. We find the current method of assuming future administrative expenses as a percent of covered payroll will be equal to the average percent from the last three fiscal years.

4. This analysis finds the current general wage inflation (GWI) assumption of 2.90% to be reasonable and recommends no change. This assumption is comprised of price inflation (2.50%) and general productivity (0.40%). This assumption is used primarily to index each cohort of new entrants used in projections and as a starting point for the individual salary scales and the payroll growth assumption (amortization payment growth rate).

5. We recommend no change to the assumption for salary increases to individual members. Based on comparisons to historical experience, the current assumption is slightly high when adjusted for the recent higher inflation. However, the assumption is lower than experience from the past five years. In addition, legislation passed during the 2025 Legislative Session provided appropriations for salary increases for public educators beginning in fiscal year 2026 and beyond that are not reflected in the historical data.

6. We recommend assuming the public education employer contributions grow at 2.25% annually going forward rather than growing with total payroll. This is similar to assuming it will grow with wage

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inflation over time but builds in a discount for the sporadic nature of the increases. This change will increase the funding period and increase the contribution rate needed to meet the Board's funding policy.

7. We recommend no change to the assumption there will either (i) be no cost-of-living increases (COLAs) or supplemental payments provided to retirees, or (ii) they will be fully-funded when they are provided.

Mortality Assumptions

Due to the impact of COVID-19 on mortality patterns in fiscal years 2020, 2021, and 2022, we did not utilize those years for the mortality patterns in this analysis.

8. We recommend updating the post-retirement mortality tables for non-disabled retirees to reflect recent TRS member experience. These tables will be labeled the 2025 TRS of Texas Healthy Pensioner Mortality Tables and reflect slightly lower longevity. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach and updating that assumption based on the ultimate rates of the most recently published projection scale MP-2021, which we will refer to as ("U–MP").

9. We recommend updating post-retirement mortality tables for disabled retirees to reflect recent TRS member experience, adding another year of forward to the current procedures. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach, with projection scale ("U–MP").

10. We recommend updating pre-retirement mortality tables for active employees to the recently published PUB-2016 mortality tables for teachers, using the below median table. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach, with projection scale ("U–MP").

Other Demographic Assumptions

11. For turnover we have segmented the data into two groups:

    (1) Professional/Administrative, Teacher/Full-Time Librarian, and Full-Time Nurse/Counselor for independent school districts are considered Low Turnover

    (2) All Other Employees are considered Higher Turnover

    We will only replace members from one group with recent new entrants from that specific group in the open group projections. This should produce a more adaptive model if the groups are growing at different paces. We have created new turnover patterns for the groups separately. These changes will slightly lower the liabilities and lower the funding period by one year.

12. We recommend small increases to the retirement probabilities for members prior to age 59 consistent with experience and future expectations.

13. We recommend no change to the assumed disability pattern.

14. For members that become disabled in the future, we recommend no change to the assumption that

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20% of them will choose a 100% joint and survivor annuity option.

15. We recommend no change to the current marriage assumption and spousal age difference.

Actuarial Methods and Policies

16. We recommend no change to the current process of estimating the valuation payroll for the upcoming fiscal year, which is to use the actual known covered payroll for the previous fiscal year and increase it by one year's payroll growth assumption.

17. We recommend no change to the current asset smoothing method or the smoothing period.

18. We recommend no change to the use of the Individual Entry Age (IEAN) actuarial cost method.

19. We recommend continuing to use individual data records in the valuation process. However, the use of individual data extends the computer run time dramatically. Thus, we will continue to use celled data in legislative analyses and adjust for any difference between the two data sets.

Illustrated Impact of all recommended changes:

Item	2025 Actuarial Valuation Current Assumptions	Illustrated 2025 Actuarial Valuation Recommended Package of Assumptions
(1)	(2)	
Unfunded Actuarial Accrued Liability ($ in Billions)	$64.9	$64.3
Funded Ratio	77.5%	77.7%
Funding Period (years)	35	36

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Section II – Introduction

A periodic review and selection of the actuarial assumptions is one of many important components of understanding and managing the financial aspects of TRS. Use of outdated or inappropriate assumptions can result in understated costs which will lead to higher future contribution requirements or perhaps an inability to pay benefits when due; or, on the other hand, produce overstated costs which place an unnecessarily large burden on the current generation of members, employers, and taxpayers.

A single set of assumptions is typically not expected to be suitable forever. As the actual experience unfolds or the future expectations change, the assumptions should be reviewed and adjusted accordingly.

It is important to recognize that the impact from various outcomes and the ability to adjust from experience deviating from the assumption are not symmetric. Due to compounding economic forces, legal limitations, and moral obligations, outcomes from underestimating future liabilities are much more difficult to manage than outcomes of overestimates, and that un-symmetric risk should be considered when the assumption set, investment policy and funding policy are created. As such, the assumption set used in the valuation process needs to represent the best estimate of the future experience of TRS and be at least as likely, if not more than likely, to overestimate the future liabilities versus underestimate them.

Using this strategic mindset, each assumption was analyzed compared to the actual experience of TRS and general experience of other large public employee retirement systems. Changes in certain assumptions and methods are suggested upon this comparison to remove any bias that may exist and to add in a slight margin for future adverse experience where appropriate. Next, the assumption set as a whole was analyzed for consistency and to ensure that the projection of liabilities was reasonable and consistent with historical trends.

The following report provides our recommended changes to the current actuarial assumptions.

Summary of Process

In determining liabilities and contribution rates for retirement plans, actuaries must make assumptions about the future. Among the assumptions that must be made include:

- Retirement patterns
- Mortality patterns
- Turnover patterns
- Disability patterns
- Investment return rate
- Salary increase patterns
- Inflation rate

For some of these assumptions, such as the mortality rates, past experience provides important evidence about the future. For others, such as the investment return assumption, the link between past and future results is much weaker. In either case, actuaries should review the plan's assumptions periodically and

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determine whether these assumptions are consistent with actual past experience and with anticipated future experience.

The last such actuarial experience investigation was performed immediately following the August 31, 2021 actuarial valuation. For this experience study, we have added experience for the four-year period from August 31, 2021 through August 31, 2025 (FY 2022 – FY 2025) to the previous data.

In conducting experience studies, actuaries generally use data over a period of several years. This is necessary in order to gather enough data so that the results are statistically significant. In addition, if the study period is too short, the impact of the current economic conditions may lead to misleading results. It is known, for example, that the health of the general economy can impact salary increase rates and termination rates. Using results gathered during a short-term boom or bust will not be representative of the long-term trends in these assumptions. Also, the adoption of legislation, such as plan improvements or changes in salary schedules, will sometimes cause a short-term distortion in the experience. For example, if an early retirement window was opened during the study period, we would usually see a short-term spike in the number of retirements followed by a dearth of retirements for the following two to four years. Using a longer period prevents giving too much weight to such short-term effects. On the other hand, using a much longer period could dilute real changes that may be occurring, such as mortality improvement or a change in the ages at which members retire.

For this analysis, we used between five and twenty years of data, depending on the assumption being studied as follows:

Assumption	Data Used	Comment
Payroll Growth	20 Years	Long-term trends are needed, also prospective changes must be considered
Individual Salary Increases	10+ Years	Longer period will capture a longer economic cycle
Termination	10+ Years	Longer period will capture a longer economic cycle
Mortality	9 Years	Longer period allows for low volatility in the assumption
All other	5 Years	The assumptions react quicker to changing trends and are less correlated with the economic cycle

In an experience study, we first determine the number of deaths, retirements, etc. that occurred during the period. Then we determine the number expected to occur, based on the current actuarial assumptions. The number of “expected” decrements is determined by multiplying the probability of the occurrence at the given age, by the “exposures” at that same age. Finally, we calculate the A/E ratio, where "A" is the actual number (of retirements, for example) and "E" is the expected number. If the current assumptions were “perfect”, the A/E ratio would be 100%. When it varies much from this figure, it is a sign that new assumptions may be needed. (However, in some cases we prefer to set our assumptions to produce an A/E ratio a little above or below 100% to introduce some margin). Of course, we not only

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look at the assumptions as a whole, but we also review how well they fit the actual results by gender, age, and service.

If the data leads the actuary to conclude that new tables are needed, the actuary may "graduate" or smooth the results, since the raw results can be quite uneven from age to age or from service to service.

Organization of Report

Section III contains our findings and recommendations for each actuarial assumption. The impact of adopting our recommendations on liabilities and contribution rates is shown in Section IV. Section V presents a summary of all the actuarial assumptions and methods, including the recommended changes.

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Section III - Analysis of Experience and Recommendations

We will begin by discussing the economic assumptions: inflation, the investment return rate, the salary increase assumption, the cost-of-living increases, and the payroll growth rate. Then we will discuss the demographic assumptions: mortality, disability, termination and retirement. Finally, we will discuss the actuarial methods used.

Actuarial Standards of Practice for Setting Economic Assumptions

Actuarial Standards of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, provides guidance to actuaries on giving advice on selecting economic assumptions for measuring obligations for defined benefit pension plans. As no one knows what the future holds, it is necessary for an actuary to estimate possible future economic outcomes. Recognizing that there is not one right answer, the current standard calls for an actuary to develop a reasonable economic assumption. A reasonable assumption is one that:

a. Is appropriate for the purpose of the measurement,
b. reflects the actuary's professional judgment,
c. takes into account historical and current economic data that is relevant as of the measurement date,
d. is an estimate of future experience; an observation of market data; or a combination thereof, and
e. has no significant bias except when provisions for adverse deviation or plan provisions that are difficult to measure are included.

However, the standard explicitly advises an actuary not to give undue weight to recent experience.

Each economic assumption should individually satisfy this standard. Furthermore, with respect to any particular valuation, each economic assumption should be consistent with every other economic assumption over the measurement period. Generally, the economic assumptions are much more subjective in nature than the demographic assumptions.

Inflation Assumption

"Inflation" refers to price inflation, as measured by annual increases in the Consumer Price Index (CPI). This inflation assumption underlies all of the other economic assumptions employed, such as the investment return, the salary increase pattern, and the payroll growth assumption. The current annual inflation assumption is 2.30%.

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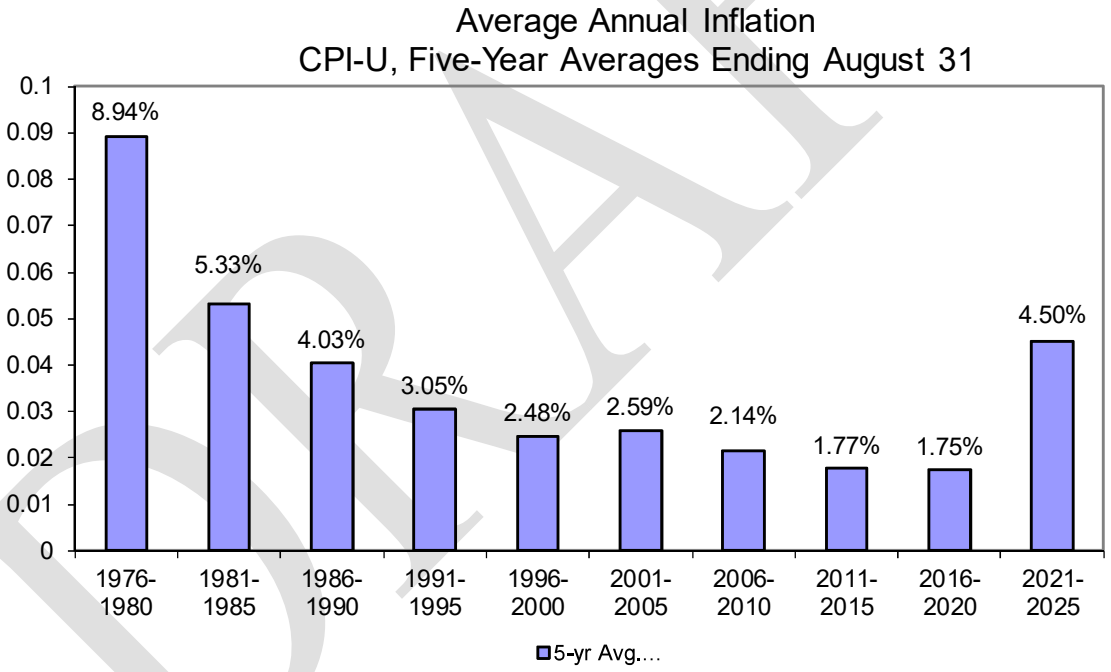
The table below shows the average inflation over various periods, ending August 2025:

Periods Ending August 2025	Average Annual Increase in CPI-U
Last five (5) years	4.50%
Last ten (10) years	3.12%
Last fifteen (15) years	2.67%
Last twenty (20) years	2.53%
Last twenty-five (25) years	2.55%
Last thirty (30) years	2.53%
Since 1913	3.15%

Source: Bureau of Labor Statistics, CPI-U, all items, not seasonally adjusted

The chart below shows the average annual inflation in each of the ten consecutive five-year periods over the last fifty years:



As the table shows, inflation steadily declined until the last five years. Notice how there are relatively low periods followed by occasional spikes.

Forecasts from Investment Consulting Firms

We examined the 2025 capital market assumption sets for several investment consulting firms and found the average assumption for inflation over the next 10 years was 2.39%, with a range of 2.10% to 2.70%. This is 0.2% higher than the same survey during the previous experience study. For survey participants that provided longer term forecasts, the average was 2.48%. TRS' investment consultant, Meketa, has a prospective assumption of 2.30% over the next 10 years but 2.70% over the longer term.

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Forecasts from Social Security Administration

In the Social Security Administration's "2025 Trustees Report", the Office of the Chief Actuary is projecting a long-term average annual inflation rate of 2.4% under the intermediate cost assumption. The low-cost and high-cost scenarios are 1.8% and 3.0%, respectively. All three of these numbers are the same as reported in the prior Actuarial Experience Study.

Survey of Professional Forecasters and Fed Policy

The Philadelphia Federal Reserve conducts a quarterly survey of the Society of Professional Forecasters. Their most recent forecast (third quarter of 2025) was for inflation over the next ten years (2026 to 2035) to average 2.31%. This is down 0.24% since the last study.

Recommendation

The current 2.30% assumption is at the low end of these sources. Historically, no look back period would produce an average inflation rate less than 2.50%. Also, given the nature of inflation experience with long periods of mild inflation followed by bursts of higher inflation, and the long-term nature of TRS' liabilities, we would rather have a higher assumption than the shorter-term forecasts to build in the higher likelihood of having a short-term burst during the longer projection period. We recommend increasing the assumption to 2.50%. While the inflation assumption is not directly used in the valuation process or determining benefits, it is a building block for the analysis of other assumptions.

INVESTMENT AND ADMINISTRATIVE EXPENSES

Since the trust fund pays expenses in addition to member benefits and refunds, assumptions must be made about these. Almost all actuaries treat investment expenses as an offset to the investment return assumption. That is, the investment return assumption represents expected return after payment of investment expenses.

In regards to investment expenses, investment consulting firms periodically issue reports that describe their capital market assumptions. The estimates for core investments (i.e., fixed income, equities, and real estate) are generally based on anticipated returns produced by passive index funds that are either net of or have very small investment-related fees. The investment return expectations for the alternative asset class such as private equity and hedge funds are also net of investment expenses. Therefore, we did not make any adjustments to account for investment-related expenses. Some of the retirement systems may also employ active management investment strategies that result in higher investment expenses compared to strategies that invest in passive index funds. For this analysis, we have assumed that active management strategies would result in the same returns, net of investment expenses, as passive management strategies.

On the other hand, for TRS, the practice for administrative expenses has been to explicitly add a load onto the normal cost. This is also our preferred approach and we recommend continuing this practice. Using an explicit load onto the normal cost maximizes transparency, aligns better with the standards of the Governmental Accounting Standards Board, and maintains a parallel between the investment returns used by the investment consultant and the actuary.

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During each valuation, we have been using the average from the past three fiscal years as the forward-looking assumption, and we recommend no change to this process. As of fiscal year 2025, the average administrative expense load from the last three fiscal years as a percentage of payroll is 0.16%.

