



Annual Comprehensive Financial Report – 2024

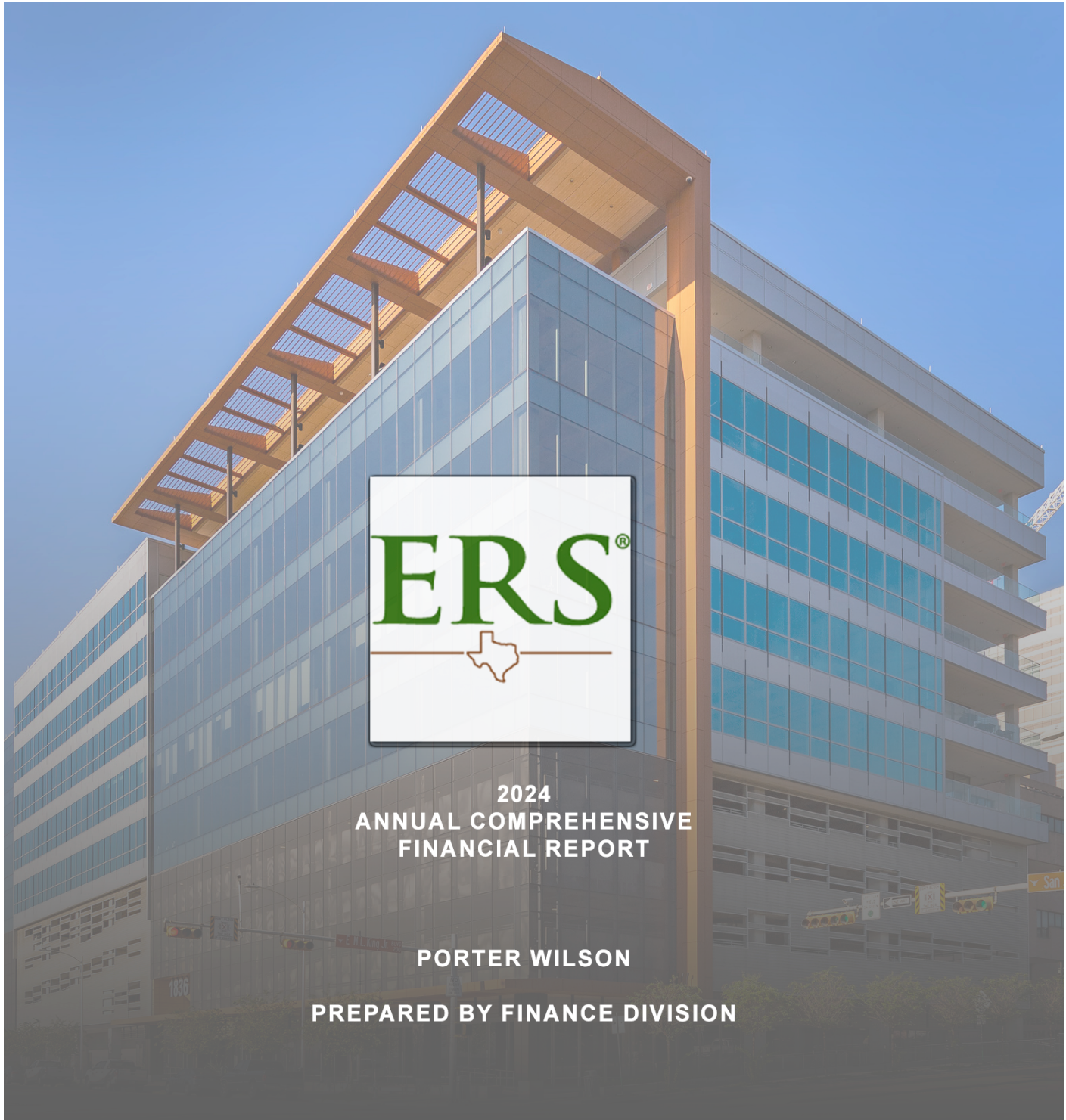
Employees Retirement System of Texas | A Component Unit of the State of Texas

Fiscal Year Ended August 31, 2024



Mission:

ERS offers competitive benefits to enhance the lives of its members.



A Component Unit of the State of Texas
Fiscal Year Ended August 31, 2024

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INTRODUCTORY SECTION



Highlights of Retirement Programs

Executive Director's Message

Letter of Transmittal

Certificate of Achievement

Public Pension Standards Award

Organizational Chart and Data

Consultants and Advisors

Summary of Plan Provisions



Highlights of Retirement Programs

As of August 31, 2024

	ERS (Note A)	LECOS (Note A)	JRS II
Retirement Census Data			
Active Members	144,049	32,143	658
Terminated Employees Entitled to But Not Yet Receiving Benefits	167,858	36,497	152
Total Retirement Accounts	311,907	68,640	810
Retirees and Beneficiaries Currently Receiving Benefits	125,832	16,801	585
Total Retirements During the Fiscal Year	4,107	624	11
Funded Ratios (Note B)	72.0%	101.5 %	99.3 %
Plan Fiduciary Net Position as a Percentage of Total Pension Liability (Note C)	75.31%	106.18 %	104.29 %
Results of Investments - Pension Trust Funds			
Interest, Dividends & Securities Lending Income	\$ 883,104,355	\$ 47,145,987	\$ 17,461,241
Net Appreciation in Fair Value of Investments	3,406,635,780	177,843,592	69,049,053
Other Transactions Summary			
Member Contributions	\$ 805,558,294	\$ 15,022,006	\$ 8,992,124
State Retirement Contributions, including legacy and one-time payments	1,421,937,720	814,752,777	117,370,296
Retirement Benefits	2,925,454,298	100,297,636	41,178,269
Member Contributions Withdrawn	159,563,794	3,619,035	283,965
Administrative Expenses	46,139,405	3,621,944	431,541
Investment Expenses	51,448,488	1,978,157	904,535
Money-Weighted Rates of Return	12.53%	12.90 %	12.75%
Time Weighted Rates of Return	1-Year	3-Year	5-Year
Investment Pool Trust Fund (Net)	% 12.51 %	% 5.72 %	% 9.63