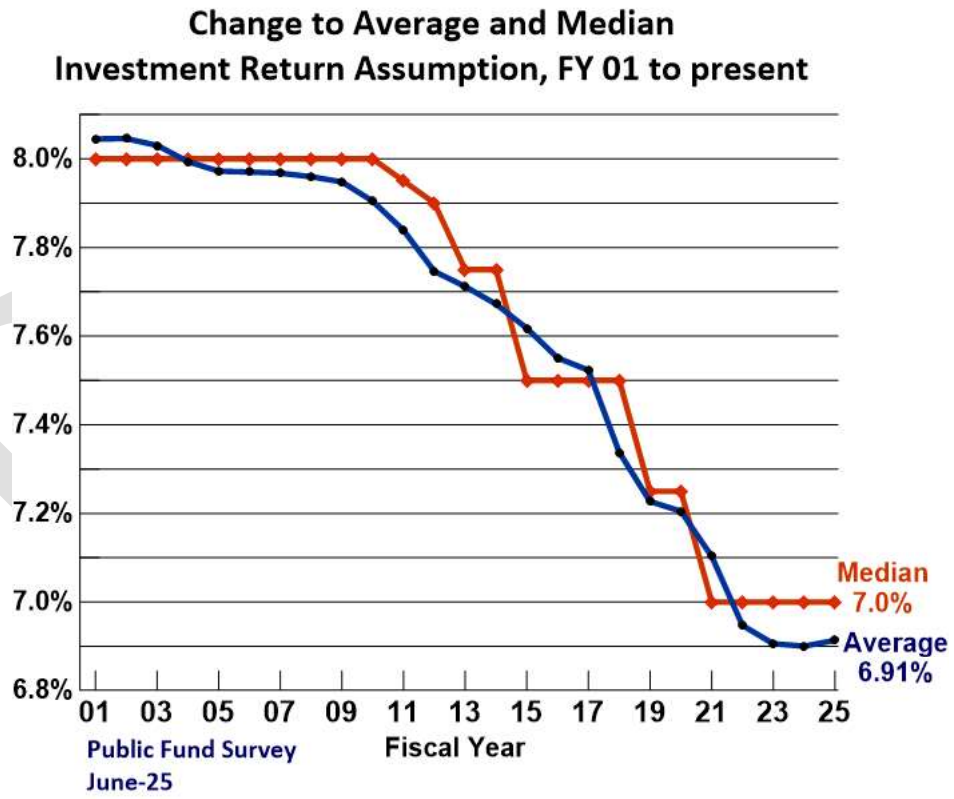
INVESTMENT RETURN RATE

The investment return assumption is one of the principal assumptions used in any actuarial valuation of a retirement plan. It is used to discount future expected benefit payments to the valuation date to determine the liabilities of the plan. Even a small change to this assumption can produce significant changes to the liabilities and contribution rates. Currently, it is assumed that future investment returns will average 7.00% per year, net of investment expenses.

Similar to the inflation assumption, past performance is not a reliable indicator of future performance, even when averaged over a long time period. Also, the actual asset allocation of the trust fund will significantly impact the overall performance, so returns achieved under a different allocation may not be meaningful.

Assumption Comparison to Peers

We do not recommend the selection of an investment return assumption based on peer information. However, it is still informative to identify where the investment return assumption for TRS is compared to its peers as it does inform about general future return expectations. The chart below shows the history of the average and median investment return assumptions in the NASRA Public Fund Data.



As shown, after the median and average rate of return dropped generally from 8.00% to 7.00% over the previous decade, they have remained mostly unchanged over recent years.

ASSET ALLOCATION

We believe the most appropriate approach to selecting an investment return assumption is to identify expected returns given the funds' asset allocation mapped to forward-looking capital market assumptions. We view the investment return assumption as having two components: the assumed rate of (price) inflation plus the real return net of inflation. This "building block" approach is one explicitly permitted under ASOP 27. The inflation assumption has already been discussed, so we will proceed with the analysis of the real rate of return assumption.

To do this, we will examine the results of applying a set of capital market assumptions to the plan's target asset allocation. Because GRS is a benefits consulting firm and does not develop or maintain our own capital market assumptions, we typically utilize the forward-looking return expectations developed by several investment consulting firms. The following is an excerpt from ASOP 27 on the topic of using experts:

> ***Section 3.5.6 Other Sources of Economic Data and Analyses****—When the actuary is responsible for selecting or giving advice on selecting economic assumptions, the actuary may incorporate economic data and analyses from a variety of other sources, including representatives of the plan sponsor and administrator, investment advisors, economists, and other professionals. However, the selection or advice should reflect the actuary's professional judgment.*

In our professional judgement, the consulting firms we included in our survey are experts with specialized knowledge and it is appropriate to incorporate their outlooks in our analysis.

We give higher emphasis to the estimates produced by Meketa, TRS' investment consultant as they are more familiar with TRS' specific investments, but we also verify with other independent sources.

Below is a table with the plan's long-term target asset allocation and the development of the plan's expected nominal investment returns using capital market assumptions provided by Meketa:

Asset Class	Long-Term Target Asset Allocation	Expected Geometric Rate of Return
(1)	(2)	(3)
All Country Public Equity	39%	6.7%
Non-US Developed	5%	7.2%
Emerging Markets	1%	7.5%
Private Equity	12%	9.8%
Government Bonds - Nominal	10%	5.0%
Government Bonds – Real	6%	4.3%
Stable Value Hedge Funds	5%	4.0%
Real Estate	15%	7.1%
Energy and Natural Resources	6%	7.4%
Risk Parity	5%	6.8%
Cash	2%	2.8%
Leverage	-6%	3.1%
Gross Expected Return		**7.3%**

As you can see, the expected return (geometric/compound) provides support that the current 7.00% assumption is expected to be achieved. However, even based on these expectations, there is only a 55% probability of achieving the 7.00% assumption.

Based on GRS' annual survey of twelve investment consulting firms and the TRS asset allocation, the expected compound return is 7.17%, with a range of 6.1% to 7.92%, and a 52% probability of achieving at least an annualized 7.00% return. This confirms Meketa's expectations as reasonable.

To show the volatility in these expectations, the following exhibit shows the median outcome from the GRS survey for the past five years for the current TRS portfolio.

Expected Return of Current Portfolio					
Determined by last 5 GRS Surveys					
2021	2022	2023	2024	2025	Average
(1)	(2)	(3)	(4)	(5)	(6)
6.3%	6.0%	7.2%	7.2%	7.2%	6.8%

The forward-looking expectations for the same portfolio have varied from 6.0% to 7.2%. This type of precision and volatility is appropriate for the use by Meketa and the IMD in its investment decisions because they are always interacting with current market prices and expectations over a specific investment cycle. However, for use in setting the contribution requirements and funding patterns over a number of investment cycles, consistency around a single number that is in the middle of the range is more appropriate.

RECOMMENDATION

In our opinion, the process above meets all of the requirements needed to use it as a basis for our analysis. The results were appropriate for the purpose of the measurement as the estimates were medium to longer term forecasts of market expectations, they took into account historical and current economic data that is relevant as of the measurement date, they represent an estimate of future experience and an observation of market data, and they had no significant bias (i.e., it is not significantly optimistic or pessimistic).

In our professional judgement, we believe a 7.00% assumption meets the requirements under ASOP 27 for being a reasonable assumption and is the most defendable of the choices. Thus, we find the current 7.00% investment return assumption reasonable and recommend no change.

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COST-OF-LIVING INCREASE ASSUMPTION

We currently assume there will be no COLAs or supplemental payments provided to retirees. The statute does not allow for automatic COLAs for retired members. Before 2019, it had been the practice of the Legislature to periodically grant COLAs when it was determined that TRS could afford to absorb the cost in the existing contribution strategy. However, in the last few legislative sessions, when there has been a supplemental payment or COLA provided to retirees, there has been a lump-sum contribution to immediately pay the costs associated with those payments. Future COLAs require Legislative action and whether or not there will be contribution increases or lump-sum appropriations at the time is currently unknown. As there has not been an authorized COLA without additional financing for more than a decade, at this time we recommend continuing to assume no future COLAs in the annual valuations. If future Legislatures begin to authorize COLAs without additional funding, then this provision could be considered substantively automatic and would require some level of recognition in the actuarial liabilities as described under the ASOP No 4. "Measuring Pension Obligations and Determining Pension Plan Costs or Contributions" Section 3.5.3 Plan Provisions That are Difficult to Measure and an assumption of no future enhancement would no longer be appropriate.

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General Wage Inflation

A General Wage Inflation (GWI) assumption represents the real wage growth over time in the general economy, or, is the assumption on how much the pay scales themselves will change year to year, not necessarily how much the pay increases received by individuals are, or even necessarily how the payroll in total may change, which can be impacted by population changes, etc. This assumption should be applicable to a local economy, not necessarily one group inside a retirement system. This assumption is used primarily to index the pay of each group of new entrants used in the open group projections. In an open group projection, projected terminations from the current active population are replaced with projected new entrants, and the starting salaries for those new members are expected to increase over time.

Historically, GWI has almost always exceeded price inflation. This is because wage inflation is in theory the result of (a) price inflation, and (b) productivity gains being passed through to wages. Since 1951, for the national economy as a whole, wage inflation has been about 1.00% larger than price inflation on average. For the last 20 years, for the national economy as a whole, wage inflation has been 3.42%, outpacing price inflation by about 0.86%.

For TRS specifically, the average salary has grown at an annualized rate of 2.63% for the past twenty years, or 0.10% above inflation. For the past decade, the value is 3.13%, which is higher than the 20-year growth rate, but so was inflation at 3.12%. The average salary for a new entrant has grown at 2.94% per year over the past decade.

For these reasons, we find the current 2.90% assumption, which is 0.40% above inflation, to be reasonable, as it is approximately half of the 0.86% average increase over inflation for the economy as a whole and it is equal to recent TRS experience. It is unlikely that the low overall salary growth for TRS members from the past 20 years can continue indefinitely and there will be reversion to more of a national mean. As discussed in the next section, there have already been adjustments in recent large salary increases for higher education members and there are anticipated higher salary levels for public education from recent legislation. We recommend no change to the 2.90% assumption.

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SALARY INCREASE RATES

To project future benefits, the actuary must project future salary increases for individuals. Salaries may increase for a variety of reasons:

- Across-the-board increases for all employees;
- Across-the-board increases for a given group of employees;
- Increases to a minimum salary schedule;
- Additional pay for additional duties;
- Step or service-related increases;
- Increases for acquisition of advanced degrees or specialized training;
- Promotions; or
- Merit increases, if available.

Our salary increase assumption is meant to reflect all of these types of increases.

The actuary should not look at the overall increases in payroll in setting this assumption, because payroll can grow at a rate different from the average pay increase for individual members. To analyze salary increases, we examine the actual increase in salary for each member who is active in two consecutive fiscal years.

Most actuaries recommend salary increase assumptions that include an element that depends on the member's age or service, especially for large, public retirement systems. It is typical to assume larger pay increases for younger or shorter-service employees. This is done to reflect pay increases that accompany step increases, changes in job responsibility, promotions, demonstrated merit, etc. The experience shows salaries have been more closely correlated to service (rather than age), as promotions and productivity increases tend to be greater in the first few years of a career, even if the new employee is older than the average new hire.

We analyzed the salary increases based on the change in the member's reported pay from one year to the next. That is, we looked at each member who appeared as an active member in two consecutive valuations individually, and measured his/her salary increase. Then we grouped the increases for all members with the same service, and determined their average increase.

The current assumption is composed of the GWI assumption plus a merit and promotion component that is based on the service of an individual. The gross current schedule ranges from 9.20% for new members to 3.20% for members with 25 or more years of service and was created to reflect the legislation that was enacted during the 2025 Legislative Session that is anticipated to impact future compensation policies.

Salary increases for governmental employees can vary significantly from year to year. When the employer's tax revenues stall or increase slowly, salary increases often are small or nonexistent. During good times, salary increases can be larger. Our experience across many governmental plans also shows several occasions in which salary increases will be low for a period of several years followed by a significant increase in one year. Therefore, for this assumption in particular, we prefer to use data over a longer period in establishing our assumptions. We used a ten-year period for this analysis (but also looked back at older studies). The average pay increases for members active in both valuations with two years of service or more are as follows:

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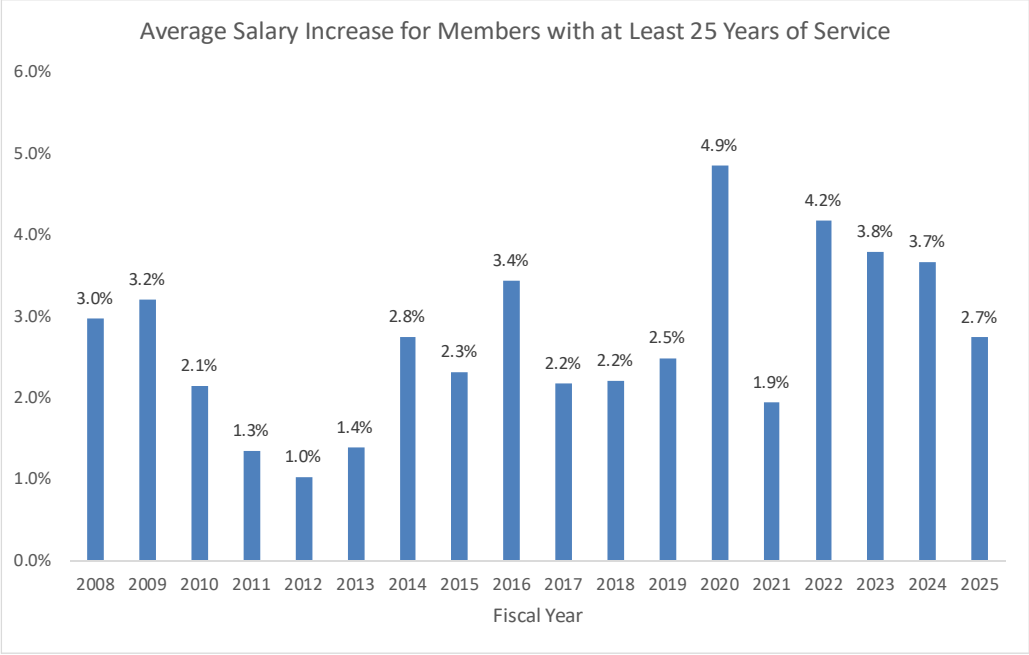
Average Pay Increases for Active Members with Two or More Years of Service			
Period	Increase	Inflation	Increase Above Inflation
FY 2015 to FY 2016	4.76%	1.06%	3.70%
FY 2016 to FY 2017	3.14%	1.94%	1.20%
FY 2017 to FY 2018	2.96%	2.70%	0.26%
FY 2018 to FY 2019	3.54%	1.75%	1.79%
FY 2019 to FY 2020	5.87%	1.31%	4.56%
FY 2020 to FY 2021	2.78%	5.25%	-2.47%
FY 2021 to FY 2022	5.69%	8.26%	-2.57%
FY 2022 to FY 2023	5.93%	3.67%	2.26%
FY 2023 to FY 2024	5.13%	2.53%	2.60%
FY 2024 to FY 2025	3.82%	2.92%	0.90%
Average	4.25%	3.12%	1.13%

The average increase has been 4.25% while the expected increase based on the current assumption is 4.17%, but inflation has been high during this decade, so the actual increases have been lower than current assumptions on real terms. However, salary increases tend to be sticky on a nominal basis over the long-term. Using the last 20 years, the average increase has been 4.08% when inflation has been very close to the 2.50% assumption.

To separate the steps, or promotional component of the schedule, we segregated members with more than 25 years of service. Most of these members should be past the promotional and step portions of their careers and therefore, only receive the general increases granted. The current assumption is that these members will receive average increases of 3.20% per year. The actual increase for this group over the last 10 years has been 3.15%. Since 2008, the increase for this group has averaged 2.70% per year.