ERS - Employees Retirement Fund

LECOS - Law Enforcement and Custodial Officer Supplemental Retirement Fund

JRS II - Judicial Retirement System Plan Two

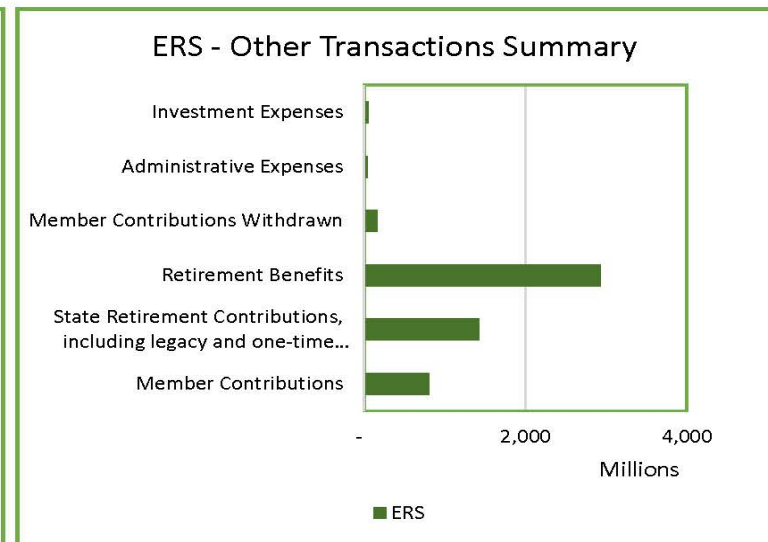
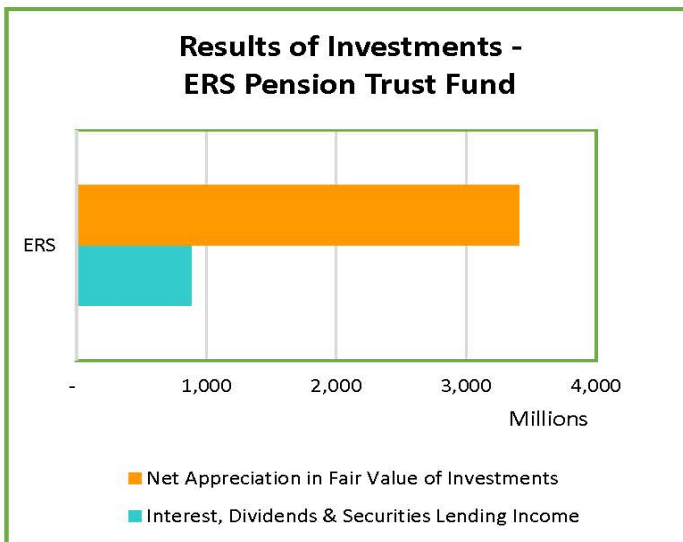
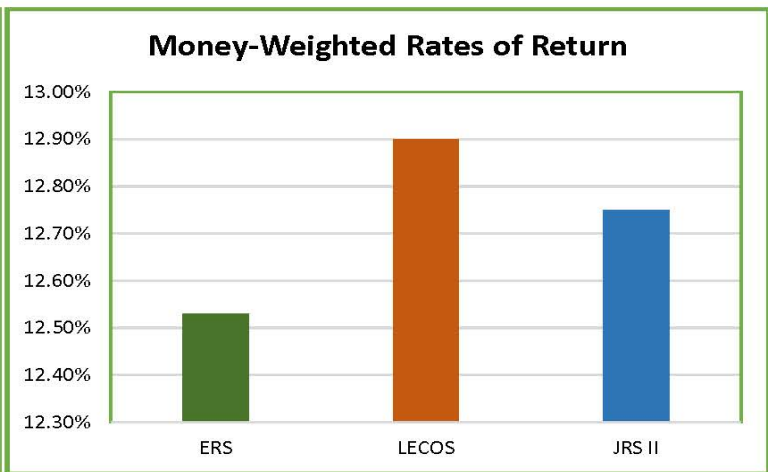
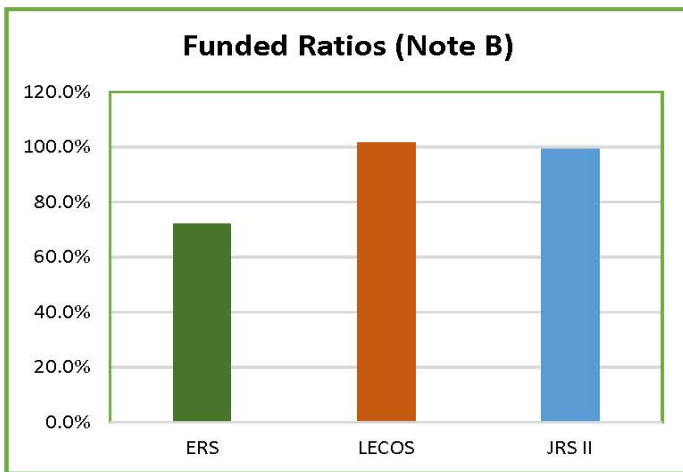
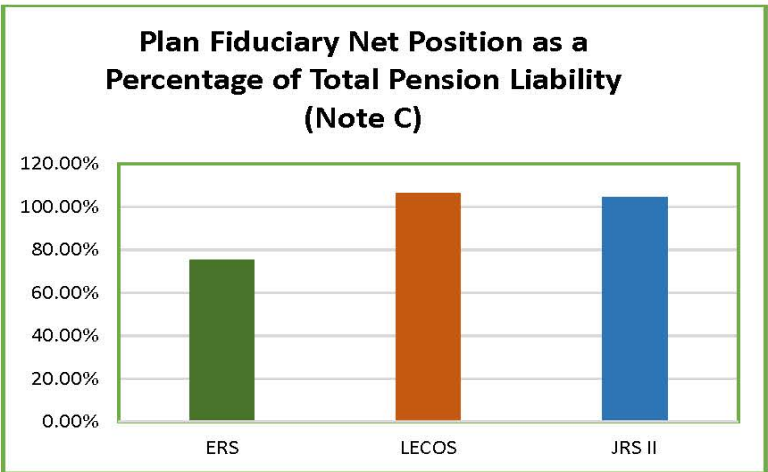
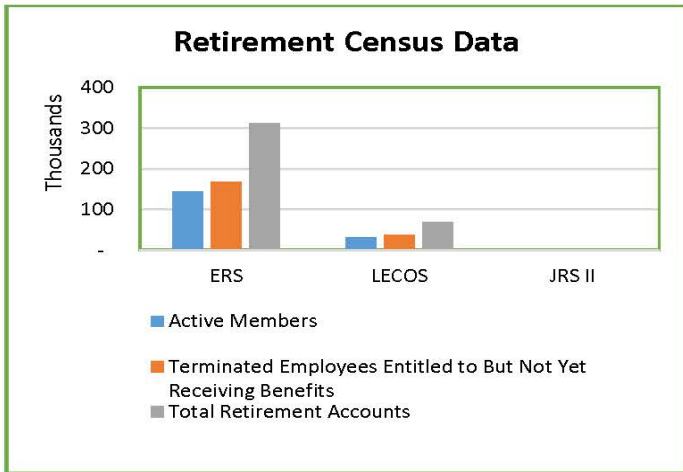
Note A: The members of the LECOS are also members of the ERS.

Note B: Funded Ratios are based on actuarial projections for funding purposes. The actuarial accrued liability used in the Funded Ratio Calculation for ERS, LECOS, and JRSII is based on a current liability of the benefit provisions in effect for each active member.

Note C: This calculation reflects fair value, changes in single discount rate application, and other adjustments as required by GASB Statement No. 67.

Highlights of Retirement Programs (Concluded)

As of August 31, 2024



Executive Director's Message



200 E. 18TH STREET, AUSTIN TEXAS 78701 | P.O. BOX 13207, AUSTIN, TEXAS 78711-3207 | (877) 275-4377 TOLL-FREE | WWW.ERS.TEXAS.GOV

The Honorable Greg Abbott, Governor of Texas
The Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, State Auditor
The Board of Trustees and Members of the Employees Retirement System of Texas

Ladies and Gentlemen:

PORTER WILSON
EXECUTIVE DIRECTOR

I am pleased to present you with the 2024 Annual Comprehensive Financial Report. This document reflects the results of activities undertaken by the Employees Retirement System of Texas (ERS) for the fiscal year ended August 31, 2024.

I. CRAIG HESTER
CHAIR

The state's retirement benefits and health coverage administered by ERS play a critical role in ensuring Texas has the workforce necessary to fulfill the mission of state government and to provide critical services Texans rely on daily. Benefits, including the state's contributions toward health insurance and retirement, account for more than a third of total compensation for the average state employee.

NEIKA CLARK
VICE-CHAIR

BOARD OF TRUSTEES
BRIAN BARTH
STUART GREENFIELD, PH.D.
JAMES (JIM) KEE, PH.D.

Due to the efforts in recent legislative sessions to increase funding and reform benefits, for the first time in twenty years, ERS did not include an exceptional item request in its Legislative Appropriation Request for pension benefits administered by ERS. As a result of the action taken by the state leadership in the last two legislative sessions along with investment performance exceeding the assumed rate of return, the total assets of the Trust at year-end were just short of \$40 billion.

As of August 31, 2024, the amortization period for the unfunded liabilities of the ERS retirement plan is 30 years. Texas Government Code 814.604 requires ERS to grant a one-time cost of living adjustment (COLA) for certain retirees if upon payment of the COLA the amortization period would not be increased to a period that exceeds 30 years by one or more years. It is anticipated that this provision will be satisfied and retirees who have been retired for 20 or more years at that time will receive the lesser of three percent of the monthly benefit or \$100 a month effective January 2025. This represents the first time the ERS plan has been actuarially sound and the first retiree benefit enhancement in over 20 years.

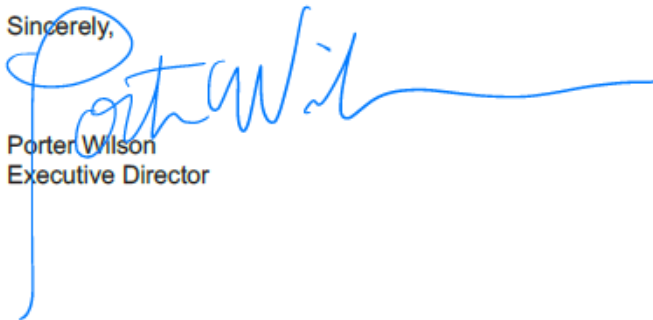
The Honorable Greg Abbott, Governor of Texas
The Honorable Glenn Hegar, Texas Comptroller
Jerry McGinty, Director, Legislative Budget Board
Lisa Collier, State Auditor
The Board of Trustees and Members of the Employees Retirement System of Texas
Page 2

Healthy employees are critical to carrying out the duties and responsibilities of the state. ERS continues to promote programs to engage healthy behaviors. ERS launched the Buena Vida well-being program was launched on October 1 of this year. This program focuses on the three pillars of well-being: physical, financial and emotional. With the new platform, participants can take a health assessment to learn about opportunities to improve their health and feel their best. Also, the program offers rewards for engaging in healthy behaviors, interactive health challenges, and engagement with an online community for support in meeting goals. The program also serves to connect participants to all of their enrolled health and wellness benefits. The launch of the Buena Vida program was paired with the addition of three condition management programs through the HealthSelect third-party administrator: Hello Heart to manage hypertension, Hinge Health to help address chronic back or joint pain and Learn to Live to help support and boost emotional resilience.

ERS has maintained health benefits without the need for additional state funding since 2019. While ERS continues to aggressively manage the health plans and encourage members to improve health outcomes, health care inflation continues to be a factor. Health plans administered by ERS are on a pay-as-you-go basis. ERS requested an 8% contribution increase each year beginning with fiscal year 2026. This increase allows benefits to remain at the current levels. ERS projects that with no increase to the contribution rate, the contingency reserves which supplement contributions to support the plans will be depleted in 2029.

Thank you for your ongoing support. ERS staff are dedicated to their role of supporting Texans who support Texans in their day-to-day lives and quick response during emergencies. We are pleased to report on the financial condition of the plans and benefits administered by ERS.

Sincerely,



Porter Wilson
Executive Director

Letter of Transmittal



200 E. 18TH STREET, AUSTIN TEXAS 78701 | P.O. BOX 13207, AUSTIN, TEXAS 78711-3207 | (877) 275-4377 TOLL-FREE | WWW.ERS.TEXAS.GOV

December 12, 2024

The Board of Trustees and Members of the Employees Retirement System of Texas

Ladies and Gentlemen:

I am pleased to present the Employees Retirement System of Texas (System) Annual Comprehensive Financial Report (ACFR) for the year ended August 31, 2024 in compliance with Texas Government Code ANN Sec. 2101.011 and in accordance with requirements established by the Texas Comptroller of Public Accounts.