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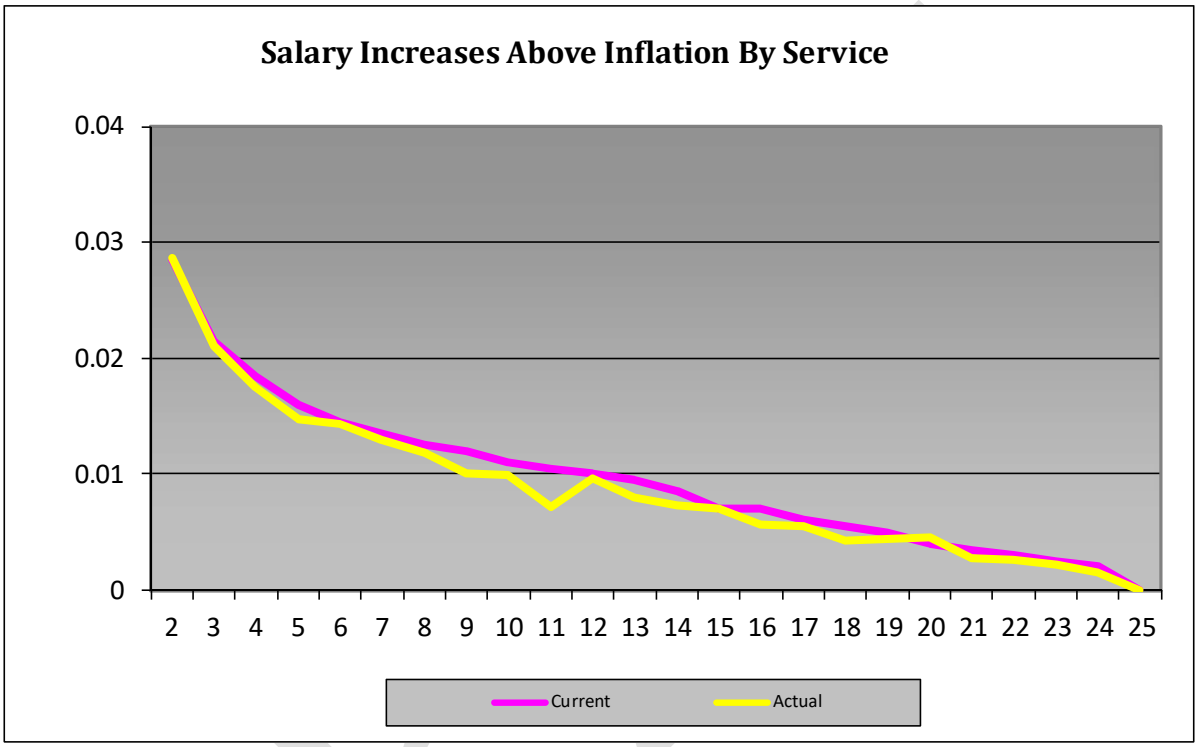
Based on comparisons to historical experience, the current assumption is slightly high when adjusted for the recent higher inflation. However, the assumption is lower than experience from the past five years. Public sector wages tend to be sticky and be delayed compared to inflation, meaning higher inflation will lead to higher wages a year or two later. In addition, legislation passed during the 2025 Texas Legislative Session provided appropriations for salary increases for public educators beginning in fiscal year 2026 and ongoing that are not reflected in the data above. The current assumption was set during the 2025 Legislative Session in anticipation of the new policies for public educator salaries, thus we are not recommending a change at this time.



The above exhibit models the portion of the salary increases for short-term members that exceeded the salary increases for long-term members based on the current assumptions and the actual experience. As shown, the assumed pattern is similar to the experience. We are not recommending a change at this time.

Experience data from the first year of service is distorted as many new members do not work a full 12 months in their first year of service, so the increase from year one to year two reflects not only salary increases but a partial year to a full year of reported salary.

	Current Salary Scale		Actual Experience Fiscal Year 2016 through 2025			Proposed Salary Scale	
Years of Service	Total	Step Rate/ Promotional	Total	Above Inflation	Step Rate/ Promotional	Total	Step Rate/ Promotional
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	9.20%	6.00%	23.12%	20.01%	19.98%	9.20%	6.00%
2	6.05%	2.85%	6.38%	3.26%	3.23%	6.05%	2.85%
3	5.35%	2.15%	5.67%	2.55%	2.52%	5.35%	2.15%
4	5.05%	1.85%	5.24%	2.12%	2.10%	5.05%	1.85%
5	4.80%	1.60%	4.94%	1.82%	1.79%	4.80%	1.60%
6	4.65%	1.45%	4.89%	1.77%	1.74%	4.65%	1.45%
7	4.55%	1.35%	4.63%	1.51%	1.49%	4.55%	1.35%
8	4.45%	1.25%	4.52%	1.40%	1.37%	4.45%	1.25%
9	4.40%	1.20%	4.37%	1.25%	1.22%	4.40%	1.20%
10	4.30%	1.10%	4.28%	1.16%	1.13%	4.30%	1.10%
11	4.25%	1.05%	4.19%	1.07%	1.04%	4.25%	1.05%
12	4.20%	1.00%	4.12%	1.00%	0.97%	4.20%	1.00%
13	4.15%	0.95%	4.06%	0.95%	0.92%	4.15%	0.95%
14	4.05%	0.85%	3.97%	0.85%	0.82%	4.05%	0.85%
15	3.90%	0.70%	3.90%	0.78%	0.75%	3.90%	0.70%
16	3.90%	0.70%	3.86%	0.74%	0.72%	3.90%	0.70%
17	3.80%	0.60%	3.77%	0.65%	0.62%	3.80%	0.60%
18	3.75%	0.55%	3.67%	0.55%	0.53%	3.75%	0.55%
19	3.70%	0.50%	3.63%	0.52%	0.49%	3.70%	0.50%
20	3.60%	0.40%	3.64%	0.52%	0.50%	3.60%	0.40%
21	3.55%	0.35%	3.53%	0.41%	0.38%	3.55%	0.35%
22	3.50%	0.30%	3.43%	0.31%	0.29%	3.50%	0.30%
23	3.45%	0.25%	3.42%	0.31%	0.28%	3.45%	0.25%
24	3.40%	0.20%	3.41%	0.29%	0.27%	3.40%	0.20%
25	3.20%	0.00%	3.15%	0.03%	0.00%	3.20%	0.00%

The ultimate rate of increase (3.20%) is comprised of the inflation component of 2.50% and the productivity component of 0.70%.

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PAYROLL GROWTH

The salary increase rates discussed above are assumptions applied to individuals. They are used in projecting future benefits. We also project overall payroll growth to determine the contributions needed to amortize the unfunded actuarial accrued liability. The "Funding Period" determined in the valuation is answering the question: "when is the current UAAL expected to be reduced to $0?" This calculation reflects the fact that contributions are received as a percentage of payroll, so as payroll increases over time, these contributions do too. Thus, the funding period is dependent on the rate at which payroll is assumed to increase.

Instead of having a fixed assumption per year, we use an open group projection that replaces members as they leave active service based on the current assumptions for turnover, retirement, etc. with new entrants, allowing the other assumptions used in projecting the liabilities to also project the payroll. Salaries for annual cohorts of new members are indexed at the 2.9% GWI assumption. This way any demographic abnormalities over a specific period of time would be reflected. For example, the current demographics of many pension plans have an abnormally high number of people eligible to retire. When those people retire, they will be replaced by members at the beginning of the pay scale. Thus, even if salary increases for individuals are changing as expected, overall payroll growth can be dampened over the short to medium term. TRS has had significant population growth over the last 20 years, and the demographics are expected to age for the next couple of decades, which will lead to higher overall payroll growth. This approach also incorporates salary increases that are built into projecting both the liabilities and the contributions, ensuring the development of both sides of the balance sheet are consistent in approach.

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PUBLIC EDUCATION EMPLOYER CONTRIBUTION GROWTH RATE

The employee, public education employer, and State contribution rates are established by State law. The State's base rate is 8.25%, the same as the 8.25% paid by the members. These contribution rates are paid on all covered payroll though in some instances employers, not the State, are responsible for the state contribution.

Independent school districts, charter schools and regional education service centers contribute an additional 2.00%; however, this contribution does not apply to all covered payroll. Independent school districts only contribute 2.00% on salary up to the minimum salary schedule (MSS) for employees subject to the MSS, such as teachers, librarians, nurses, and counselors, and they do not pay the 2.00% contribution on compensation in excess of the MSS for these employees. For employees not subject to MSS, like those employed by charter schools and other positions not listed in statute as subject to the MSS, their employers pay the 2.00% contribution on all covered payroll. This means that salary increases for employees not subject to MSS are generally subject to the 2.00% contribution while salary increases for employees who are subject to the MSS will not generally be covered by the 2.00% contribution because these increases are likely in excess of the MSS (due to the sporadic changes in the MSS as described below).

In addition, the MSS itself does not change regularly. The last time the MSS changed materially was in fiscal year 2020, with the time before that in fiscal year 2010. While the changes to the schedule were large when they occurred, it is unclear when (or if) the next adjustment will occur and by how much.

Historically it has been assumed that these contributions will grow annually based on how overall wages grow. For example, the current GWI assumption of 2.9% assumes payroll will grow approximately 2.9% going forward, and this has also applied to the employer contributions. However, since most of the population growth has come from non-public education employers (higher education employers) and most of the salary growth for public educational employers has come from salary increases granted above the MSS, the payroll that the public education employer contribution rate applies to has not kept up with the rest of the payroll growth, growth in liabilities, or even the growth in inflation. For example, in fiscal year 2020, 63.3% of covered payroll was applicable for the 2.00% public education employer contribution. In fiscal year 2025, this was 57.1%, and is expected to decline further once the legislated salary increases go into effect in fiscal year 2026. This contribution source has only grown 2.2% annually since 2020 when adjusted for change in population. Between fiscal year 2024 and 2025, this contribution source only grew 0.5%, showing that its growth is heavily dependent on population growth and the population aging through the service schedule.

There must be an assumption made for how much growth to assume in this contribution stream. Even if the assumption was made that a full wage inflation adjustment was to be made every 10 years, the assumption cannot be that this revenue stream will grow annually at that amount because the revenue stream will stagnate and grow slower year to year until the next increase occurs.

We recommend assuming this public education employer contribution source grows at 2.25% annually going forward. This is similar to assuming it will grow with wage inflation over time but builds in a discount for the sporadic nature of the increases. This change will increase the funding period and increase the contribution rate needed to meet the Board's funding policy.

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DEMOGRAPHIC ASSUMPTIONS

Actuaries are guided by the Actuarial Standards of Practice (ASOP) adopted by the Actuarial Standards Board (ASB). One of these standards is ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. This standard provides guidance to actuaries giving advice on selecting noneconomic assumptions for measuring obligations under defined benefit plans. We believe the recommended assumptions in this report were developed in compliance with this standard.

POST-RETIREMENT MORTALITY PATTERN

The most critical demographic assumption used in pension valuations is post-retirement mortality. Rates of mortality affect our estimate of how long each individual is expected to live and consequently how long each individual is expected to receive a pension. Life expectancy in turn has a direct impact on pension plan liabilities.

Mortality rates have generally decreased over time in the U.S., meaning that life expectancies have generally increased over time. The assumption for future decreases in mortality is referred to as the mortality improvement assumption. In general, the current rates of mortality and mortality improvement assumption are two separate assumptions. We will discuss this in two parts, the recommended base mortality assumption, and the recommended mortality improvement assumption.

The relevant ASOP, ASOP 35, and published practice notes require pension actuaries to make and disclose an assumption as to expected mortality improvement after the valuation date. To meet this standard, the best practice actuarial model is to use mortality tables that explicitly incorporate projected mortality improvements over time. This type of table, or series of tables, is called "generational mortality." Specifically, mortality rates are assumed to decline each year in the future so that life expectancies for each annual cohort of retirees will be slightly higher than the previous year. Therefore, the life expectancy at age 60 for someone reaching that age in 2045 is longer than the life expectancy for someone reaching age 60 in 2035, and their life expectancy is longer than someone reaching age 60 now, etc.

Because of this assumption of continuous improvement, life expectancies for today's younger active members are expected to be materially longer than those of today's retirees. By utilizing generational mortality, the improvement over time is built into the contributions for individual members while they are employed.

The mortality table currently being used for non-disabled retirees and for beneficiaries receiving benefits is the 2021 TRS of Texas Healthy Pensioner Mortality Tables, which is a TRS-specific table created in the 2021 Actuarial Experience Study. The table has separate rates for males and females. Our strategy is to update this table with each experience study to ensure that our base tables are as current as possible, while leaving the projected improvement unchanged. This strategy allows for making minor, frequent adjustments instead of large adjustments every decade or so and minimizes the volatility that can come from changing mortality assumptions.

Approach and Data

We would typically use nine years of experience available to increase the credibility of the analysis and minimize any variance created by timing of data collection from year to year. However, fiscal years 2020 through 2022 of data were heavily impacted by the pandemic and since experience after 2022 has returned close to previous expectations, it is unlikely experience from the pandemic reflects ongoing expectations.

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Thus, we have only included the six years, fiscal years 2017 through 2019 and then fiscal years 2023 through 2025 in the analysis. During this time, mortality improvement may have occurred and thus a general procedure is to adjust the actual experience for mortality improvements during the study period to the central year, in this case 2021.

The analysis uses only the retirees, not the beneficiaries, joint annuitants, or survivors as the vast majority of the liability is based on this category of members and data from the beneficiaries can often have a survivorship bias which would skew the results. We will use a liability-weighted approach by weighting members by the amount of their annuity. There are two reasons for using this approach. First, mortality experience across the U.S. has been shown to vary depending on income level and this takes into account differing benefit levels. Second, selecting an assumption based on headcount is consistent with estimating expected deaths, but selecting an assumption based on liability-weighting is consistent with minimizing the actuarial gains and losses associated with expected deaths. By weighting the data by annuity amounts, we are giving more emphasis to members who have larger annuities (and thus have larger liabilities).

Credibility

When choosing an appropriate mortality assumption, actuaries typically use standard mortality tables, unlike when choosing other demographic assumptions. They may choose to adjust these standard mortality tables, however, to reflect various characteristics of the covered group, and to provide for expectations of future mortality improvement (both ufp to and after the measurement date). If the plan population has sufficient credibility to justify its own mortality table, then the use of such a table also could be appropriate. Factors that may be considered in selecting and/or adjusting a mortality table include the demographics of the covered group, the size of the group, the statistical credibility of its experience, and the anticipated rate of future mortality improvement.

We first measured the credibility of the dataset to determine whether standard, unadjusted tables should be used or if statistical analysis of TRS specific data was warranted. The method for this approach can be found in the article *"Selecting Mortality Tables: A Credibility Approach" October 2008*. Statistical analysis suggests 1,082 deaths per gender is sufficient to be considered fully credible, as at that amount of experience we are 90% confident that the observed experience is within +/- 5% of the actual pattern. However, when weighting on benefit amounts, it should be even higher. The following table gives the number of deaths needed by gender to have a given level of confidence that the data is +/- X% of the actual pattern.

		Confidence Intervals				
Standard Score	Confidence	99% – 101%	97% – 103%	95% – 105%	90% – 110%	80% – 120%
0.674	75%	4,543	505	182	45	11
1.282	80%	16,435	1,826	657	164	41
1.645	90%	27,060	3,007	1,082	271	68
1.96	95%	38,416	4,268	1,537	384	96
2.576	99%	66,358	7,373	2,654	664	166

TRS had 18,851 male and 39,786 female observed deaths during the period analyzed. The following provides the full details with 95% confident (p=95%) that the observed experience is within +/- 5% of the actual pattern (r=5%).

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Credibility Requirements Versus Actual Deaths		
	Male	**Female**
Actual Deaths	18,851	39,786
Deaths needed for full credibility		
Based on Count	1,537	1,537
Based on Annuity Amount	2,494	2,339
Z Factor		
Based on Count	100.0%	100.0%
Based on Annuity Amount	100.0%	100.0%

Considering there is no published table based on data similar to TRS in geography or exactly matching by occupation (would need to be a combination of published tables), and that the data from this experience study is much more recent than the data used to create the nationally published mortality tables, we will continue to develop client specific mortality tables utilizing the TRS data. This also allows for smaller, more frequent adjustments than waiting for the next series of published tables.

Summary of Experience

We begin by determining the expected number of weighted deaths in each year at each age for males and females. Then we compare the actual number to the expected number. The ratio of the actual deaths to the expected deaths (the A/E ratio) tells us whether the assumptions are reasonable. When using a generational approach for mortality improvement, an A/E of 100% is targeted.

The experience is a relatively good match to the current assumption. The following is a summary of the data.

Mortality Experience and Life Expectancy		
	Male	**Female**
Actual Deaths ($100,000 Annuities)	$4,509	$8,121
Expected Deaths based on Current Assumptions	$4,371	$7,888
A/E Ratio	103.2%	103.0%
Actual Deaths Static Life Expectancy for 65-Year Old	20.2	22.6
Expected Static Life Expectancy for 65-Year Old	20.2	22.9
A/E Ratio	100.0%	98.7%

The actual experience came in close to expected. The A/E ratios in total (across all ages) for males and females were 103.2% and 103.0%, respectively.

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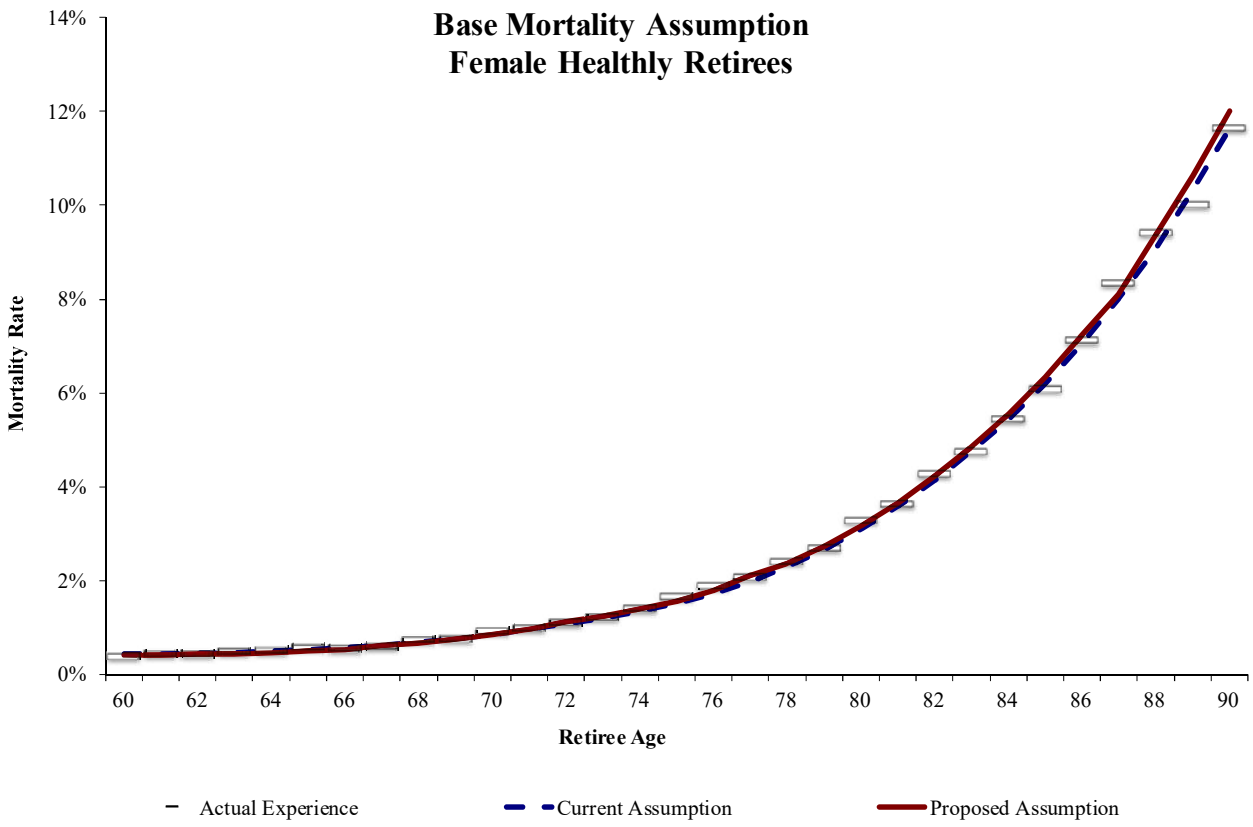
This is close enough that it is reasonable to leave the assumption unchanged. However, it is also close enough that any adjustments towards the actual data would not make a meaningful difference to the liabilities or contribution requirements. It is preferable to keep the assumption as current as possible and to follow the process that was established, which is to update the full assumption with each experience study, and so we are recommending a new base table. Data from the last three years of the study would have had a slightly higher A/E ratio than shown above, so the movement is in the direction of, but not as much as, the recent trend.

Recommended Base Mortality Assumption

To develop the recommended mortality assumptions, we grouped the data into five-year ages bands. Mortality rates for ages after 60 are based on TRS' experience, while mortality rates for ages under 60 and after age 95 are equal to a credibility adjusted version of the most recently published Pub-2016 mortality assumptions for teachers (adjusted forward to the central point of the experience period). These results were then graduated using a cubic spline method to provide a smooth fit to the experience. This produced an R^2 of 99.3% and 99.9% for males and females, respectively when compared to the underlying data.

The final step in the creation of the base mortality assumption was to project the preliminary table from the center point of the analysis period (i.e., 2021) to the year 2025 using the recommended projection scale below. We will refer to this new table as the 2025 TRS of Texas Healthy Pensioner Mortality Table.

The following is a chart that shows the actual mortality experience and assumption for females.



For the new assumptions, the A/E ratios in total (across all ages) for males and females would have been 103% and 101% at the core ages. A better way to examine the base table is to compare the life expectancies

created at various ages. The following table provides the life expectancies calculated from the given age based on the actual data, the current assumption, and the recommended tables.

Static Life Expectancy, in years – Females with Base Year 2021			
Retiree Age	**Actual in Data**	**Current Assumption**	**Proposed Table**
60	27.1	27.3	27.1
65	22.6	22.9	22.7
70	18.2	18.5	18.3
75	14.1	14.4	14.2
80	10.4	10.7	10.5

Overall, this change has a minimal impact to the current valuation results and is mostly just updating dates on the tables.

The tables on the following page show the actual mortality experience for health lives (males and females) during the study period.

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POST-RETIREMENT MORTALITY - HEALTHY MALE
Weighted by Annual Benefits in $ in Millions

				Assumed Rate		Expected Deaths		Actual/Expected	
Age	Actual Death	Total Annuity	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
55-59	$7	$1,194	0.0062	0.0043	0.0061	$6	$7	134%	101%
60-64	19	2,472	0.0077	0.0074	0.0074	19	19	102%	100%
65-69	39	3,552	0.0109	0.0107	0.0108	38	38	101%	103%
70-74	58	3,443	0.0169	0.0163	0.0170	57	58	103%	101%
75-79	76	2,507	0.0304	0.0304	0.0311	75	74	101%	103%
80-84	86	1,477	0.0586	0.0576	0.0594	84	83	103%	104%
85-89	86	795	0.1083	0.1059	0.1101	83	83	104%	104%
90-94	59	305	0.1916	0.1962	0.1966	57	57	103%	103%
95-99	19	67	0.2796	0.2915	0.3014	19	19	102%	97%
Totals	$450	$15,813	0.0284	0.0276	0.0277	$437	$438	103%	103%
65-74	$97	$6,996	0.0139	0.0136	0.0136	$95	$95	102%	102%
75-84	$163	$3,983	0.0408	0.0399	0.0395	$159	$157	102%	103%
85-94	$145	$1,100	0.1314	0.1272	0.1267	$140	$139	103%	104%

POST-RETIREMENT MORTALITY - HEALTHY FEMALE
Weighted by Annual Benefits in $ in Millions

				Assumed Rate		Expected Deaths		Actual/Expected	
Age	Actual Death	Total Annuity	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
55-59	$11	$3,364	0.0033	0.0039	0.0032	$13	$11	85%	99%
60-64	34	7,575	0.0045	0.0045	0.0044	35	33	98%	104%
65-69	69	10,837	0.0064	0.0061	0.0063	68	67	101%	103%
70-74	109	9,835	0.0111	0.0108	0.0111	105	108	104%	101%
75-79	134	6,457	0.0207	0.0197	0.0211	126	132	106%	102%
80-84	146	3,523	0.0413	0.0414	0.0423	143	146	102%	100%
85-89	146	1,849	0.0792	0.0801	0.0811	145	149	101%	98%
90-94	112	771	0.1453	0.1440	0.1522	106	112	105%	100%
95-99	49	211	0.2337	0.2274	0.2463	46	50	108%	100%
Totals	$810	$44,421	0.0182	0.0177	0.0181	$788	$806	103%	101%
65-74	$178	$20,672	0.0086	0.0084	0.0084	$174	$174	103%	102%
75-84	$279	$9,980	0.0280	0.0269	0.0278	$269	$277	104%	101%
85-94	$258	$2,620	0.0986	0.0961	0.0994	$252	$261	103%	99%

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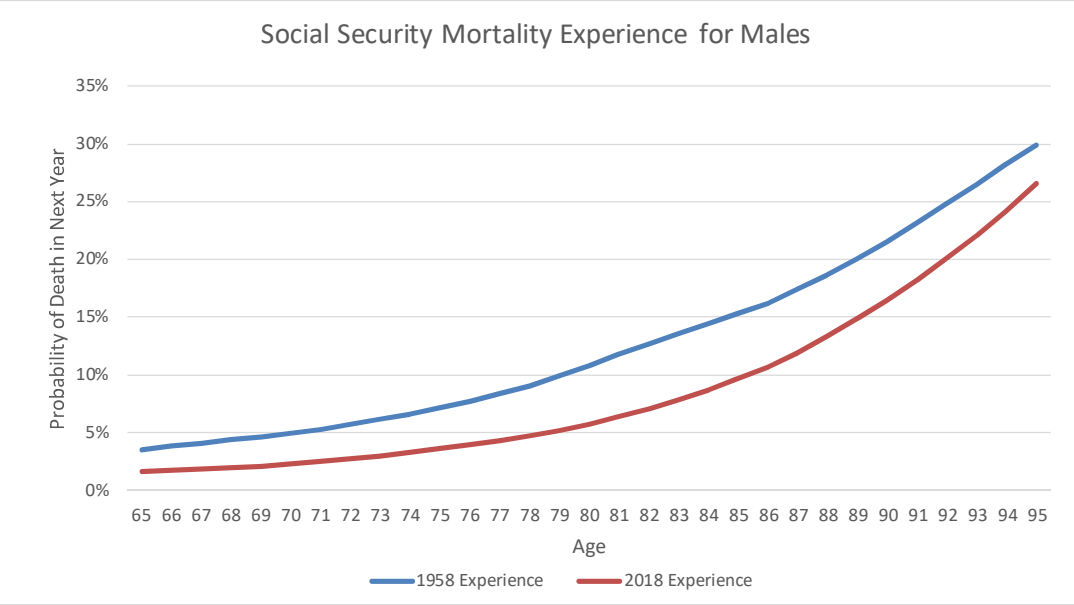
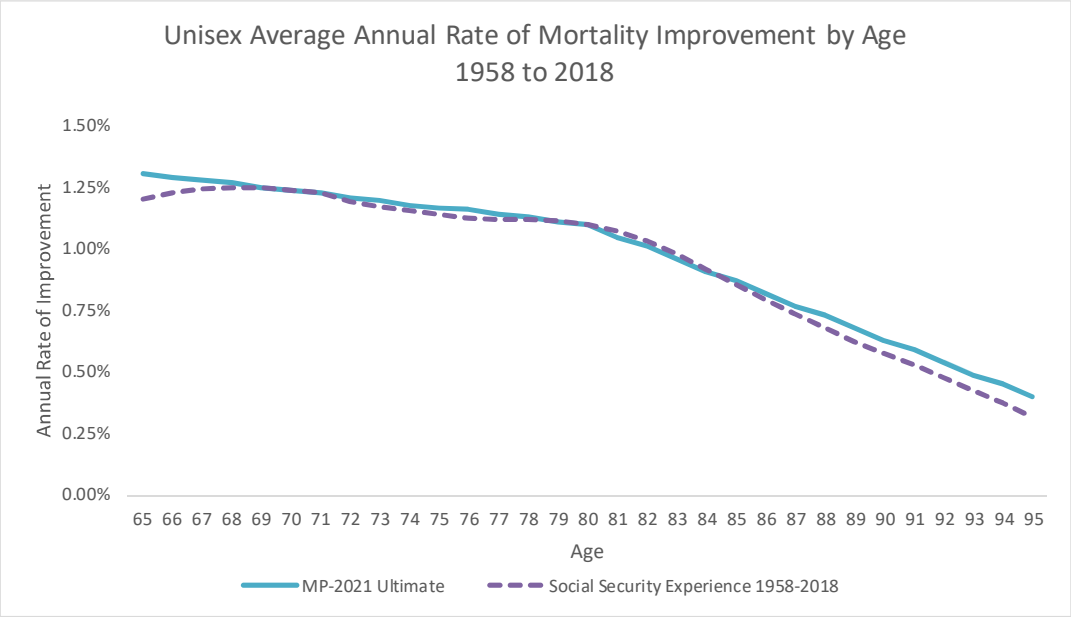
Recommended Mortality Improvement Assumption

We use a fully generational approach to this assumption. Because of this strategy of building-in continuous improvement, life expectancies for today's younger active members are expected to be materially longer than those of today's retirees, and this provides substantial stability and dependability on costs and liabilities. The following graph compares the probability of mortality by age in 1958 versus 2018. There has clearly been a significant amount of improvement in longevity over that time span.



The current mortality assumption includes annual improvements in mortality based on the MP-2021 Ultimate Projection Scale to reflect the expected mortality improvement. We are recommending no change in this assumption. The projection scales published by the Society of Actuaries (SOA) incorporate a complex two-dimensional matrix of rates of improvement that vary by age, gender, and year. Ultimately, the projection scale (Scale MP-2021) goes to an annual improvement that varies by age, but not gender or year, in years 2037 and later. We refer to these rates as the ultimate rates. Note that Scale MP-2021 is the most recent mortality improvement table published by the SOA. Our recommendation is to continue using the current mortality improvement scale. We believe the ultimate portion of the MP-2021 scale reflects a reasonable long-term forecast for mortality improvement and is consistent with historical trends.

Specifically, the pattern is 1.35% of the rate for ages 62 and younger, decreasing linearly to 1.10% at age 80, further decreasing linearly to 0.40% at age 95, and then decreasing linearly to 0.00% at age 115 (and thereafter). We have compared the recommended projection scale with actual mortality improvement from the most recent 60 years of experience of the U.S. Social Security system and found them (blue and green lines) to be reasonably consistent as shown in the following graph. Note that we have not shown years past 2018 to avoid any pandemic impact.



The following is a table with the life expectancy for a retired member who attains age 65 based on the proposed assumption set, by calendar year. As shown, the life expectancy is expected to increase into the future.

Current Mortality Assumption - Life Expectancy for an Age 65 Retiree in Years					
Group	**Year of Retirement**				
	2025	**2030**	**2035**	**2040**	**2045**
Male	21.5	21.9	22.2	22.6	22.9
Female	24.2	24.5	24.8	25.1	25.4

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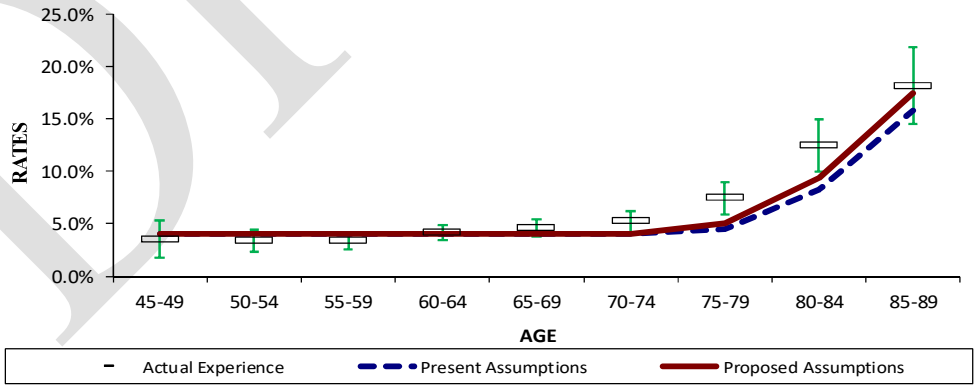
DISABLED MORTALITY PATTERN

This is a minor assumption, and it has little impact on the liabilities of TRS because TRS has very few disabilities in comparison to most other plans. The experience produced A/E ratios of 114% and 134% for males and females, respectively, which are conservative, reasonable matches in total considering this data has much less credibility (due to the much smaller number of disabled retirees). We currently assume members that live past normal retirement age will use the same table as healthy retirees, with a three-year set-forward, meaning a disabled member age 70 will use the same mortality rate as a healthy member age 73. In addition to the age set-forward, we are applying a minimum rate of 4% for males and 2% for females to reflect impaired mortality during those ages. Aside from the updating of the underlying healthy table, we are recommending to increase the set-forward to four years for both males and females. These changes are immaterial to the liabilities and contribution requirements.