PORTER WILSON
EXECUTIVE DIRECTOR

The System's Finance Department prepared this report in accordance with generally accepted accounting principles applied on a consistent basis as promulgated by the Government Accounting Standards Board (GASB). Its purpose is to provide information on a basis for making management decisions, to determine compliance with legal provisions, and to determine responsible stewardship over the asset contributed by the members and the state. CliftonLarsonAllen LLP audited the report. For information regarding the scope of the audit, please see the Independent Auditors Report in the Financial Section.

I. CRAIG HESTER
CHAIR

NEIKA CLARK
VICE-CHAIR

BOARD OF TRUSTEES
BRIAN BARTH
STUART GREENFIELD, PH.D.
JAMES (JIM) KEE, PH.D.

The System's management is responsible for the accuracy, completeness and fair presentation of the information – including all disclosures. We believe the System's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets and the reliability of financial records.

Please refer to the Management's Discussion and Analysis in the Financial Section for an overview of the financial activities of the current and prior fiscal years.

SYSTEM'S STRUCTURE AND SERVICES

For financial reporting purposes, the System is considered a retirement system of the State of Texas. The System's financial activities will be included in the annual financial report for the State of Texas for the fiscal year ended August 31, 2024.

The Employees Retirement System was established in 1947 by the Texas Constitution to provide benefits for officers and employees of the state. The System administers retirement and disability annuities and death and survivor benefits for employees of the State of Texas and their beneficiaries, and proportional retirement benefits for member of the Proportionate Retirement Program.

The Law Enforcement and Custodial Officer Supplemental (LECOS) Retirement Plan was established in 1979 and is governed by Title 8, Subtitle B of the Texas Government Code. The program provides supplemental retirement benefits to certain certified peace officer and custodial officers specified in statute.

The Judicial Retirement System (JRS) Plans I and II were established to provide benefits for judges. Both Plans were created under Article XVI, Section 67 of the Texas Constitution and are governed by Title 8, Subtitle E of the Texas Government Code. JRS I was established in 1940 as a pay-as-you-go pension plan. JRS II is governed by Section 840.103 and 840.106, Texas Government Code and was established as a new plan of actuarially funded retirement benefits for judges becoming members of the Judicial Retirement System after August 31, 1985.

Although the Texas Judicial Retirement Systems are separate legal entities, the Employees Retirement System of Texas and the Texas Judicial Retirement Systems are a single accounting entity because they are governed by the same Board of Trustees (the Board), directed by the same management, and part of the System's goal of administering comprehensive and actuarially sound retirement programs.

The Board is responsible for accountability for all fiscal and budgetary matters. Operating administrative expenses, including capital items, are budgeted annually. The Board must approve any subsequent budget increase. Budgetary control is maintained in the financial system with automated edits, and through processes and procedures for approvals, encumbrances, and reporting. The Legislature determines the level of member and state contributions and benefit structure for the pension plans.

FINANCIAL CONDITION

Investment Performance

The System's investments are highly diversified and based on an asset allocation intended to withstand market fluctuations. It maintains a professional and diversified investment program optimizing the mix of internal management and external advisors. The investment portfolio closed the fiscal year with a fair value of \$39.9 billion and a net time weighted rate of return of 12.51% for the year. The System outperformed the policy benchmark return of 11.77%. The net time weighted rates of return for three and five years were 5.72% and 9.63%, respectively.

Please refer to the Investment Section for additional information on the System's investment policies, strategies, safeguards and fees.

Funding Status

The Employees Retirement Plan's ratio of actuarial value of assets to the actuarial accrued liability was 72.0% for funding purposes as of August 31, 2024. The funded status is one of many metrics to show trends and assess future expectations regarding the health of a retirement plan. The funded status measure does not reflect normal cost contributions, the timing of amortization payments or future experience – and thus alone is not appropriate for assessing the sufficiency of a plan's assets to cover the plan's benefit obligations. The 87th Texas Legislature changed the funding structure of the Employees Retirement Plan from a fixed-contribution structure to an actuarially determined structure by introducing a level-dollar contribution structure, Legacy Payments. The Legacy Payment is calculated for each biennium to fully amortize the Unfunded Actuarially Accrued Liability by August 31, 2054. These payments are in addition to the member and state percentage of payroll contributions. The 88th Legislature continued the ERS Legacy Payments at the \$510 million per year base level established by the 87th Legislature and provided an additional \$900 million one-time payment to further address the ERS Plan's existing liabilities. As a result, the System has met the first three goals identified in the ERS Pension Funding Priorities and Guideline: (1) fund normal costs, (2) avoid trust fund depletion, and 3) meet the current statutory standard of a less than 31-year funding period for unfunded liabilities.. Since there is now a closed amortization structure, actuarial projections indicate the fourth goal to match the funding period to the average years of service at retirement will be met within the next decade.. In addition to changes to the funding structure, the 87th Texas Legislature introduced a new benefit structure for employees hired on or after September 1, 2022 reducing the potential for increasing unfunded actuarial liabilities.

The LECOS Retirement Plan actuarial value of assets to the actuarial accrued liability ratio was 101.50% for funding purposes as of August 31, 2024. The JRS II Retirement Plan actuarial valuation of assets to the actuarial accrued liability ratio was 99.3% for funding purposes as of August 31, 2024. The 88th Legislature increased state contributions for LECOS and JRS II to cover the normal cost of each plan beginning September 1, 2023 as well as providing one-time funding, \$772 million for LECOS and \$99 million for JRS II, for fiscal year 2024 to payoff the unfunded accrued liability for each of the plans. In addition, changes to the benefit structure were made for judges entering the JRS II plan on or after September 1, 2024 similar to the cash benefit for employees hired on or after September 1, 2022. The System has met the four goals identified in the ERS Pension Funding Priorities and Guidelines for LECOS and JRS II: (1) fund normal costs, (2) avoid trust fund depletion, (3) meet current statutory standard of a 31-year funding period for unfunded liabilities, and (4) match the funding period to the average years of service at retirement once a 30 year funding period is achieved with a closed amortization period.

Additional information on funding status is presented in the Financial and Actuarial Sections.

New Accounting Standards

The System evaluated new reporting standards issued by the Governmental Accounting Standards Board (GASB) to assess applicability. The System adopted GASB Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." effective June 30, 2024 and relevant requirements in Implementation Guide No. 2023-1, "Implementation Guidance Update—2023.". Additional information on these standards is presented in the Financial Section.

MAJOR INITIATIVES

ERS distributed its first Gain Share (GSIR) during FY24. Group 4 members (individuals hired after August 31, 2022) are guaranteed 4% annual growth on their account balance. The gain-sharing adjustment to Group 4 members and annuitants is determined solely by the five-year matched performance for the period ending August 31. Per statute, the ERS Trust and Group 4 population split the returns in excess of 4%, with the gain sharing adjustment to the Group 4 population capped at 3%. The five-year matched performance number for the period ending August 31, 2024 is 9.48%, resulting in a GSIR of 2.74%, rounded to the nearest basis point, to be applied to Group 4 member accounts and annuity payments.

In FY25, the System anticipates granting a one-time cost of living adjustment (COLA) to annuitants who have been retired for 20 or more years by December 31, 2024 in accordance with Texas Government Code 814.604. This is the first retiree benefit enhancements in over 20 years.

During the fiscal year, System staff worked to modify current systems to incorporate the cash balance benefit for judges taking office on or after September 1, 2024 while completing the first two phases of the Retirement Insurance System Enhancement (RISE) project which will replace the current aging pension and insurance benefit system. RISE is projected to be implemented in FY30. In addition, System staff are actively engaged in transitioning from the current financial system to the Centralized Accounting and Payroll/Personnel System (CAPPS) Financials implementation with a targeted go-live date of September 1, 2025.

The System has maintained competitive health benefits without increased state funding for the past six years. The System continues to strive for improved health outcomes by promoting programs that engage participants as well as regularly bidding vendor contracts in its cost containment efforts. The System implemented the new pharmacy benefit manager services vendor on January 1, 2024 which is projected to achieve significant savings for the group benefit program. However, health inflation continues and the System projects an increase is needed in contributions rates to maintain insurance benefits at the current levels.

AWARDS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officer Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the System for its Annual Comprehensive Financial Report for the fiscal year ended August 31, 2023. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents meet or exceed program standards and satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year. The System has received a Certificate of Achievement for each of the last 35 years. We believe the current report continues to meet the Certificate of Achievement program requirements and are submitting it to the GFOA for consideration again this year.

Public Pension Standards Award for Administration

The Public Pension Coordinating Council (PPCC) gave the 2024 Public Pension Standards Award for Administration to the System in recognition of meeting professional standards for plan administration as set forth in the Public Pension Standards.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis was accomplished with the efficient and dedicated service of the Finance staff and other employees of the System. I would like to express my appreciation for management's support in preparing this report and to all the employees of the System who contributed to its preparation.