POST-RETIREMENT MORTALITY - DISABLED MALE
Weighted by Annual Benefits in $ in 000s

				Assumed Rate		Expected Deaths		Actual/Expected	
Age	Death Weighted by Annuity	Total Annuity	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
45-49	$290	$8,208	0.0354	0.0400	0.0400	$328	$328	88%	88%
50-54	818	23,946	0.0342	0.0400	0.0400	958	958	85%	85%
55-59	1,295	38,707	0.0334	0.0400	0.0400	1,548	1,548	84%	84%
60-64	1,998	47,451	0.0421	0.0400	0.0400	1,898	1,898	105%	105%
65-69	1,765	38,346	0.0460	0.0400	0.0400	1,534	1,534	115%	115%
70-74	1,286	24,615	0.0523	0.0400	0.0400	985	985	131%	131%
75-79	1,220	16,418	0.0743	0.0448	0.0501	736	822	166%	148%
80-84	1,560	12,511	0.1247	0.0822	0.0932	1,029	1,166	152%	134%
85-89	1817	10,009	0.1816	0.1582	0.1746	1583	1,747	115%	104%
Totals	$12,049	$220,211	0.0547	0.0481	0.0499	$10,599	$10,987	114%	110%

MALE POST-RETIREMENT MORTALITY: DISABLED



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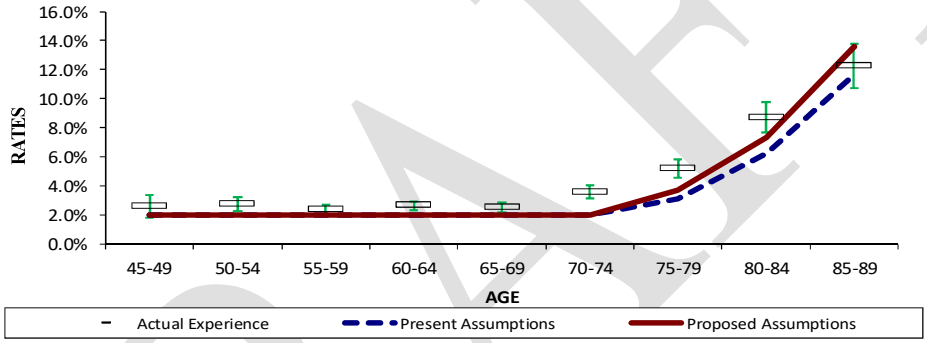
POST-RETIREMENT MORTALITY - DISABLED FEMALE
Weighted by Annual Benefits in $ in 000s

Age	Death Weighted by Annuity	Total Annuity	Actual Rate	Assumed Rate		Expected Deaths		Actual/Expected	
				Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
45-49	$745	$29,095	0.0256	0.0200	0.0200	$582	$582	128%	128%
50-54	2,187	81,213	0.0269	0.0200	0.0200	1,624	1,624	135%	135%
55-59	3,101	130,545	0.0238	0.0200	0.0200	2,611	2,611	119%	119%
60-64	4,122	157,535	0.0262	0.0200	0.0200	3,151	3,151	131%	131%
65-69	3,564	142,901	0.0249	0.0200	0.0200	2,858	2,858	125%	125%
70-74	3,601	100,736	0.0357	0.0200	0.0200	2,015	2,099	179%	172%
75-79	3,189	61,893	0.0515	0.0309	0.0367	1,886	2,241	169%	142%
80-84	3,510	40,362	0.0870	0.0620	0.0731	2,511	2,950	140%	119%
85-89	3469	28,302	0.1226	0.1166	0.1361	3235	3,796	107%	91%
Totals	$27,488	$772,581	0.0356	0.0265	0.0284	$20,472	$21,912	134%	125%

FEMALE POST-RETIREMENT MORTALITY: DISABLED



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ACTIVE MORTALITY PATTERN

A separate mortality table is used for active members. It is typical for active mortality to be much lower than the retiree mortality. The current mortality assumption is the PUB-2010 mortality tables for teachers, using the below median table (based on a combination of the group including non-teachers and for teachers in Texas being one of the lowest paid in the country). For males, we use a two-year set-forward. We recommend updating pre-retirement mortality tables for active employees to the recently published PUB-2016 mortality tables for Teachers, using the below median table. We also recommend continuing to assume mortality rates will improve in the future using a fully generational approach. These changes are immaterial to the liabilities and contribution requirements.

PRE-RETIREMENT MORTALITY - MALE

				Assumed Rate		Expected Deaths		Actual/Expected	
Age	Actual Deaths	Total Exposure	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
20-24	7	25,263	0.0003	0.0002	0.0003	5	7	139%	100%
25-29	33	118,330	0.0003	0.0002	0.0003	29	36	113%	92%
30-34	66	161,912	0.0004	0.0003	0.0004	55	57	121%	117%
35-39	90	175,088	0.0005	0.0005	0.0004	82	79	110%	114%
40-44	128	178,073	0.0007	0.0007	0.0006	128	116	100%	111%
45-49	207	178,522	0.0012	0.0012	0.0010	212	179	98%	116%
50-54	287	174,054	0.0016	0.0019	0.0016	327	280	88%	103%
55-59	451	152,994	0.0029	0.0028	0.0026	436	392	103%	115%
60-64	492	118,985	0.0041	0.0046	0.0040	547	471	90%	104%
65-69	377	63,032	0.0060	0.0077	0.0061	469	378	80%	100%
70-74	268	29,215	0.0092	0.0119	0.0085	352	248	76%	108%
Totals	2,406	1,375,468	0.0017	0.0019	0.0016	2,642	2,242	91%	107%
35-44	218	353,161	0.0006	0.0006	0.0006	210	195	104%	112%
45-54	494	352,576	0.0014	0.0015	0.0013	539	459	92%	108%
55-64	943	271,979	0.0035	0.0036	0.0032	983	863	96%	109%

PRE-RETIREMENT MORTALITY - FEMALE

				Assumed Rate		Expected Deaths		Actual/Expected	
Age	Actual Deaths	Total Exposure	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
20-24	7	75,809	0.0001	0.0001	0.0001	8	9	93%	80%
25-29	48	364,863	0.0001	0.0001	0.0001	43	49	112%	97%
30-34	85	462,611	0.0002	0.0002	0.0002	83	80	103%	106%
35-39	129	520,455	0.0002	0.0003	0.0002	140	130	92%	99%
40-44	229	557,507	0.0004	0.0004	0.0004	232	214	99%	107%
45-49	350	572,475	0.0006	0.0006	0.0006	367	333	95%	105%
50-54	488	551,241	0.0009	0.0010	0.0009	525	482	93%	101%
55-59	611	460,222	0.0013	0.0014	0.0013	634	608	96%	101%
60-64	684	311,980	0.0022	0.0022	0.0021	670	636	102%	107%
65-69	422	128,412	0.0033	0.0038	0.0033	465	407	91%	104%
70-74	220	39,882	0.0055	0.0070	0.0053	275	207	80%	106%
Totals	3,273	4,045,457	0.0008	0.0009	0.0008	3,441	3,156	95%	104%
35-44	358	1,077,962	0.0003	0.0003	0.0003	372	344	96%	104%
45-54	838	1,123,716	0.0007	0.0008	0.0007	892	815	94%	103%
55-64	1,295	772,202	0.0017	0.0017	0.0016	1,304	1,244	99%	104%

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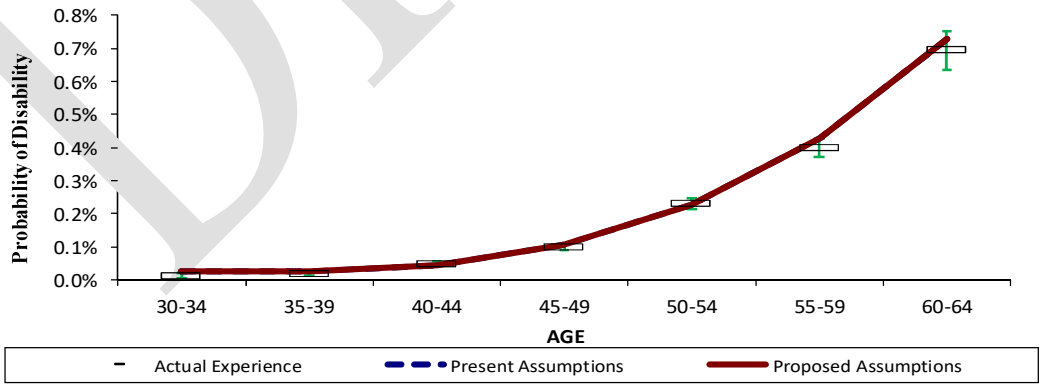
DISABILITY PATTERN

Disability incidence is also a minor assumption for TRS. We currently separate this assumption between members who have achieved 10 years of service and thus are eligible for a lifetime annuity and those with less than 10 years who would only receive a temporary annuity. We performed additional analysis on these reconciliations to capture members who appeared to have gone from active to terminated in one valuation, but then terminated to disabled in the next valuation, and was just a processing delay. Overall, the number of members qualifying for disability was very close to the number expected from the current assumptions. We will continue to add in a 1% load for members who reach the Rule of 80, but based on their benefit tier, are not eligible for unreduced benefits to reflect the fact that some members in our historical data would have qualified for disability but were eligible for unreduced retirement and thus did not apply.

DISABILITY INCIDENCE: AFTER 10 YEARS OF SERVICE

				Assumed Rate		Expected Disabilities		Actual/Expected	
Age	Actual Disabilities	Total Exposure	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
20-24	-	-	0.0000	0.0001	0.0001	-	-		
25-29	-	803	0.0000	0.0001	0.0001	-	-		
30-34	8	68,010	0.0001	0.0002	0.0002	17	17	49%	49%
35-39	45	239,260	0.0002	0.0002	0.0002	63	63	72%	72%
40-44	166	341,433	0.0005	0.0005	0.0005	161	161	103%	103%
45-49	379	385,178	0.0010	0.0011	0.0011	419	418	90%	91%
50-54	812	352,040	0.0023	0.0023	0.0023	786	786	103%	103%
55-59	808	203,324	0.0040	0.0043	0.0043	853	852	95%	95%
60-64	590	85,145	0.0069	0.0073	0.0073	587	588	101%	100%
Totals	2,809	1,675,193	0.0017	0.0017	0.0017	2,886	2,885	97%	97%
35-44	211	580,693	0.0004	0.0004	0.0004	224	224	94%	94%
45-54	1,191	737,218	0.0016	0.0016	0.0016	1,205	1,204	99%	99%
55-64	1,398	288,469	0.0048	0.0050	0.0050	1,440	1,440	97%	97%

DISABILITY INCIDENCE



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RETIREMENT PATTERNS

We currently use retirement rates that vary by age, sex, and eligibility for reduced versus unreduced retirement. In this analysis, we have used data from the last five years.

For this assumption, we weight the analysis by the liability of the member, to better align the pattern with the amount of liability retiring each year, versus the number of retirees. This way, a member with 30 years of service would be reflected more in the probability than a member with 10 years of service.

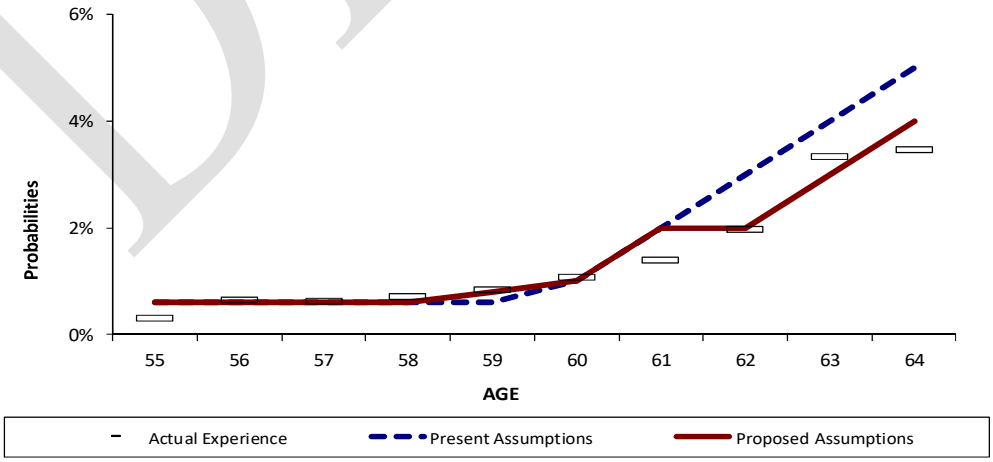
When we examine the core retirement ages (55 – 69) for unreduced retirement, $32.9 billion of liability retired during the five-year period compared to $32.6 billion expected. Using the weighted analysis, the A/E ratio for the core ages was approximately 100.9%, which is almost exact, but a little higher than our preferred range of 97-99%. However, the ratios were higher at the younger ages and lower at the later ages.

We have slightly increased our probabilities for unretirement below age 60 to decrease the overall A/E to 99.5%. For reduced retirement, we have lowered the probabilities to increase the A/E towards 100%. These changes are insignificant to the liabilities and contribution requirements.