Sincerely,

Machelle Pharr

Machelle Pharr, CPA
Chief Financial Officer





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Employees Retirement System of Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2023

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2024***

Presented to

Employees Retirement System of Texas

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Organizational Chart and Data

As of December 12, 2024

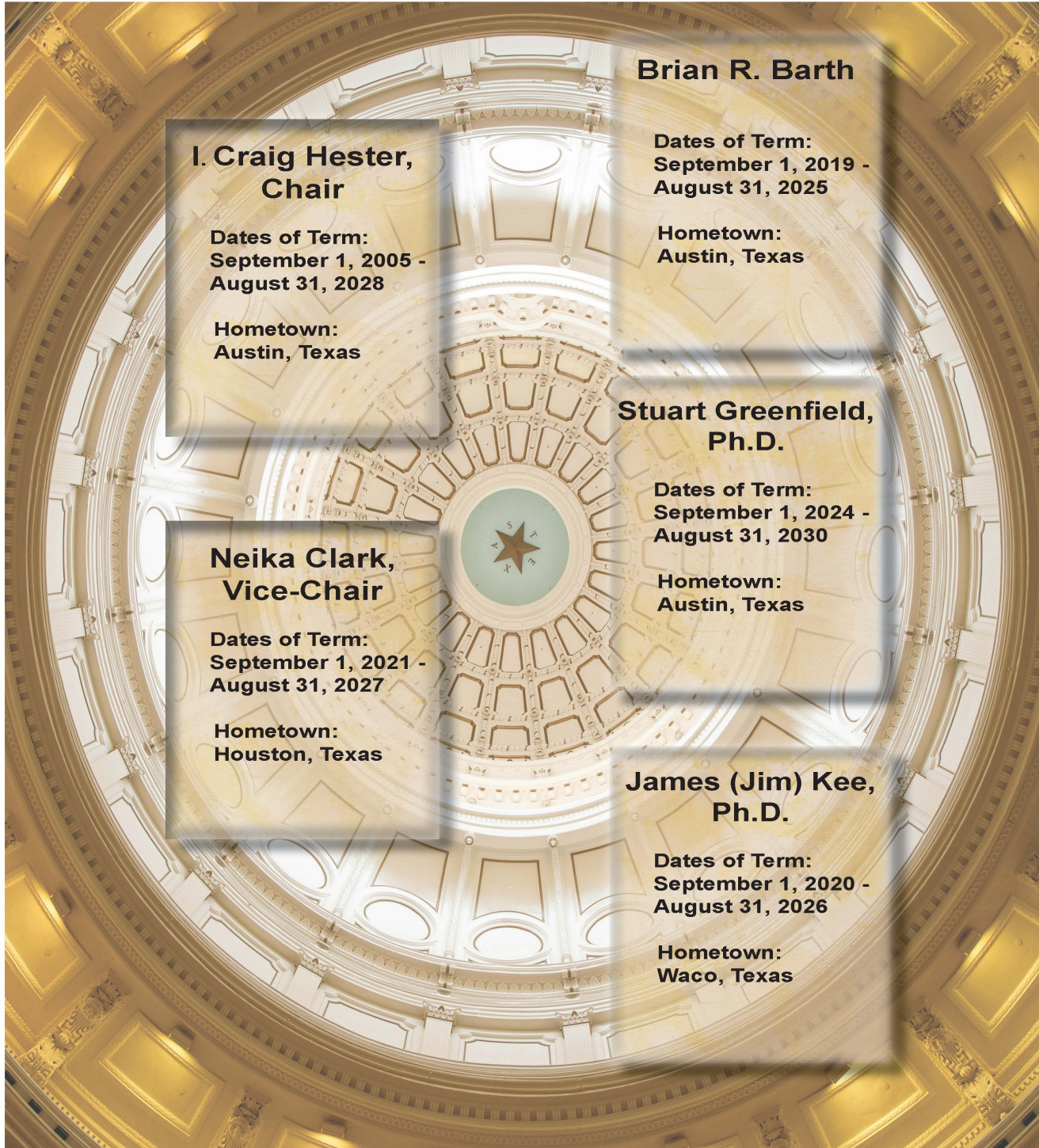
Board of Trustees



Organizational Chart and Data (Concluded)

As of December 12, 2024

ERS Board of Trustees



Consultants and Advisors

as of August 31, 2024

Consulting Actuaries

Philip S. Dial, F.S.A.
David Wikes, F.S.A.
Evan Dial, F.S.A.
Khiem Ngo, F.S.A.
Dustin Kim, F.S.A.
Mitchel Bilbe, F.S.A.
Chris Johnson, F.S.A.

Rudd and Wisdom, Inc.

Joseph Newton, FSA, FCA, EA, MAAA
Dana Woolfrey, FSA, FCA, EA, MAAA
Gabriel, Roeder, Smith & Company

Investment Advisory Committee

Gene L. Needles, Jr., Chair
Laurie L. Dotter, CPA, Vice-Chair
Robert G. Alley, CFA
Ryan Bailey, CFA, CAIA, FRM, CMT
Managing Partner and CIO -Paradigm Institutional Investment, LLC
Ruby Muñoz Dang
Partner, Director of Marketing and Client Services Garcia Hamilton & Associates, LP
James R. Hille, CFA, CAIA
Ken D. Mindell, CPA
Milton Hixson, CPA, CFP
CEO, FMP Wealth Advisors

Investment Consultants

Aksia TorreyCove Partners, LLC
Albourne America, LLC
CBRE Investment Management Infrastructure Inc.
Meketa Investment Group
NEPC, LLC

External Investment Advisors

Domestic Equity

Brandywine Global Investment Management, LLC
Baillie Gifford Investment Management, LLC

International Equity

Acadian Asset Management
Altrinsic Global Advisors, LLC
Arrowstreet Capital, LP
Axiom International Investors, LLC
Global Alpha Capital Management Limited
GQG Partners, LLC
JOHCM (USA), Inc.

Manager of Emerging Managers

Legato Capital Management, LLC

Audit Services

CliftonLarsonAllen L.L.P., Boston, Massachusetts
GBP claims, operational, compliance auditors, and DC operational, compliance auditors:

Global Custodian

BNY Mellon Asset Servicing

Group Benefits Advisory Committee

Large State Agency Representatives

Sandra White
Department of Criminal Justice
Matthew Miller
Department of Motor Vehicles

Mid-sized State Agency Representatives

Joe Freeman
Office of Court Administration
Dana Haulotte
Texas Legislative Council

Small State Agency Representative

Janice McCoy
Texas Optometry Board

Four-year Institution of Higher Education Representative

Janet Bezner
Texas State University

Two-year Institution of Higher Education Representative

Kara Sharman
Kilgore College

Retiree Representatives

James Dobbins, Garland
Gary White, Austin

Health-Related Institution Representative

Ronald Cook
Texas Tech University Health Sciences Center

Insurance or Benefit Design Consultant Representative

Jennifer Cawley
Texas Association of Life and Health Insurers

Medical Board

Ace Alsup, M.D.
William Deaton, M.D.
William P. Taylor, M.D.
William M. Loving, M.D.

Please refer to pages 120 to 122 in the Investment Section for a schedule of fees and commission.

Summary of Plan Provisions

Effective since September 1, 2009 (Except as noted below)

The Employees Retirement System of Texas (ERS) was created by the Texas Legislature in 1947 and is administered in accordance with the Texas Constitution. The System provides retirement, disability, and survivorship benefits for State employees, law enforcement and custodial officers, elected state officials and two classes of judges. The System administers the trust funds, with a fiduciary obligation to the members and retirees of the System who are its beneficiaries.

The retirement programs complement the Social Security and Medicare programs by providing a retirement annuity with service, disability and survivorship benefits. The Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), and Judicial Retirement System of Texas Plan Two (JRS II) are single employer defined benefit pension plans. The Judicial Retirement System of Texas Plan One (JRS I) is a pay-as-you-go plan for justices assuming the bench prior to September 1, 1985.

The 88th Texas Legislature passed Senate Bill 1245 to create a new cash balance benefit for JRS II. The new retirement benefit is effective September 1, 2024 and applies to all judges hired September 1, 2024 and later that do not have an established retirement account. During this same legislative session House Bill 1393 was passed that created a new payment option that allow certain members of Group 1-3, to select an increasing annuity option. Those that select this option agree to have their monthly payment reduced by an actuarially-determined factor at the time of retirement, but will receive a 2% increase annually for their and their beneficiary's lifetime. This option is available for those retiring after 9-1-2024 and are not receiving, a reduce annuity.

For a complete description of the provision of the law that describes the Retirement Plans, see Vernon's Texas Statutes and Codes Annotated (V.T.S.C.A.), Texas Government Code, Title 8. The following is a summary of the various plan provisions.

Membership:	
ERS	<p>Employee Class Only:</p> <ul style="list-style-type: none"> Employees and appointed officers of every department, commission, board, agency, or institution of the State except those who are included in the coverage of Teacher Retirement System of Texas, and JRS II. <p>Elected Class Only:</p> <ul style="list-style-type: none"> Persons who hold State offices that are normally filled by statewide election and that are not included under the plan provisions of JRS II. Members of the Legislature. District and criminal district attorneys.
LECOS	<ul style="list-style-type: none"> Law enforcement officers recognized as commissioned law enforcement officers by the Texas Commission on Law Enforcement and employed at an agency defined by statute. Custodial officers certified in accordance with the statutory requirements as having a normal job assignment that requires frequent or infrequent planned contact with inmates of that institution and employed at an agency defined by statute.
JRS II	<ul style="list-style-type: none"> Judges, justices and commissioners of the Supreme Court, the Court of Criminal Appeals, the Court of Appeals, District Courts, and certain commissions to a court who commenced service after August 31, 1985.
Service Retirement Eligibility without Reduced Benefits:	
ERS	<p>Employee Class Only:</p> <p>Hire date prior to 9-1-2009:</p> <ul style="list-style-type: none"> Age 60 with at least five years of service credit, or Rule-of-80 with at least five years of service credit, or Age 55 with at least 10 years of service credit as a certified peace officer or custodial officer. <p>Hire date on or after 9-1-2009 and prior to 9-1-2013:</p> <ul style="list-style-type: none"> Age 65 with 10 years of service credit, or Rule-of-80 with at least 10 years of service credit at age 60, or Age 60 with at least 10 years of service credit as a certified peace officer or custodial officer.