REDUCED RETIREMENT
WEIGHTED BY LIABILITY in $MILLIONS

				Assumed Rate		Expected Retirement		Actual/Expected	
Age	Actual Retirement	Total Liability $M	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
55	$48	$16,739	0.003	0.60%	0.60%	$100	$100	48%	48%
56	90	14,196	0.006	0.60%	0.60%	85	85	105%	105%
57	72	12,135	0.006	0.60%	0.60%	73	73	99%	99%
58	73	10,446	0.007	0.60%	0.60%	63	63	117%	117%
59	74	9,029	0.008	0.60%	0.80%	54	72	137%	103%
60	78	7,505	0.010	1.00%	1.00%	75	75	104%	104%
61	86	6,230	0.014	2.00%	2.00%	125	125	69%	69%
62	96	4,936	0.019	3.00%	2.00%	148	99	65%	97%
63	127	3,830	0.033	4.00%	3.00%	153	115	83%	110%
64	101	2,929	0.034	5.00%	4.00%	146	117	69%	86%
Total	$846	$87,977	0.010			$1,023	$924	83%	92%

REDUCED RETIREMENT EXPERIENCE - AGE BASED



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MALE NORMAL RETIREMENT
WEIGHTED BY LIABILITY in $MILLIONS

				Assumed Rate		Expected Retirement		Actual/Expected	
Age	Actual Retirement	Total Liability $M	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
50	$11	$94	0.112	11.00%	12.00%	$10	$11	103%	94%
51	49	370	0.134	11.00%	12.00%	41	44	122%	111%
52	202	1,826	0.111	11.00%	12.00%	201	219	101%	92%
53	390	3,140	0.124	11.00%	12.00%	345	377	113%	104%
54	526	3,860	0.136	11.00%	12.00%	425	463	124%	114%
55	531	4,202	0.126	11.00%	12.00%	462	504	115%	105%
56	537	4,248	0.126	12.00%	13.00%	510	552	105%	97%
57	573	4,216	0.136	13.00%	14.00%	548	590	105%	97%
58	619	4,112	0.150	14.00%	15.00%	576	617	108%	100%
59	615	4,011	0.153	15.00%	15.00%	602	602	102%	102%
60	619	3,925	0.158	15.00%	15.00%	589	589	105%	105%
61	603	3,758	0.160	16.00%	16.00%	601	601	100%	100%
62	603	3,567	0.169	17.00%	17.00%	606	606	99%	99%
63	644	3,322	0.194	18.00%	18.00%	598	598	108%	108%
64	568	2,968	0.191	19.00%	19.00%	564	564	101%	101%
65	601	3,517	0.171	23.00%	23.00%	809	809	74%	74%
66	682	3,009	0.227	23.00%	23.00%	692	692	99%	99%
67	570	2,401	0.237	23.00%	23.00%	552	552	103%	103%
68	430	1,879	0.229	23.00%	23.00%	432	432	100%	100%
69	328	1,490	0.220	23.00%	23.00%	343	343	96%	96%
70	258	1,181	0.219	25.00%	25.00%	295	295	88%	88%
71	222	928	0.239	25.00%	25.00%	232	232	96%	96%
72	149	698	0.213	25.00%	25.00%	175	175	85%	85%
73	117	540	0.217	25.00%	25.00%	135	135	87%	87%
74	100	442	0.227	25.00%	25.00%	111	111	91%	91%
Total	$10,547	$63,705	0.166			$10,453	$10,714	101%	98%

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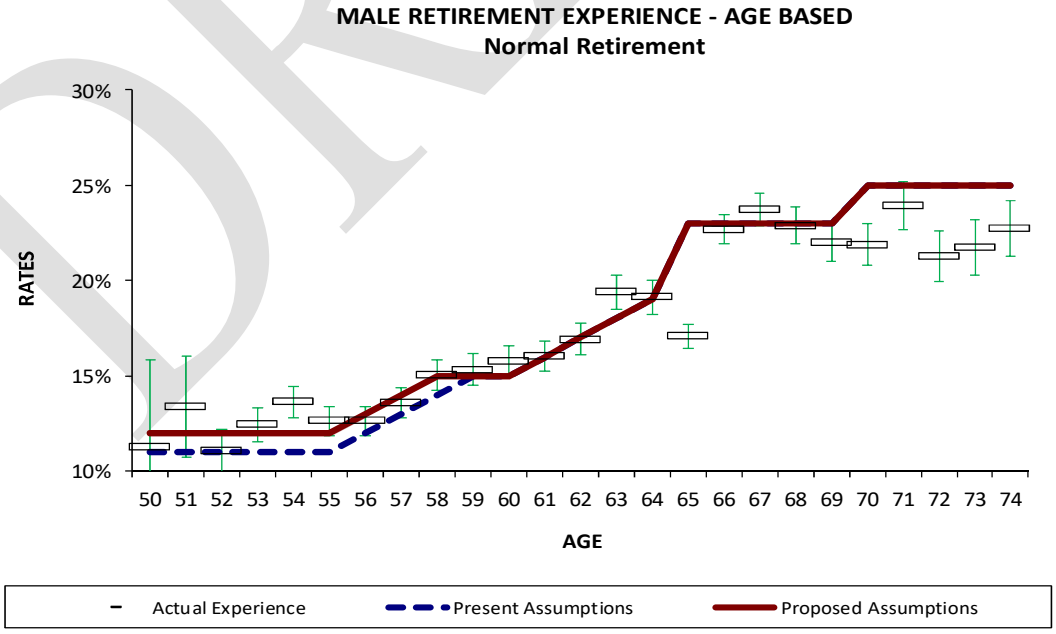
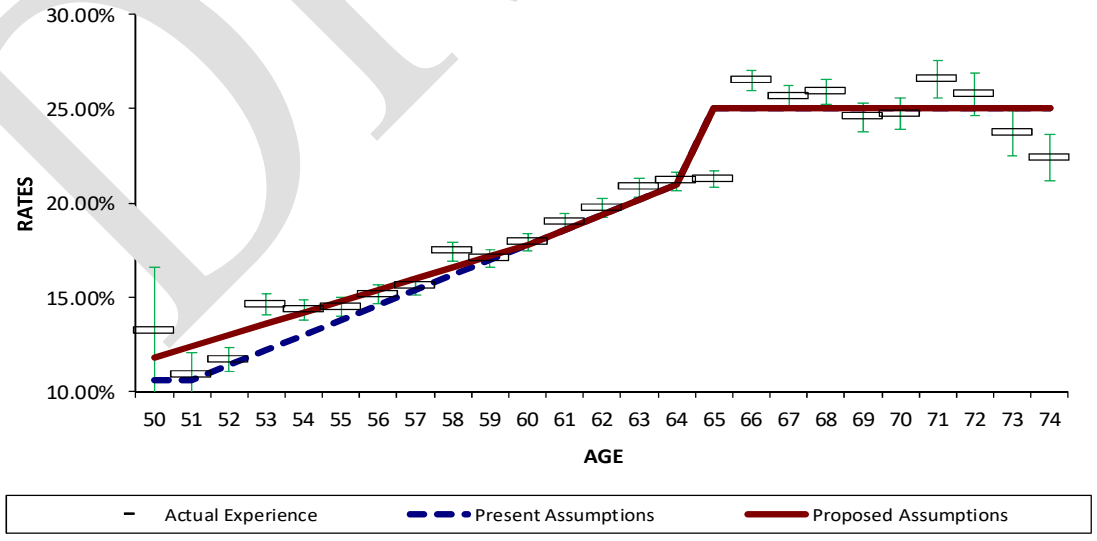


FEMALE NORMAL RETIREMENT
WEIGHTED BY LIABILITY in $MILLIONS

				Assumed Rate		Expected Retirement		Actual/Expected	
Age	Actual Retirement	Total Liability $M	Actual Rate	Current	Proposed	Current (3) * (5)	Proposed (3) * (6)	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
50	$26	$193	0.132	10.60%	11.80%	$21	$23	125%	112%
51	155	1,429	0.109	10.60%	12.40%	152	177	102%	88%
52	645	5,513	0.117	11.40%	13.00%	629	717	103%	90%
53	1,203	8,223	0.146	12.20%	13.60%	1,003	1,118	120%	108%
54	1,363	9,512	0.143	13.00%	14.20%	1,237	1,351	110%	101%
55	1,471	10,151	0.145	13.80%	14.80%	1,401	1,502	105%	98%
56	1,545	10,200	0.151	14.60%	15.40%	1,489	1,571	104%	98%
57	1,615	10,355	0.156	15.40%	16.00%	1,595	1,657	101%	97%
58	1,809	10,382	0.174	16.20%	16.60%	1,682	1,723	108%	105%
59	1,775	10,401	0.171	17.00%	17.20%	1,768	1,789	100%	99%
60	1,865	10,425	0.179	17.80%	17.80%	1,856	1,856	101%	101%
61	1,944	10,252	0.190	18.60%	18.60%	1,907	1,907	102%	102%
62	1,936	9,814	0.197	19.40%	19.40%	1,904	1,904	102%	102%
63	1,882	9,042	0.208	20.20%	20.20%	1,827	1,827	103%	103%
64	1,716	8,115	0.211	21.00%	21.00%	1,704	1,704	101%	101%
65	1,794	8,435	0.213	25.00%	25.00%	2,109	2,109	85%	85%
66	1,844	6,964	0.265	25.00%	25.00%	1,741	1,741	106%	106%
67	1,344	5,244	0.256	25.00%	25.00%	1,311	1,311	102%	102%
68	1,052	4,066	0.259	25.00%	25.00%	1,017	1,017	103%	103%
69	756	3,084	0.245	25.00%	25.00%	771	771	98%	98%
70	588	2,380	0.247	25.00%	25.00%	595	595	99%	99%
71	481	1,812	0.265	25.00%	25.00%	453	453	106%	106%
72	346	1,342	0.258	25.00%	25.00%	335	335	103%	103%
73	241	1,019	0.237	25.00%	25.00%	255	255	95%	95%
74	181	808	0.224	25.00%	25.00%	202	202	90%	90%
Total	$29,577	$159,163	0.186			$28,961	$29,614	102%	100%

FEMALE RETIREMENT EXPERIENCE - AGE BASED
Normal Retirement



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TERMINATION PATTERNS

Termination rates reflect members who leave for any reason other than death, disability or service retirement. They apply whether the termination is voluntary or involuntary, and whether the member takes a refund or keeps his/her account balance on deposit in TRS. The current termination rates are composed of two distinct assumptions, one for the first ten years of service called the "select" period and a separate assumption for terminations after the ten-year period called the "ultimate." The select assumption reflects the member's service and we want to continue this practice. The ultimate assumption is based on the member's time from retirement eligibility and service, and we would also recommend continuing that practice. We have analyzed the two assumption periods separately. The current tables are not separated based on gender.

For this assumption, we used 10 years of data. In addition, we have weighted the experience by projected liability, meaning instead of counting members and the number of members that terminate, we have projected liabilities and the portion of the liability that terminates. A higher paid member has more liability than a lower paid member, and thus the termination pattern for the higher paid member will have more impact on the future liabilities of the plan.

Grouping by Tenure Characteristics

We noticed a pattern where certain positions in public education have much lower turnover (teachers, school administrators, etc.) than the other employee and employer groups (support staff, teacher aids, higher education, etc.). They also have much different ages of entry and career paths. While we researched this difference in a variety of ways, the significant difference is shown in the following table.

Annual Turnover by Employer Type and Position			
Employer Type	**Position Code**	**Count in 2025 Actuarial Data**	**% Annual Non-Retirement Turnover**
Public Education	Teacher, Full-Time Librarian	352,213	6.3%
Public Education	Support Staff	215,435	13.4%
Public Education	Professional/Administrative	69,885	5.1%
Medical Schools	Professional/Administrative	48,395	11.7%
Senior Colleges	Professional/Administrative	39,116	11.2%
Public Education	Food Service Workers	37,730	13.6%
Public Education	Full-Time Nurse/Counselor	20,670	7.0%
Charter Schools	Teacher, Full-Time Librarian	25,359	11.9%
All Others		167,601	12.3%

While there may be demographic variances that could confound the turnover metric shown above, it is clear that three of the groups have significantly lower turnover. They also as a group have a median entry age of 27 while the rest of the TRS membership has a median entry age above age 35.

We have grouped these three position codes in the data (Professional/Administrative, Teacher/Full-Time

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Librarian, and Full-Time Nurse/Counselor) for public education employers into a Low Turnover (LT) group and grouped all other members into an All Other Employees (AO) group. Approximately 45% of the current active population would fall into the LT group, so the process bifurcates the data rather evenly. Over the past 10 years, 53% of members hired into the LT reached at least 10 years of service while only 40% of the AO group reached that milestone. We will also only replace LT members with recent new entrants from a LT group in the open group projections, and vice versa. This should produce a more adaptive model if the groups are growing at different paces.

Rehiring

TRS is made up of more than 1,300 employers spread out across a very large state. Members often move to another town in the State and can transfer to the local school district there, while maintaining their active membership in TRS. Members that leave employment can also leave their contributions on deposit with TRS and return to a covered employer at a later time, reestablishing their service and updating their salaries. Compared to a smaller, single employer plan where most new hires have never participated in the system, many of new active members in TRS each year have previous service with another TRS-covered employer. Put another way, many members that leave active service are replaced by an experienced member, not a member starting with no service.

For example, 6,507 members who were vested inactive in the 2024 data became active in the 2025 data. This can create actuarial losses if not anticipated. Of the 115,584 new active members in 2025, 15,081 of them had at least one year of previous service. This percentage has been consistent over the last several years and extends over the entire career with over 500 of the new members having in excess of 20 years of prior service.

To the valuation model, if a member leaves active service but is replaced by someone with the same amount of service, then the actuarial gain from the member leaving is offset by a loss from the new member rehiring. It is important to build this into the valuation process.

We have assumed 16% of all members that terminate employment (turnover) will be replaced by a member with similar demographic characteristics. This is similar to the percentages of recent behavior and the amount of margin that would be needed to offset the actuarial losses that would have been generated over the last few valuation cycles. All of the actuals in the following analysis have been reduced by 16%.

Analysis

For the first 10 years (select period), the current assumptions produce an A/E ratio for the LT group of 81%, so overstated for this group, but 111% for AO. Likewise, for the ultimate period (after 10 years of service), the current assumptions produce an A/E ratio of 77% for the LT group but 114% for the AO group. Clearly the two groups have significantly different turnover patterns.

For this assumption, A/E ratios over 100% are conservative, and we prefer to be in the 101%-103% range. We have created new tables for the two groups. This actually lowers the assumed amount of turnover overall, but because of how the assumptions are applied to the different groups, these changes will slightly lower the liabilities and contribution requirements.

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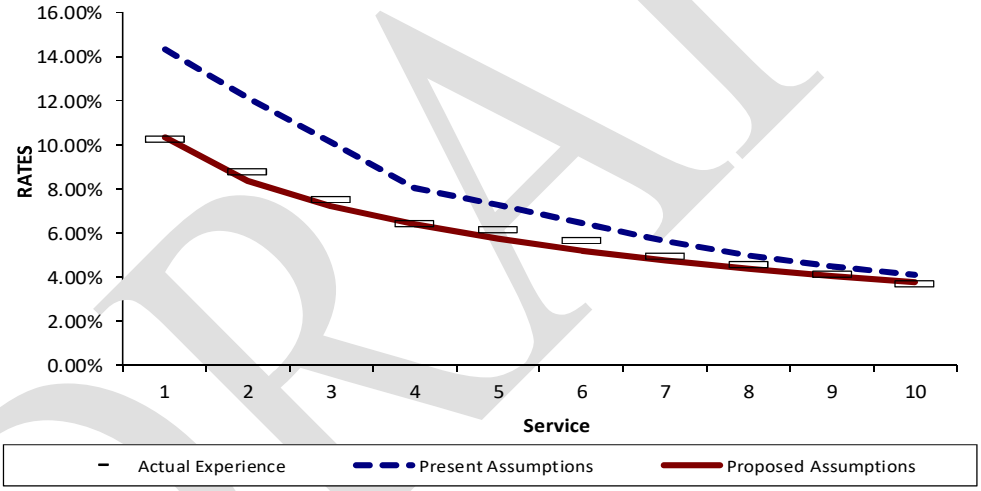
PUBLIC EDUCATION LOW TURNOVER
TERMINATION EXPERIENCE - DURING SELECT PERIOD
WEIGHTED BY LIABILITY in $MILLIONS

				Assumed Probability		Expected Terminations		Actual/Expected	
Years of service	Actual Terminations	Total Liabilities	Actual Probabilty	Current	Proposed	Current	Proposed	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	$1,392	$13,604	0.1023	0.1430	0.1031	$1,945	$1,402	72%	99%
2	1,475	16,838	0.0876	0.1210	0.0834	2,038	1,404	72%	105%
3	1,378	18,414	0.0749	0.1011	0.0719	1,862	1,323	74%	104%
4	1,227	19,146	0.0641	0.0802	0.0637	1,536	1,220	80%	101%
5	1,241	20,236	0.0613	0.0726	0.0574	1,469	1,161	85%	107%
6	1,190	21,157	0.0563	0.0646	0.0522	1,366	1,104	87%	108%
7	1,099	22,327	0.0492	0.0561	0.0478	1,252	1,067	88%	103%
8	1,065	23,591	0.0451	0.0499	0.0440	1,177	1,038	91%	103%
9	1,021	25,042	0.0408	0.0449	0.0407	1,124	1,018	91%	100%
10	974	26,406	0.0369	0.0410	0.0377	1,083	994	90%	98%
Totals	$12,063	$206,760				$14,852	$11,732	81%	103%

PUBLIC EDUCATION LOW TURNOVER
TERMINATION EXPERIENCE - DURING SELECT PERIOD



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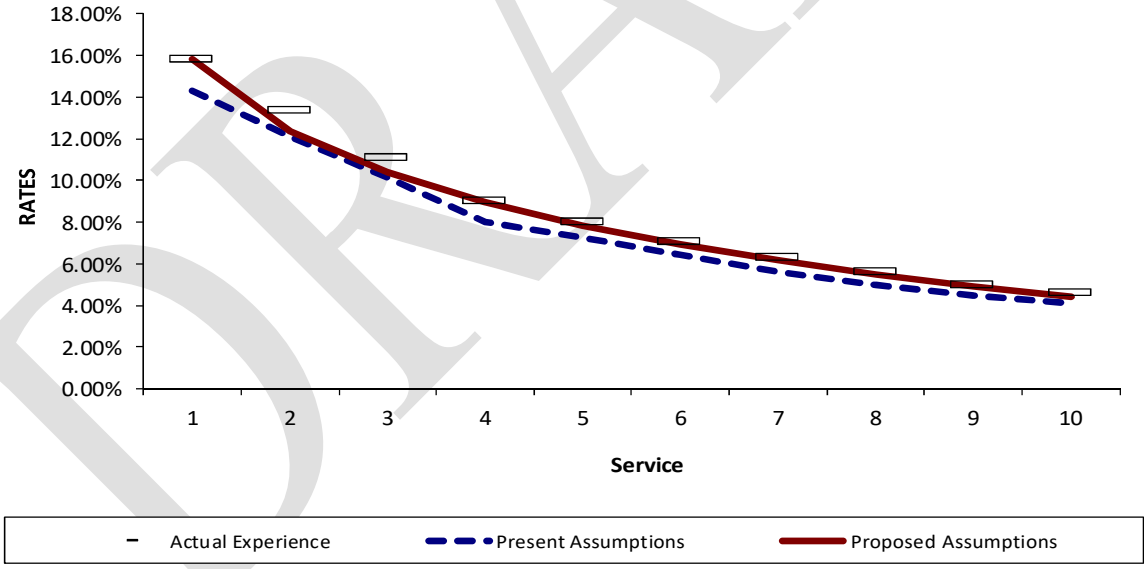
ALL OTHER EMPLOYEES
TERMINATION EXPERIENCE - DURING SELECT PERIOD
WEIGHTED BY LIABILITY in $MILLIONS

				Assumed Rate		Expected Termination Weighted By Salary		Actual/Expected	
Years of Service	Actual Termination Weighted By Liability $M	Total Liability $M	Actual Rate	Current	Proposed	Current	Proposed	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	$3,403	$21,528	0.1581	0.1430	0.1580	$3,079	$3,402	111%	100%
2	3,208	24,059	0.1333	0.1210	0.1237	2,912	2,977	110%	108%
3	2,529	22,758	0.1111	0.1011	0.1037	2,302	2,359	110%	107%
4	1,884	20,958	0.0899	0.0802	0.0894	1,681	1,874	112%	100%
5	1,665	20,883	0.0797	0.0726	0.0784	1,516	1,637	110%	102%
6	1,422	20,062	0.0709	0.0646	0.0694	1,295	1,392	110%	102%
7	1,243	19,713	0.0630	0.0561	0.0617	1,105	1,217	112%	102%
8	1,100	19,619	0.0561	0.0499	0.0551	979	1,082	112%	102%
9	971	19,594	0.0496	0.0449	0.0493	879	966	110%	100%
10	905	19,524	0.0463	0.0410	0.0441	801	861	113%	105%
Totals	$18,329	$208,699				$16,548	$17,767	111%	103%

ALL OTHER EMPLOYEES
TERMINATION EXPERIENCE - DURING SELECT PERIOD



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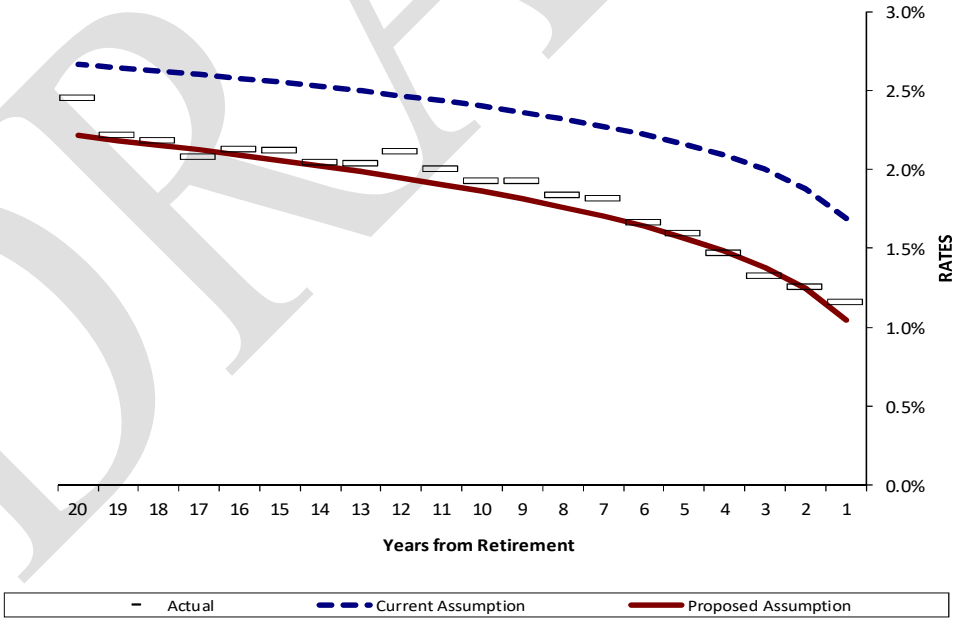
PUBLIC EDUCATION LOW TURNOVER
TERMINATION EXPERIENCE - YEARS FROM RETIREMENT
WEIGHTED BY LIABILITY in $MILLIONS

Years from Retirement	Actual Termination	Total Liabilities	Actual Probabilty	Assumed Probability		Expected Terminations		Actual/Expected	
				Current	Proposed	Current	Proposed	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	$399	$34,604	0.0115	0.0169	0.0105	$585	$363	68%	110%
2	435	34,748	0.0125	0.0188	0.0125	653	433	67%	101%
3	460	34,658	0.0133	0.0200	0.0138	692	478	66%	96%
4	502	34,185	0.0147	0.0209	0.0148	714	506	70%	99%
5	530	33,190	0.0160	0.0216	0.0157	717	520	74%	102%
6	525	31,609	0.0166	0.0222	0.0164	702	518	75%	101%
7	542	29,839	0.0182	0.0227	0.0170	678	508	80%	107%
8	515	28,112	0.0183	0.0232	0.0176	652	495	79%	104%
9	502	26,072	0.0193	0.0236	0.0181	616	473	82%	106%
10	459	23,830	0.0193	0.0240	0.0186	572	443	80%	104%
11	431	21,526	0.0200	0.0243	0.0191	524	410	82%	105%
12	387	18,302	0.0211	0.0247	0.0195	451	356	86%	109%
13	311	15,275	0.0204	0.0250	0.0199	381	303	82%	103%
14	261	12,758	0.0204	0.0252	0.0202	322	258	81%	101%
15	223	10,515	0.0212	0.0255	0.0206	268	216	83%	103%
16	183	8,625	0.0213	0.0258	0.0209	222	180	83%	102%
17	145	6,993	0.0208	0.0260	0.0212	182	149	80%	98%
18	137	6,294	0.0218	0.0262	0.0215	165	136	83%	101%
19	143	6,463	0.0222	0.0264	0.0218	171	141	84%	102%
20	162	6,597	0.0245	0.0267	0.0221	176	146	92%	111%
Totals	$7,252	$424,193				$9,443	$7,031	77%	103%

PUBLIC EDUCATION LOW TURNOVER
TERMINATION EXPERIENCE - YEARS FROM RETIREMENT



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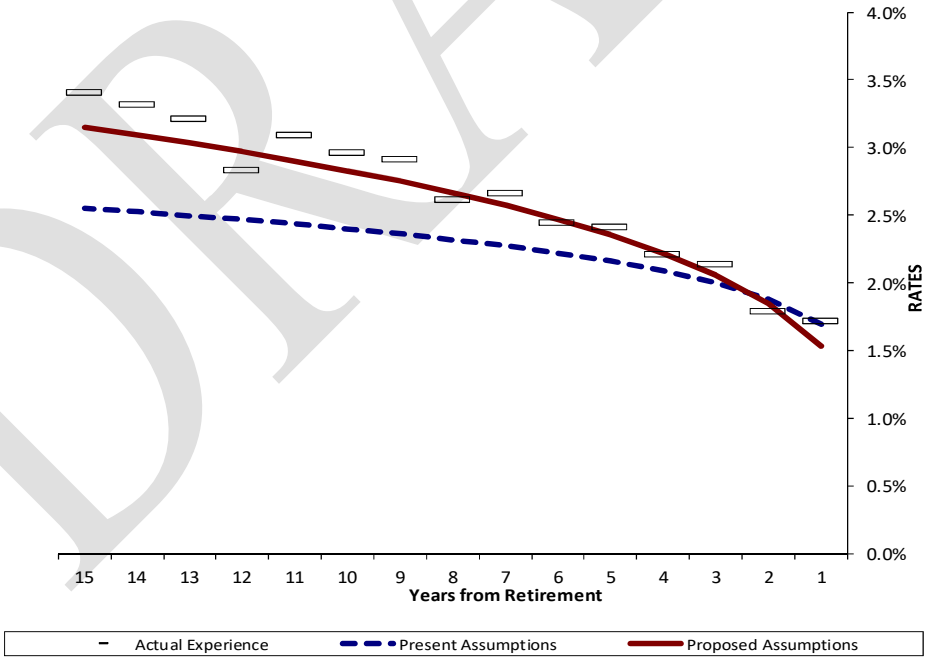
ALL OTHER EMPLOYEES
TERMINATION EXPERIENCE - YEARS FROM RETIREMENT
WEIGHTED BY LIABILITY in $MILLIONS

Years from Retirement	Actual Termination	Total Liabilities	Actual Rate	Assumed Rate		Expected Termination		Actual/Expected	
				Current	Proposed	Current	Proposed	Current (2) / (7)	Proposed (2) / (8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	$334	$19,551	0.0171	0.0169	0.0153	$331	$300	101%	111%
2	343	19,229	0.0178	0.0188	0.0184	361	354	95%	97%
3	399	18,760	0.0213	0.0200	0.0205	375	385	106%	104%
4	400	18,158	0.0221	0.0209	0.0222	379	402	106%	99%
5	405	16,804	0.0241	0.0216	0.0235	363	395	112%	102%
6	375	15,381	0.0244	0.0222	0.0247	341	380	110%	99%
7	366	13,796	0.0265	0.0227	0.0257	314	355	117%	103%
8	323	12,371	0.0261	0.0232	0.0267	287	330	112%	98%
9	319	10,988	0.0290	0.0236	0.0275	259	302	123%	106%
10	288	9,749	0.0295	0.0240	0.0283	234	276	123%	104%
11	259	8,408	0.0308	0.0243	0.0290	205	244	127%	106%
12	201	7,106	0.0283	0.0247	0.0297	175	211	115%	95%
13	194	6,062	0.0320	0.0250	0.0303	151	184	128%	106%
14	173	5,207	0.0331	0.0252	0.0309	131	161	131%	107%
15	152	4,477	0.0339	0.0255	0.0315	114	141	133%	108%
16	127	3,804	0.0335	0.0258	0.0321	98	122	130%	104%
17	110	3,210	0.0342	0.0260	0.0326	83	105	132%	105%
18	95	2,806	0.0338	0.0262	0.0331	74	93	129%	102%
19	92	2,640	0.0348	0.0264	0.0336	70	89	132%	104%
20	94	2,486	0.0377	0.0267	0.0340	66	85	141%	111%
Totals	$5,047	$200,992				$4,412	$4,912	114%	103%

ALL OTHER EMPLOYEES
TERMINATION EXPERIENCE - YEARS FROM RETIREMENT



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OTHER ASSUMPTIONS AND REFUNDS

There are other assumptions made in the course of a valuation, such as the percentage of members who are married, the age difference between members and spouses, the likelihood that a terminating employee will take a refund, etc. We reviewed these, and believe these are generally realistic or conservative, so we decided to recommend no changes to these other assumptions.

ACTUARIAL METHODS

We have received all of the actuarial methods, such as the funding method, the asset smoothing methods, and how contribution rates and funding period are determined. We recommend no changes to any of those methods.

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SECTION IV – ACTUARIAL IMPACT OF RECOMMENDATIONS

Item	2025 Valuation Current Assumptions	2025 Valuation Recommended Package of Assumptions
(1)	(2)	(3)
1. Unfunded actuarial accrued liability	$64.9	$64.3
2. Total Normal Cost*	12.75%	12.89%
3. Funding period (years)	35	36
4. Funded ratio	77.5%	77.7%
5. Increase in contribution rate to achieve positive amortization in Fiscal Year 2028	1.50%	1.60%

All dollar amounts in $ billions.

Funding period is based on member, employer, and state contribution rates for fiscal year 2026 and beyond as specified by statute.

*Includes load for administrative expenses.

While the unfunded actuarial accrued liability decreased under the new assumptions, the decrease in the projected the rate of growth of future public education contributions lowered future contributions. The combined impact was an increase in the funding period.

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Section V – Summary of Assumptions and Methods Incorporating the Recommended Assumptions

1. Investment Return Rate — 7.00% per annum, compounded annually, composed of an assumed 2.50% inflation rate and a 4.50% real rate of return, net of investment expenses

2. Active Mortality, Termination, Disability Retirement, and Service Retirement Rates:

Rates and scales developed in the actuarial investigation as August 31, 2025, with values at select ages shown in the tables below:

a. Active Mortality: Based on the PUB-2016, Amount-Weighted, Below-Median Income, Teacher, Male and Female tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements. Below are the samples rates for 2025 and 2055.

2025 Mortality Rates			2055 Mortality Rates		
Age	**Male**	**Female**	**Age**	**Male**	**Female**
20	0.000230	0.000088	**20**	0.000153	0.000059
30	0.000301	0.000142	**30**	0.000200	0.000094
40	0.000513	0.000301	**40**	0.000341	0.000200
50	0.001230	0.000690	**50**	0.000818	0.000459
60	0.003132	0.001610	**60**	0.002083	0.001071
70	0.007543	0.004094	**70**	0.005188	0.002815
80	0.018051	0.014212	**80**	0.012953	0.010199
90	0.133431	0.102888	**90**	0.110386	0.085119

b. Rates of Termination

Low Turnover Group (Public Education Teachers, Administrators, and Nurses):

Probability of Decrement Due to Termination	
Years of Service	**Male/Female**
1	0.103096
2	0.083397
3	0.071873
4	0.063698
5	0.057356
6	0.052174
7	0.047793
8	0.043998
9	0.040651
10	0.037657

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The following table is used for all years after the first ten years of employment.

Probability of Decrement Due to Termination Based on Years from Normal Retirement

Years from NR	Male/Female	Years from NR	Male/Female
1	0.010476	**17**	0.021242
2	0.012454	**18**	0.021547
3	0.013780	**19**	0.021840
4	0.014805	**20**	0.022121
5	0.015653	**21**	0.022392
6	0.016381	**22**	0.022653
7	0.017023	**23**	0.022906
8	0.017600	**24**	0.023150
9	0.018125	**25**	0.023387
10	0.018608	**26**	0.023617
11	0.019056	**27**	0.023841
12	0.019474	**28**	0.024058
13	0.019867	**29**	0.024270
14	0.020237	**30**	0.024476
15	0.020589	**31**	0.024677
16	0.020923	**32**	0.024873

Rest of TRS members

Probability of Decrement Due to Termination

Years of Service	Male/Female
1	0.158013
2	0.123723
3	0.103665
4	0.089433
5	0.078394
6	0.069375
7	0.061749
8	0.055143
9	0.049316
10	0.044104

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The following table is used for all years after the first ten years of employment.

Probability of Decrement Due to Termination Based on Years from Normal Retirement

Years from NR	Male/Female	Years from NR	Male/Female
1	0.015326	**17**	0.032573
2	0.018430	**18**	0.033072
3	0.020530	**19**	0.033551
4	0.022163	**20**	0.034012
5	0.023519	**21**	0.034457
6	0.024689	**22**	0.034886
7	0.025722	**23**	0.035301
8	0.026653	**24**	0.035703
9	0.027501	**25**	0.036093
10	0.028283	**26**	0.036471
11	0.029010	**27**	0.036840
12	0.029689	**28**	0.037198
13	0.030328	**29**	0.037547
14	0.030932	**30**	0.037887
15	0.031506	**31**	0.038219
16	0.032051	**32**	0.038543

c. Rates of Disability Retirement

The disability retirement rates for members once they reach the Rule of 80 but not eligible for unreduced retirement are adjusted by an additional 1.0%.