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Service Retirement Eligibility without Reduced Benefits:	
ERS (Continued)	<p>Hire date on or after 9-1-2013 and prior to 9-1-2022:</p> <ul style="list-style-type: none"> • Age 65 with 10 years of service credit, or • Rule-of-80 with at least 10 years of service credit at age 62, or • Age 62 with at least 10 years of service credit as a certified peace officer or custodial officer. <p>Hire date on or after 9-1-2022:</p> <ul style="list-style-type: none"> • Age 65 with 5 years of service credit, or • Rule-of-80 with at least 10 years of service credit, or • Age 55 with at least 10 years or service as a certified peace officer or custodial officer. <p>Elected Class Only:</p> <ul style="list-style-type: none"> • Age 60 with eight years of service credit. • Age 50 with 12 years of service credit.
LECOS	<p>Hire date prior to 9-1-2009:</p> <ul style="list-style-type: none"> • 20 years of service credit as a certified peace officer/custodial officer and the member's age is at or over 50 or the age at which the sum of age and years of service credit equals or exceeds the number 80. <p>Hire date on or after 9-1-2009 and prior to 9-1-2013:</p> <ul style="list-style-type: none"> • 20 years of service credit as a certified peace officer/custodial officer at or over age 55. <p>Hire date on or after 9-1-2013 and prior to 9-1-2022:</p> <ul style="list-style-type: none"> • 20 years of service credit as a certified peace officer/custodial officer at or over age 57. <p>Hire date on or after 9-1-2022</p> <ul style="list-style-type: none"> • 20 years of service credit as a certified peace officer/custodial officer.
JRS II	<ul style="list-style-type: none"> • Age 65 with at least 10 years of service credit and currently holding a judicial office, or • Age 65 with at least 12 years of service if not currently holding a judicial office, or • 20 years of service at any age, regardless of whether the member currently holds a judicial office, or • The sum of age and years of service credit equals or exceeds the number 70 and served at least 12 years on an appellate court, regardless of whether the member currently holds a judicial office.
Early Service Retirement Eligibility with Reduced Benefits:	
ERS	<p>Hire date on or after 9-1-2009 and prior to 9-1-2013:</p> <ul style="list-style-type: none"> • Rule-of-80, with at least 10 years of service (5% annuity reduction for each year retired under age 60, up to 25%), or • Age 55 with at least 10 years of service credit as a certified peace officer or custodial officer (5% annuity reduction for each year retired under age 60, up to 25%). <p>Hire date on or after 9-1-2013 and prior to 9-1-2022:</p> <ul style="list-style-type: none"> • Rule-of-80, with at least 10 years of service credit (5% annuity reduction for each year retired under age 62, no cap), or • Age 55 with at least 10 years of service credit as a certified peace officer or custodial officer (5% annuity reduction for each year retired under age 62, no cap).

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Early Service Retirement Eligibility with Reduced Benefits (Continued):	
LECOS	<p>Hire date prior to 9-01-2009:</p> <ul style="list-style-type: none"> 20 years of service credit as a certified peace officer/custodial officer under the age of 50 (Actuarial reduction is applied). <p>Hire date on or after 9-1-2009 and prior to 9-1-2013:</p> <ul style="list-style-type: none"> 20 years of service credit as a certified peace officer/custodial officer (5% annuity reduction for each year retired under age 55, up to 25%). <p>Hire date on or after 9-1-2013 and prior to 9-1-2022:</p> <ul style="list-style-type: none"> 20 years of service credit as a certified peace officer/custodial officer (5% annuity reduction for each year retired under age 57, no cap and an additional actuarial reduction for those that retire prior to age 50).
JRS II	<ul style="list-style-type: none"> Age 60, but less than age 65, with 10 years of service credit and currently holding judicial office, or Age 60, but less than age 65, with 12 years of service credit, if not currently holding a judicial office. Reduction percentages for early retirement from 50%: <ul style="list-style-type: none"> Age 60: 40% Age 61: 41.7% Age 62: 43.6% Age 63: 45.6% Age 64: 47.7%
Standard Service Retirement without Reduced Benefits:	
ERS	<p>Employee Class:</p> <p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> Standard monthly annuity is equal to 2.3% of average monthly compensation multiplied by the number of years of service credit. The average monthly compensation for those hired prior to 9-1-2009 is the average of the highest 36 months of compensation. The average monthly compensation for those hired on or after 9-1-2009 and prior to 9-1-2013 is the average of the highest 48 months of compensation. The average monthly compensation for those hired on or after 9-1-2013 is the average of the highest 60 months of compensation. Minimum standard annuity is \$150 per month. Maximum standard annuity is 100% of the average monthly compensation. <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> Standard monthly annuity is equal to member account balance plus 150% state match multiplied by an annuity conversion factor. <p>Elected Class:</p> <p>Hire date prior to 9-1-2019:</p> <ul style="list-style-type: none"> Standard monthly annuity is 2.3% of the current State salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted should State judicial salaries change. Maximum standard annuity is 100% of the State salary being paid to a district judge. <p>Hire date effective on or after 9-1-2019:</p> <ul style="list-style-type: none"> Standard monthly annuity is 2.3% of the current State base salary of a district judge multiplied by the number of years of service credit. Retirement benefits are automatically adjusted should State judicial salaries change. Maximum standard annuity is 100% of the State base salary being paid to a district judge.

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Standard Service Retirement without Reduced Benefits (Continued):	
ERS (Continued)	<p>Elected Class (continued):</p> <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> • Non-legislative standard monthly annuity is equal to member account balance plus 150% state match multiplied by an annuity conversion factor. • Legislative standard monthly annuity is equal to member notional account balance plus 150% state match multiplied by an annuity conversion factor. <p>District Attorneys Only:</p> <p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> • Standard monthly annuity is 2.3% of the salary being paid to a district judge based on the same number of years of contributing service. • Maximum standard annuity is 100% of the State base salary being paid to a district judge based on the same number of years of contributing service. <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> • Standard monthly annuity is equal to member account balance plus 150% state match multiplied by an annuity conversion factor.
LECOS	<p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> • Standard monthly annuity is equal to 2.8% of average monthly compensation multiplied by the number of years of service credit. • The average monthly compensation for those hired prior to 9-1-2009 is the average of the highest 36 months of compensation. • The average monthly compensation for those hired on or after 9-1-2009 and prior to 9-1-2013 is the average of the highest 48 months of compensation. • The average monthly compensation for those hired on or after 9-1-2013 is the average of the highest 60 months of compensation. • Minimum standard annuity is \$150 per month. • Maximum standard annuity is 100% of the average monthly compensation. <p>Hire date on or after 9-1-2022:</p> <ul style="list-style-type: none"> • Standard monthly annuity is equal to member account balance plus 300% state match multiplied by an annuity conversion factor.
JRS II	<ul style="list-style-type: none"> • Standard monthly annuity is equal to 50% of the salary for the last position from which the retiring member was elected or appointed. • An additional 10% is paid when a member retires within one year of leaving office or within one year of last assignment as a visiting judge. • The monthly annuity of a member who elects to make contributions after 20 years of service would be based on 50% of the State salary plus 2.3% for each subsequent year with the total, including the additional 10%, not to exceed 90%. • The monthly annuity of a member who elects to make contributions after reaching the Rule of 70 with at least 12 years on an appellate court would be based on 50% of the State salary plus 2.3% for each subsequent year with the total, including the additional 10%, not to exceed 90%.

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Optional Annuity Plans:	
ERS	<p>Employee Class and Elected Class:</p> <p>Members can choose one of the following beneficiary options at retirement and still receive a lifetime annuity that is actuarially reduced for life at time of retirement.</p> <ul style="list-style-type: none"> • Option 1: Lifetime with 100% to surviving beneficiary; • Option 2: Lifetime with 50% to surviving beneficiary; • Option 3: Lifetime with five years certain (if retiree dies before receiving 60 payments, the surviving beneficiary gets the remaining 60 payments); • Option 4: Lifetime with 10 years certain (if retiree dies before receiving 120 payments, the surviving beneficiary gets the remaining 120 payments); • Option 5: Lifetime with 75% to surviving beneficiary; • One-time partial lump sum of up to three years of standard annuity at retirement if the annuity is not age reduced (annuity is reduced for life and the reduced annuity is in addition to the calculation of the five beneficiary options listed above). • If beneficiary predeceases member, the annuity paid to the retired member who selected one of the lifetime survivor benefits is increased to the standard amount.
LECOS	<ul style="list-style-type: none"> • Same as ERS.
JRS II	<ul style="list-style-type: none"> • Same as ERS except for the one-time partial lump sum.
Vesting Requirement:	
ERS	<p>Employee Class Only:</p> <p>Hire date prior to 9-1-2009:</p> <ul style="list-style-type: none"> • Five or more years of service credit. <p>Hire date on or after 9-1-2009 and prior to 9-1-2013:</p> <ul style="list-style-type: none"> • 10 or more years of service credit. <p>Hire date on or after 9-1-2013 and prior to 9-1-2022:</p> <ul style="list-style-type: none"> • 10 or more years of service credit. <p>Hire date on or after 9-1-2022</p> <ul style="list-style-type: none"> • 5 (Five) or more years of service credit. <p>Elected Class Only:</p> <ul style="list-style-type: none"> • Eight or more years of service credit.
LECOS	<ul style="list-style-type: none"> • 20 or more years of service credit as a certified peace officer/custodial officer.
JRS II	<ul style="list-style-type: none"> • 10 or more years of service credit if currently hold a judicial office. • 12 or more years of service credit if not currently holding a judicial office.
Vested Benefits after Termination of Employment:	
ERS	<ul style="list-style-type: none"> • Member is entitled to a deferred retirement benefit based on service and compensation prior to termination. • Member must leave accumulated contributions in the System to which the member contributed. <p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> • Upon or after leaving State employment, member may apply for a refund of contributions plus accrued interest. A refund cancels membership, terminates the member's rights to benefits, and forfeits their retirement group should they return to state employment. <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> • Upon or after leaving State employment, a member may apply for a refund of contributions, accrued interest and applicable gain share. A refund cancels membership, terminates the member's rights to benefits, and forfeits their retirement group should they return to state employment.
LECOS	<ul style="list-style-type: none"> • Same as ERS.
JRS II	<ul style="list-style-type: none"> • Same as ERS.