Probability of Decrement Due to Disability

	For Service >= 10	For Service < 10
Age	**Male/Female**	**Male/Female**
20	0.000149	0.000006
30	0.000249	0.000010
40	0.000332	0.000013
50	0.001692	0.000068
60	0.005945	0.000238

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d. Rates of Retirement

Probability of Decrement Due to Service Retirement					
	Normal Retirement			Early Retirement	
Age	Male	Female	Age	Male	Female
50	0.1200	0.1180	**45**	0.0060	0.0060
51	0.1200	0.1240	**46**	0.0060	0.0060
52	0.1200	0.1300	**47**	0.0060	0.0060
53	0.1200	0.1360	**48**	0.0060	0.0060
54	0.1200	0.1420	**49**	0.0060	0.0060
55	0.1200	0.1480	**50**	0.0060	0.0060
56	0.1300	0.1540	**51**	0.0060	0.0060
57	0.1400	0.1600	**52**	0.0060	0.0060
58	0.1500	0.1660	**53**	0.0060	0.0060
59	0.1500	0.1720	**54**	0.0060	0.0060
60	0.1500	0.1780	**55**	0.0060	0.0060
61	0.1600	0.1860	**56**	0.0060	0.0060
62	0.1700	0.1940	**57**	0.0060	0.0060
63	0.1800	0.2020	**58**	0.0060	0.0060
64	0.1900	0.2100	**59**	0.0060	0.0060
65	0.2300	0.2500	**60**	0.0100	0.0100
66	0.2300	0.2500	**61**	0.0200	0.0200
67	0.2300	0.2500	**62**	0.0200	0.0200
68	0.2300	0.2500	**63**	0.0300	0.0300
69	0.2300	0.2500	**64**	0.0400	0.0400
70	0.2500	0.2500			
71	0.2500	0.2500			
72	0.2500	0.2500			
73	0.2500	0.2500			
74	0.2500	0.2500			
75	1.0000	1.0000			

For members hired after August 31, 2007 and who are vested as of August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 60 are increased 10% for each year the member is beyond the Rule of 80 (i.e., if the member reached the Rule of 80 at age 58 then the probability of retirement at age 60 is 120% of the rate shown above).

For members hired after August 31, 2007 and who are not vested as of August 31, 2014, or, for members hired after August 31, 2014, the retirement rates for members once they reach unreduced retirement eligibility at age 62 are increased 10% for each year the member is beyond the Rule of 80 (i.e., if the member reached the Rule of 80 at age 58 then the probability of retirement at age 62 is 140% of the rate shown above).

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3. Rates of Salary Increase

Inflation rate of 2.50%, plus a merit and productivity component of 0.70%, plus step-rate/promotional component as shown:

Years of Service	Merit, Promotion, Longevity	General	Total
1	6.00 %	3.20 %	9.20 %
2	2.85	3.20	6.05
3	2.15	3.20	5.35
4	1.85	3.20	5.05
5	1.60	3.20	4.80
6	1.45	3.20	4.65
7	1.35	3.20	4.55
8	1.25	3.20	4.45
9	1.20	3.20	4.40
10	1.10	3.20	4.30
11	1.05	3.20	4.25
12	1.00	3.20	4.20
13	0.95	3.20	4.15
14	0.85	3.20	4.05
15	0.70	3.20	3.90
16	0.70	3.20	3.90
17	0.60	3.20	3.80
18	0.55	3.20	3.75
19	0.50	3.20	3.70
20	0.40	3.20	3.60
21	0.35	3.20	3.55
22	0.30	3.20	3.50
23	0.25	3.20	3.45
24	0.20	3.20	3.40
25 & up	0.00	3.20	3.20

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4. Post-retirement Mortality The 2025 TRS of Texas Healthy Pensioner Mortality Tables. The rates are projected on a fully generational basis by the long-term rates of scale UMP 2021 to account for future mortality improvements. These tables are developed based on the experience in the actuarial investigation as of August 31, 2025. Below are the sample rates for 2025 and 2055.

2025 Mortality Rates			2055 Mortality Rates		
Age	**Male**	**Female**	**Age**	**Male**	**Female**
40	0.000604	0.000359	**40**	0.000402	0.000239
50	0.001517	0.001086	**50**	0.001009	0.000722
60	0.005558	0.003852	**60**	0.003731	0.002562
70	0.012668	0.008025	**70**	0.008873	0.005338
80	0.041382	0.029920	**80**	0.031456	0.019901
90	0.148103	0.116316	**90**	0.129361	0.077366
100	0.351504	0.333772	**100**	0.329030	0.222005
110	0.373342	0.492530	**110**	0.371108	0.327601
120	1.000000	1.000000	**120**	1.000000	1.000000

For disabled retirees, a four-year set forward of the above tables are used, with a minimum mortality rate of 0.0200 for female and 0.0400 for male.

2025 Mortality Rates			2055 Mortality Rates		
Age	**Male**	**Female**	**Age**	**Male**	**Female**
40	0.040000	0.020000	**40**	0.040000	0.020000
50	0.040000	0.020000	**50**	0.040000	0.020000
60	0.040000	0.020000	**60**	0.040000	0.020000
70	0.040000	0.020000	**70**	0.040000	0.020000
80	0.069034	0.053010	**80**	0.052476	0.035259
90	0.237091	0.180005	**90**	0.207087	0.119728
100	0.470388	0.444002	**100**	0.440313	0.295323
110	0.215373	0.494505	**110**	0.214085	0.328915
120	1.000000	1.000000	**120**	1.000000	1.000000

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HANDLING OF ACTIVE DATA WITH MISSING INFORMATION:

As of the close of each fiscal year there may be records for whom no statistical data has been received. The only information TRS has are social security number and initial contributions. Any of these records that were in the prior year's data are treated as non-vested terminated members. The remaining records are treated as new entrants. These records are added to the count of active members, but have no liability.

There may be records provided by TRS that have missing gender and/or missing date of births. These records are handled as follows:

1. 80% of records with missing gender are assumed to be female. The overall male/female ratio of the active membership is used to set this assumption.

2. Records with missing dates of birth are assigned a date of birth that produces an entry age equal to the average entry age for the overall active population, based on the member's actual service.

ASSUMPTION FOR DROP PARTICIPATION

Current active members are not eligible to participate in the Deferred Retirement Option Plan (DROP); therefore, no new DROP members are assumed.

BENEFIT ELECTION OF VESTED TERMINATING MEMBERS:

In determining the liabilities developed for future terminating vested members, it is assumed that the member elects either a refund or a deferred vested benefit, whichever is more valuable. The deferred benefit is assumed to commence at the earliest age the member is eligible for unreduced retirement.

ELECTION RATES FOR ACTIVE MEMBER DEATH BENEFITS:

It is assumed that the beneficiary will elect the death benefit option with the greatest value.

DECREMENT TIMING:

Retirement is assumed to occur at the end of the fiscal year. Termination from service is assumed to occur at the beginning of the fiscal year. All other decrements are assumed to occur mid-year.

BENEFIT ELECTION OPTIONS:

It is assumed that future healthy retirees will select the normal form of payment. For disabled members, 80% are assumed to select the normal form of payment and 20% to select the 100% joint and survivor option.

MARRIAGE ASSUMPTION:

While not implicitly used in the valuation, 100% of active members are assumed to be married when setting other benefit election and eligibility assumptions.

SPOUSAL AGE DIFFERENCE:

Husbands are assumed to be three years older than their wives.

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CLASSIFICATION OF WHO ARE ACTIVE MEMBERS:

Members who earned a year of service during the just-completed plan year but did not retire before August 31 are considered active.

AVERAGE SURVIVOR BENEFIT LIABILITY:

One of the options on the death of an active member, a disabled member, or a retired member is a survivor benefit. To determine the liability for this benefit the following average values are used.

		Males	Females
1.	Active member	$62,200	$59,000
2.	Disabled member	$13,000	$11,000
3.	Retired member	$12,000	$12,000

ACTUARIAL VALUE OF ASSETS:

A. The actuarial value of assets is equal to the market value of assets less a five-year phase in of the excess/(shortfall) between expected investment return and actual income. The actual calculation is based on the difference between actual market value and the expected actuarial value of assets each year, and recognizes the cumulative excess return (or shortfall) over a minimum rate of 20% per year. Each year a base is set up to reflect this difference. If the current year's base is of opposite sign to the deferred bases then it is offset dollar for dollar against the deferred bases. Any remaining bases are then recognized over the remaining period for the base (5 less the number of years between the bases year and the valuation year). This is intended to ensure the smoothed value of assets will converge towards the market value in a reasonable amount of time.

B. Expected earnings are determined using the assumed investment return rate and the beginning of year actuarial value of assets (adjusted for receipts and disbursements during the year). Beginning in fiscal year 2016, the returns are computed net of investment expenses.

ACTUARIAL COST METHOD:

The actuarial valuation is used to determine the adequacy of the State contribution rate (established by statute) and public education employer contribution rate (established by statute) and to describe the current financial condition of TRS.

The actuarial valuation uses the Entry Age Normal actuarial cost method. Under this method, the first step is to determine the contribution rate (level as a percentage of pay) required to provide the benefits to each member, or the normal cost rate. The normal cost rate consists of two pieces: (i) the member's contribution rate, and (ii) the remaining portion of the normal cost rate which is the employer's normal cost rate. The total normal cost rate is based on the benefits payable to each individual active member.

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The Unfunded Actuarial Accrued Liability (UAAL) is the liability for future benefits which is in excess of (i) the actuarial value of assets, and (ii) the present value of future normal costs. The employer contribution provided in excess of the employer normal cost is applied to amortize the UAAL.

The funding period is calculated as the number of years required to fully amortize the UAAL, and is calculated with the use of an open group projection that takes into account: (a) future investment earnings, net of investment-related expenses, will equal 7.00% per year projected from the actuarial value of assets, (b) there will be no changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, and (e) State and employer contributions will remain the same percentage of payroll.

The Entry Age actuarial cost method is an "immediate gain" method (i.e., experience gains and losses are separately identified as part of the UAAL). However, they are amortized over the same period applied to all other components of the UAAL.

PROJECTED PAYROLL FOR CONTRIBUTIONS:

The aggregate projected payroll for the fiscal year following the valuation date is calculated by increasing the actual payroll paid during the previous fiscal year by the payroll growth rate.

PROJECTION OF CONTRIBUTIONS FOR FUNDING OF UNFUNDED ACTUARIAL ACCRUED LIABILITY:

Total payroll is projected based on the current demographics and assumptions, with members who leave active employment replaced by a new member. Salaries for each cohort of new members is indexed at the 2.9% annual GWI assumption. Members are replaced by new entrants in their respective turnover group. In addition, annually, the dollar amount of contributions received from public employers is divided by actual payroll for that fiscal year to determine an estimated effective rate of total payroll, and projected at a 2.25% annual growth rate.

USE OF CELLED DATA:

For valuation purposes, every record in the census is valued individually.

For legislative cost analyses purposes, the active valuation data is celled by benefit tier, gender, years of service, month and year of birth. Each individual cell is valued using the sum of the salary and account balances of the members in the cell. Every year we test this approach against using the individual records and the results are consistently less than 0.02% different in total present value of benefits.

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AI Governance and Technology - Quarterly Board Update

Date: April 30, 2026 **Reported by:** Deputy Director

Highlights - AI in Action

On Track
Overall status

Completed:

- Agency rollout of Microsoft 365 Copilot and end-user training
- AI Roadmap 2.0 workshop analysis with four key areas identified: foundational projects (*see Risks and Watch Items section*), near-term wins, priority 1 items, and priority 2 items
- AI-enabled "Ask the Video" functionality for select member education videos on the TRS website
- AI Center of Enablement intranet site launched for employees – training resources, prompt libraries, collaboration
- Data Security & Analytics Platform implemented and operational
- "AI at TRS" web page ready to publish on www.trs.texas.gov (see attached page)

In Progress:

- NiCE Autopilot for late June 2026 roll-out for smarter member call routing
- SAFETY Tool 2.0 upgrade slated for Fall 2026
- AI-related resource evaluation underway in preparation for the LAR

Upcoming:

- Data preparation for NiCE Copilot to surface key information for counselors assisting members
- SAFETY Tool 3.0 Request for Proposals
- Compliance with new Department of Information Resources (DIR) rules and required AI awareness training

Metrics and KPIs

1,010 Current number of licensed Microsoft 365 Copilot users

Responses to April survey of M365 Copilot users across TRS:

- **95%** use Copilot at least weekly (44% use it daily)
- **74%** agree that productivity is enhanced
- **73%** agree that it helps complete tasks more efficiently
- **79%** feel they have the support needed to use Copilot
- **44%** say Copilot has reduced work stress

AI Catalog Overview:

- Approved AI Technologies: **84**
- Pending AI Governance or Technical Evaluation: **15**

Program Pillars

Strategy
AI-focused objectives and supporting strategies as outlined in TRS' Strategic Plan.

Planning
Business-driven input to drive implementation initiatives that support AI strategy.

Governance
Assessing risk, verifying compliance, and promoting responsible, ethical, and safe AI use.

Member-focus
Leveraging AI to best serve our members today and in the future.

Communications
Ensuring TRS' use of AI is communicated effectively and transparently.

Resources
Identifying current and future AI-related resource needs to ensure strategic priorities are met.

Workforce readiness
Building workforce capability through change management, continuous learning, collaboration, and upskilling.

Risks and Watch Items

While **"near-term wins"** can be enabled with limited effort and governance, the majority of high-value use cases depend on **foundational investments** in data readiness, security, testing, governance, and agent platforms to scale responsibly and deliver trusted outcomes.

Successfully executing this roadmap requires **dedicated skills, capacity, and funding** across technology, data, and business teams.

DRAFT - READY TO LAUNCH

About TRS

- Who We Are
- Board of Trustees
- Legislative Resources
- Ethics & Audits
  - Ethics Policies and Forms
  - AI at TRS
- Media Relations

AI at TRS

The Teacher Retirement System of Texas (TRS) uses artificial intelligence (AI) in transparent, carefully governed ways to support our work and improve services to members while keeping member information safe. Human judgment, accountability and oversight always remain in place.

As part of our ongoing commitment to transparency, TRS will regularly update this page with information on how AI is being leveraged intentionally and thoughtfully. To stay informed, you can also sign up for email updates on this topic.

Current AI Usage at TRS

Vetted and approved AI tools currently in use at TRS are helping us:

- Summarize and distill information and documents for clarity and consistency
- Respond more efficiently to general member questions
- Detect unusual online activity and potential bad actors faster
- Save time on simple tasks so staff can focus on more complex work that supports the TRS mission

What AI Does *Not* Do

AI at TRS does not:

- Make decisions on investments, benefits, eligibility, or payments
- Give automated advice to members
- Act independently on member accounts

How TRS Protects Your Data

Protecting your information is essential at TRS. We ensure that:

- AI use complies with applicable laws, rules, guidelines, and TRS policies and procedures
- Governance and oversight are strong. All AI use is reviewed and approved before use.
- Security and privacy controls are enforced. AI tools must meet strict data-protection and cybersecurity standards.
- Humans review all outputs. Employees remain responsible for accuracy and outcomes.
- Continuous monitoring reduces risk. AI use is monitored to prevent misuse.

Looking Ahead

TRS will continue to:

- Use AI in compliance with applicable laws, rules, guidelines, and TRS policies and procedures
- Use AI only when it is secure, appropriate and beneficial
- Expand AI use carefully and only after proven results
- Keep humans accountable for all decisions
- Share updates as technologies evolve

Related Resources

- February 2026 Board Presentation – AI Strategy, Implementation and Considerations
- February 2026 Board Presentation – AI Governance and Risk Assurance
- Understanding Artificial Intelligence (AI)
- TRS Privacy Statement