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Disability Retirement Eligibility:	
ERS	<p>Employee Class Only:</p> <ul style="list-style-type: none"> For occupational disability, the member must have at least one month of service credit and they must make a retirement contribution in the month they become mentally or physically incapacitated to continue to perform his/her state job or any other job offering comparable pay. Other eligibility requirements also apply. For non-occupational disability, at least 10 years of Employee Class service credit, which may include up to five years of purchased military service credit or transferred Teacher Retirement System of Texas service credit, and be a contributing member at the time they become mentally or physically incapacitated to continue to perform his/her state job or any other job offering comparable pay. Other eligibility requirements also apply. <p>Elected Class Only:</p> <ul style="list-style-type: none"> For occupational disability, the member must have at least one month of service and they must make a retirement contribution in the month they become mentally or physically incapacitated to continue to perform his/her state job or any other job offering comparable pay. Other eligibility requirements also apply. For non-occupational disability, eight years of Elected Class service credit (exclusive of military service) or six years of Elected Class service plus two years of military service if purchased before January 1, 1978, and be a contributing member at the time they become mentally or physically incapacitated to continue to perform his/her state job or any other job offering comparable pay. Other eligibility requirements also apply.
LECOS	<ul style="list-style-type: none"> Same as ERS Employee Class only.
JRS II	<ul style="list-style-type: none"> At least seven years of service credit.
Disability Retirement Benefits:	
ERS	<p>Employee Class Only:</p> <ul style="list-style-type: none"> The optional annuity plans available are the same as those under a service retirement except there is no partial lump-sum option. <p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> For occupational disability, the benefits are the same as those under the standard service retirement, except the standard annuity is equal to not less than 35% of the average monthly compensation (calculated the same as a standard service retirement) regardless of the years of service credit or age. For non-occupational disability, the retirement benefits are actuarially reduced from normal retirement eligibility based on age and length of service credit. <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> For occupational disability, the payee may choose the standard retirement annuity for those hired prior to 9-1-2022 or the standard annuity option for those hired on or after 9-1-2022. For non-occupational, the benefit is calculated the same as a standard service retirement.

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Disability Retirement Benefits (Continued):	
ERS (Continued)	<p>Elected Class Only:</p> <ul style="list-style-type: none"> The optional annuity plans available are the same as those under a service retirement except there is no partial lump-sum option. <p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> For non-occupational disability, the retirement is calculated in the same manner as the standard retirement annuity and is not reduced because of age. For occupational disability, the amount of a monthly annuity is 18.4% of the State base salary of a district judge or 2.3% of the State base salary of a district judge times the years of elected service, whichever is greater. Optional annuity plans available are the same as those under a service retirement except for the partial lump-sum option. <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> For occupational disability, the payee may choose either the standard retirement annuity for those hired prior to 9-1-2022 or the standard annuity option for those hired on or after 9-1-2022. For non-occupational, the benefit is calculated the same as a standard service retirement. The optional annuity plans available are the same as those under a service retirement except there is no partial lump-sum option.
LECOS	<p>Hire date prior to 9-1-2022:</p> <ul style="list-style-type: none"> For occupational disability, the standard annuity is a minimum of 50% of the highest average monthly compensation (calculated the same as a standard service retirement) regardless of the years of service credit or age. The standard annuity is increased to 100% of the average monthly compensation (calculated the same as a standard service retirement) if the retired member can prove that their occupational disability makes them incapable of substantial gainful activity solely because of the occupational disability and they are considered totally disabled under federal social security law due to the same condition that qualified them for occupational benefits. For non-occupational disability, the retirement benefits are actuarially reduced from normal retirement eligibility based on age and length of service. The optional annuity plans available are the same as those under a service retirement except for the partial lump-sum option. <p>Hire date effective on or after 9-1-2022:</p> <ul style="list-style-type: none"> For occupational disability, the payee gets to choose the standard retirement annuity for those hired prior to 9-1-2022 or the standard annuity option for those hired on or after 9-1-2022. For non-occupational, the benefit is calculated the same as a standard service retirement.
JRS II	<ul style="list-style-type: none"> Same as standard JRS II service retirement benefits.

Summary of Plan Provisions (Continued)

Effective since September 1, 2009 (Except as noted below)

Death Benefits:	
ERS	<p>Non-Retiree Employee Class:</p> <ul style="list-style-type: none"> If an active state employee dies and the death is determined to be an occupational death, the surviving spouse or minor children may be eligible for a one-time death benefit equal to one year of the member's salary. If there is not a surviving spouse or minor children, this occupational death benefit is not payable to anyone else. <p>A contributing member with less than 10 years of service credit:</p> <ul style="list-style-type: none"> For a contributing member that had less than 10 years of service credit, the designated beneficiary(ies) or estate of the active account will receive a one-time refund of the member's retirement account balance at the time of the member's death and may be eligible for an Additional Death Benefit (ADB). This is an additional 5% of the member's retirement account balance for each full year of state service. The maximum is 100% of the member's retirement account balance. <p>A contributing member with at least 10 years of service credit:</p> <ul style="list-style-type: none"> May select a death benefit plan: a lifetime monthly payment, a 10-year guaranteed monthly payment or a one-time refund of the retirement account balance at the time of the death. If the member was age 60 with five or more years of service credit and less than 10 years, and the beneficiary is either the spouse or a minor child, they may be eligible for a death benefit plan. If a one-time refund of the member's retirement account balance is selected, the beneficiary(ies) or estate may be eligible for an Additional Death Benefit (ADB). This is an additional 5% of the member's retirement account balance for each full year of state service. The maximum is 100% of the member's retirement account balance. If a lifetime monthly payment or a 10-year guaranteed monthly payment is selected, the beneficiary(ies) or estate are eligible for a one-time partial lump sum of up to three years of standard annuity. Only one beneficiary can be eligible for a lifetime monthly payment. An individual beneficiary, multiple beneficiaries or estate can be eligible for a 10-year guaranteed monthly payment. <p>Retiree Employee Class:</p> <ul style="list-style-type: none"> If a member selected an optional service retirement and dies, the beneficiary will receive a monthly payment based on the option chosen. If a retired member selected a standard annuity and dies after retiring from the state, the designated beneficiary(ies) or estate will receive a one-time refund of the member's retirement account balance if there is any money left in the account. If the member was retired, the designated beneficiary(ies) or estate is eligible for a one-time Retiree Lump Sum Death Benefit in the amount of \$5,000. If retired under the Proportionate Retirement Program with less than five years of service credit, this payment will be reduced proportionately. <p>Elected Class Only:</p> <ul style="list-style-type: none"> For members with less than 8 years of service credit at the time of death, the designated beneficiary(ies) or estate will receive a one-time refund of the member's retirement account balance. If contributing, the beneficiary(ies) or estate may be eligible for an Additional Death Benefit (ADB). This is an additional 5% of the member's retirement account balance for each full year of state service. The maximum is 100% of the member's retirement account balance.

Summary of Plan Provisions (Concluded)

Effective since September 1, 2009 (Except as noted below)

Death Benefits (Continued):	
ERS (Continued)	<ul style="list-style-type: none"> • For a contributing member with at least 8 years of service credit and is age 60 or above, at the time of death, the surviving spouse if designated as the beneficiary may be eligible for a lifetime monthly payment, a 10-year guaranteed monthly payment, or a one-time refund of the member's retirement account balance. If there is no surviving spouse, and the surviving minor child(ren) is designated as the beneficiary(ies) or estate they may be eligible for a lifetime monthly payment, a 10-year guaranteed monthly payment, or a one-time refund of the member's retirement account balance. If the surviving spouse/minor child selects the one-time refund, they are eligible for the ADB. This option is not available if they select a monthly payment. If there is no surviving spouse/minor child, the beneficiary (ies) or estate may be eligible for a refund of the member's retirement account balance plus the ADB. For a contributing or non-contributing member with at least 8 years of state service but less than 10 years of state service, the surviving spouse is eligible to receive a monthly payment that is one-half of the monthly standard annuity the member would have received at age 60. This annuity cannot be paid if there is no surviving spouse. The beneficiary (ies) or estate would then be eligible for a refund of the member's retirement account balance plus the ADB if the member was contributing. • If a member selected an optional service retirement and dies, the beneficiary (ies) or estate will receive a monthly payment based on the option chosen. • If a retired member selected a standard annuity and dies after retiring from the state, the designated beneficiary (ies) or estate will receive a one-time refund of the member's, retirement account balance if there is any money left in the account. • If a member is retired, the designated beneficiary(ies) or estate is eligible for a one-time Retiree Lump Sum Death Benefit in the amount of \$5,000. If retired under the Proportionate Retirement Program with less than eight years of service credit, this payment will be reduced proportionately.
LECOS	<ul style="list-style-type: none"> • Same as ERS except beneficiary(ies) of deceased members with at least 20 years of certified peace officer/custodial officer service, under age of 50 at the time of death, are not eligible for a one-time partial lump sum of up to three years of the monthly payment.
JRS II	<ul style="list-style-type: none"> • Same as ERS except not eligible for a one-time partial lump sum of up to three years of the monthly payment and the Lump Sum Death Benefit in the amount of \$5,000 is reduced proportionately if retired under the Proportionate Retirement Program with less than 10 years of service credit.



FINANCIAL SECTION



Independent Auditors' Report
Management's Discussion and Analysis
Basic Financial Statements
Required Supplementary Information
Other Supplementary Information





INDEPENDENT AUDITORS' REPORT

Board of Trustees
Employees Retirement System of Texas
Austin, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Employees Retirement System of Texas (ERS), a blended component unit of the State of Texas, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the ERS' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ERS as of August 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ERS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ERS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion & analysis, budgetary comparison schedules, schedules of changes in net pension liability and related ratios – defined benefit plans, employer contributions – defined benefit plans, changes in net OPEB liability and related ratios, contributions from employers and non-employer contributing entities – other postemployment benefits plan, and investment returns – annual money-weighted rate of return, net of investment expense, and the related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the ERS' basic financial statements. The supporting schedules and other supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supporting schedules and other supplementary schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial, and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Trustees
Employees Retirement System of Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2024, on our consideration of the ERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the ERS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ERS' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 12, 2024

Management's Discussion and Analysis

Year Ended August 31, 2024

We are pleased to provide this overview of the financial activities of the Employees Retirement System of Texas (the System) for the year ended August 31, 2024. Please read it in conjunction with the Basic Financial Statements, which begin after this discussion.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The Financial Section includes the following exhibits in the Basic Financial Statements Section.

- Exhibits I and II are the government-wide statements of governmental net position and activities. These exhibits exclude the Fiduciary Fund activities and balances.
- Exhibits III and IV include the Governmental Funds financial statements.
- Exhibits V and VI are the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position for the Employees Life, Accident and Health Insurance and Benefits Fund (Group Benefits Program). Highlights are presented under the heading Financial Analysis on Government-wide Statements below.
- Exhibit VII is a required Statement of Cash Flows for the Proprietary Fund under which the Employees Life, Accident and Health Insurance and Benefits Fund (Group Benefits Program) is reported. This statement reports the transactions for the year on a cash basis. It is similar to Exhibit VI, the Statement of Revenues, Expenses, and Changes in Net Position, except that the focus of this statement is on the change to cash balances with accrued income and expense items eliminated.
- Exhibits VIII and IX, the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position, report activities of the defined benefit plans, including the retiree insurance plan. These exhibits also report the cafeteria plan, health savings account plan, and other deferred compensation plans.

Financial Analysis on Government-wide Statements

The government-wide activities of the System are comprised of seven programs:

- Social Security Administration,
- Death Benefits for Public Safety Officers and Victims of Crime
- Death Benefits for Retirees,
- Direct Deposit Correction Account,
- Judicial Retirement System Plan One,
- Unappropriated Receipts General Revenue, and
- Employees Life, Accident and Health Insurance and Benefits

The governmental funds reported in Exhibits III and IV had slight changes from the prior year. Decreased cash and due-to other funds led to a decrease in both assets and liabilities. The changes in the programs are summarized in thousands as follows:

	2024	2023	Changes
	\$	\$	%
Assets	242.38	348.01	(30.35)
Liabilities	164.67	299.71	(45.06)
Net Position	77.71	48.30	60.89
Legislative Appropriations and Other Revenues	53,516.27	52,012.86	2.89
Benefit Payments and Admin Expenditures	53,486.86	51,968.51	2.92

Management's Discussion and Analysis (Continued)

Year Ended August 31, 2024

The Employees Life, Accident and Health Insurance and Benefits Fund is an internal service fund which holds the majority of balances within governmental activities. Additional details about this fund can be found in Exhibit V and VI. The increase in Net Position is attributed to increased investment returns. The changes in the program are summarized in millions as follows:

	2024	2023	Changes
	\$	\$	%
Current Assets	2,540.64	2,166.45	17.27
Current Liabilities	724.63	726.47	(0.25)
Net Position	3,572.80	3,431.57	4.12
Member and Employer Contributions	2,804.65	2,715.88	3.27
Benefit Payments	2,900.70	2,491.38	16.43

Financial Highlights – Fiduciary Funds

Net position of the Fiduciary Funds administered by the System totaled \$40.40 billion as of August 31, 2024, compared with \$35.89 billion as of August 31, 2023. The investment portfolio returned 12.51% for the year using net time weighted rate of return. The majority of the increase resulted primarily from investment performance and the one-time funding from the legislature. The time weighted rate of return for three and five years were 5.72% and 9.63%, respectively.

The one year money-weighted rates of return for the Fiduciary Funds are summarized as follows:

Fund Name	Rate (%)
	%
Employees Retirement System Fund	12.53
Law Enforcement and Custodial Officer Supplemental Retirement Fund	12.90
Judicial Retirement System of Texas Plan Two Fund	12.75
Overall	12.55

The System's management has confidence in the financial markets and maintains a long term approach to investing the System's assets. The System's investments are highly diversified and are designed to withstand market fluctuations. See the *Investment Section* for additional information.

Actual Asset Allocation

Asset Class	August 2024	Strategic Target
Public Equity	35.5%	35%
Private Equity	17.4%	16%
Public Credit	7.3%	9%
Private Credit	3.7%	3%
Public Real Estate	1.9%	3%
Private Real Estate	9.6%	9%
Infrastructure	6.1%	5%
Rates	9.0%	12%
Hedge Funds	5.1%	6%
Special Situations	0.3%	—%
Cash	4.0%	2%
Total	100%	100%

Management's Discussion and Analysis (Continued)

Year Ended August 31, 2024

Changes in contributions and benefit payments in the Defined Benefit Plans are summarized in millions as follows:

	2024	2023	Changes
	\$	\$	%
Contributions:			
Retirement & Other	3,308.82	3,134.13	5.57
Insurance	991.35	966.80	2.54
Total (Exh. IX)	4,300.17	4,100.93	4.86
Benefit Payments:			
Retirement & Other	3,264.37	3,171.37	2.93
Insurance	1,026.64	957.94	7.17
Total (Exh. IX)	4,291.01	4,129.31	3.92

Retirement contributions increased primarily due to one-time funding to eliminate the unfunded actuarial liabilities and an increase in state contributions to cover the normal cost in LECOS and JRS II. An increase in member contributions in the ERS is a result of additional contributing members. Insurance contributions growth is due to an increase in federal revenues. Benefit payments increased due to growth in the number of retirees and beneficiaries and rising healthcare costs.

See Exhibits VIII and IX for more information regarding each of the defined benefit plans and information on the deferred compensation and cafeteria plans.

Fiduciary Net Position

The amount of changes in fiduciary net position (in millions) were as follows:

	2024	2023	Changes
	\$	\$	%
Changes in Fiduciary Net Position (Exh. IX)	4,514.40	2,088.63	116.14
Total Net Position	40,401.81	35,887.41	12.58

The increase in changes in Fiduciary Net Position is due to high investment returns and one-time funding for LECOS and JRS II. The net time weighted rate of return was 12.51%, which was higher than the previous year return of 6.75%. The one-time funding, increased state contributions and the on-going Legacy payments have improved the cash flow for all three pre-funded defined benefit plans.

Management's Discussion and Analysis (Continued)

Year Ended August 31, 2024

Assets

Investments, both short-term and long-term, are the primary asset of the System's pension and other employee benefit trust funds as shown in the following table. Capital Assets increased due to building improvements and new computer software implementation in progress. For more information on Capital Assets please refer to Notes to the Basic Financial Statements 1.G. Assets, Liabilities, Fund Balances and Net Position. Asset information has been extracted from Exhibit VIII. Changes in assets are summarized in millions as follows:

	2024	2023	Changes
	\$	\$	%
Cash and Cash Equivalents	124.44	140.57	(11.47)
Securities Lending Collateral	390.64	405.75	(3.72)
Investments	39,958.76	35,271.40	13.29
Receivables	540.66	561.71	(3.75)
Due From Other Funds/Agencies	47.92	90.79	(47.22)
Prepaid Claims Expense	0.39	0.09	333.33
Capital Assets	98.13	82.88	18.40
Total Assets (Exh. VIII)	41,160.94	36,553.19	12.61

Liabilities

The condensed liabilities have been extracted from Exhibit VIII, Statement of Fiduciary Net Position. The increase in Accounts Payable is primarily due to an increase in Unsettled Investment Purchases. The decrease in Other Liabilities is due to decrease in lease and Subscription-Based Information Technology Arrangements (SBITA) liabilities. Changes in liabilities are summarized in millions as follows:

	2024	2023	Changes
	\$	\$	%
Accounts Payable	316.37	207.83	52.23
Due To Other Funds/Agencies	36.39	32.65	11.45
Compensable Leave	5.69	5.31	7.16
Securities Lending Obligations	388.95	404.71	(3.89)
Other Liabilities	11.74	15.28	(23.17)
Total Liabilities (Exh. VIII)	759.14	665.78	14.02

Management's Discussion and Analysis (Continued)

Year Ended August 31, 2024

Additions

Retirement benefits are financed through the collection of member and State retirement contributions, investment income, legislative appropriations, and contributions transferred from the Teachers Retirement System. Additions in Fiduciary Net Position have been extracted from Exhibit IX, Statement of Changes in Fiduciary Net Position. The additions in millions were as follows:

	2024	2023	Changes
	\$	\$	%
Member Contributions	888.63	834.35	6.51
Employer Contributions	1,764.64	1,651.63	6.84
Legacy Payments & One-time Contributions	1,390.00	1,393.97	(0.28)
Non-Employer Contributing Entity Contributions	43.07	42.25	1.94
Other Contributions	276.53	246.90	12.00
Net Investment Income (Loss)	4,557.97	2,169.92	110.05
Other Additions	8.34	2.62	218.32
Total Additions (Exh. IX)	8,929.18	6,341.64	40.80

Other Contributions increased due to an increase in TRS contribution transfers and federal revenues. Net Investment Income increased due to investment returns. Other Additions increased due to increases in performance guarantees and rental income.

For Fiscal Year 2024, member and State retirement contribution rates for the Employees Retirement Fund were 9.50% and 10.00% respectively for members hired prior to 9/1/2022, and 6.00% and 10.00% respectively for members hired on or after 9/1/2022. For the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS), member and State retirement contribution rates were 0.50% and 1.75% respectively for members hired prior to 9/1/2022, and 2.00% and 1.75% respectively for members hired on or after 9/1/2022. For the Judicial Retirement Plan II Fund, member and State retirement contribution rates were 9.50% and 19.25% respectively. More details on contributions rates are provided in the Statistical Section.

Net investment income is comprised of interest income, dividend income, securities lending income and related fees, and net appreciation or depreciation in fair value of investments, and is net of investment expenses.

Deductions

Benefit payments are the primary expense of a retirement system. Total deductions are comprised of benefit payments, refunds of contributions to members or beneficiaries for reasons of separation from service or death, other death benefit payments, contributions transferred to the Teacher Retirement System, and the cost of administering the System.

Deductions in Net Position have been extracted from Exhibit IX, Statement of Changes in Fiduciary Net Position. The increase in Administrative Expenses is due to an increase in benefit system technology implementation costs. Changes in deductions are summarized in millions as follows:

	2024	2023	Changes
	\$	\$	%
Retirement Benefits and Refunds	4,354.42	4,196.78	3.76
Administrative Expenses	59.80	54.81	9.10
Other Deductions	.56	1.42	(60.56)
Total Deductions (Exh. IX)	4,414.78	4,253.01	3.80

Management's Discussion and Analysis (Continued)

Year Ended August 31, 2024

Funding Status and Progress

For funding purposes, the latest annual actuarial valuation of the System's pension and OPEB plans, as of August 31, 2024, (compared to the August 31, 2023 actuarial valuation) is summarized as follows:

Employees Retirement System Fund

	August 31, 2024	August 31, 2023
Unfunded Actuarial Accrued Liability	\$13,929,655,371	\$14,015,751,489
Recommended Legacy Contribution	\$510,000,000	\$510,000,000
Funded Ratio	72.0%	70.8%
Contribution rate as a percentage of payroll	18.8%	19.1%
Normal cost as a percentage of payroll	13.2%	13.5%

The 87th Texas Legislature passed Senate Bill 321, providing a legacy payment annually to the Employees Retirement System to pay off the current unfunded liability no later than 2054. The legacy payment began September 1, 2021 for Fiscal Year 2022. Additionally, Senate Bill 321 established a cash balance benefit in the defined benefit plan for state employees hired on or after September 1, 2022. The 88th Texas Legislature passed SB 30 providing additional one-time funding of \$900 million toward the accrued actuarial liability and continued the Legacy payment at the recommended amount of \$510 million annually for fiscal years 2024 and 2025. ERS has requested continuation of the base amount of \$510 million per year for the Legacy payments in its 2026-27 legislative appropriation request.

As a result of the state's commitment to make constant adequate contributions and investment performance for Fiscal Year 2024, the latest annual actuarial valuation projects the Employees Retirement System fund to be actuarially sound in 30 years.

Law Enforcement and Custodial Officer Supplemental Retirement Fund

	August 31, 2024	August 31, 2023
Unfunded Actuarial Accrued Liability	(\$27,835,869)	(\$111,127)
Funded Ratio	101.5%	100.0%
Contribution rate as a percentage of payroll	2.6%	2.4%
Normal cost as a percentage of payroll	2.2%	2.1%

In addition to the payroll contribution, the State contributes court fees to the LECOS fund. The total of the contribution rate and court fees estimated at \$12 million is sufficient to cover the normal cost of the plan. The 88th Texas Legislature appropriated a \$772 million lump sum to pay off the unfunded liability and increased the state contribution for Fiscal Year 2024 to 1.75% to cover the ongoing cost of the benefits.

Judicial Retirement System of Texas Plan Two Fund

	August 31, 2024	August 31, 2023
Unfunded Actuarial Accrued Liability	\$5,335,774	(\$7,767,971)
Funded Ratio	99.3%	101.2%
Contribution rate as a percentage of payroll	28.6%	28.6%
Normal cost as a percentage of payroll	30.1%	28.2%

The 88th Texas Legislature appropriated a \$99 million lump sum to pay off the unfunded liability and increased the state contribution for Fiscal Year 2024 to 19.25% to cover the ongoing cost of the benefits. Additionally, Senate Bill 1241 (88th Texas Legislature) established a cash balance benefit in the defined benefit plan for judges taking office on or after September 1, 2024.

Management's Discussion and Analysis (Concluded)

Year Ended August 31, 2024

State Retiree Health Plan

	August 31, 2024	August 31, 2023
Unfunded Actuarial Accrued Liability	\$29,305,589,792	\$26,717,529,567
Funded Ratio	0.5%	0.6%
Contribution rate as a percentage of Actuarially Determined Contribution	38.2%	42.0%

The State Retiree Health Plan is currently funded on a pay-as-you-go basis. The decrease in the unfunded actuarially accrued liability is primarily due to the increase in the discount rate.

The net plan position and the net changes in fiscal year 2024 are summarized as follows:

Assets:	\$
Cash and Short Term Investments	131,783,601
Receivables	184,777,463
Other Assets	6,197,637
Total Assets	322,758,701
Liabilities	\$
Payables	171,785,589
Other Liabilities	11,445,913
Total Liabilities	183,231,502
Net Position	139,527,199
Additions:	\$
Employer Contributions	800,581,831
Non-Employer Contributing Entity Contributions	43,071,186
Federal revenues	147,699,278
Investment Income	8,507,057
Other Revenues	4,407,206
Total Additions	1,004,266,558
Deductions:	\$
Health Care Claims	1,213,931,939
Less Payments from Members	(187,288,403)
Total Benefit Payments	1,026,643,536
Administrative Expenses	8,075,828
Total Deductions	1,034,719,364
Net changes	(30,452,806)

Contacting the System's Financial Management

This financial report is designed to provide a general overview of the System's finances. If you have questions about this report or need additional financial information, please contact Machele Pharr, Chief Financial Officer at Machele.Pharr@ers.texas.gov.

Exhibit I

Statement of Net Position

As of August 31, 2024

	Governmental Activities
Assets	\$
Current Assets:	
Cash and Cash Equivalents:	
Cash in State Treasury	134,354,811
Total Cash and Cash Equivalents	134,354,811
Short-Term Investments	2,062,194,395
Legislative Appropriations	141,312
Receivables	320,748,444
Due from Fiduciary Funds	23,446,544
Total Current Assets	2,540,885,506
Non-Current Assets:	
Investments	1,752,274,260
Capital Assets	5,373,848
Total Non-Current Assets	1,757,648,108
Total Assets	4,298,533,614
Liabilities	
Current Liabilities:	
Payables	697,651,974
Due to Fiduciary Funds	27,147,518
Total Current Liabilities	724,799,492
Non-Current Liabilities:	
Lease and SBITA Liabilities (Note 2.D)	847,701
Other Liabilities	6,673
Total Non-Current Liabilities	854,374
Total Liabilities	725,653,866
Net Position	
Restricted for:	
Employees Life, Accident and Health Insurance and Benefits	3,572,802,036
Social Security Administration	77,712
Total Net Position (Exh. II & III)	\$3,572,879,748

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit II

Statement of Activities

Year Ended August 31, 2024

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Functions/Programs	\$	\$	\$	\$
Governmental Activities				
Judicial Retirement System Plan One	15,858,069	15,858,069	—	—
Social Security Administration	164,328	238,829	—	74,501
Death Benefits-Peace Officers, Firemen, etc. and Victims of Crime	25,568,763	25,567,463	1,300	—
Death Benefits-Retiree \$5,000 Lump Sum	11,895,703	11,850,613	—	(45,090)
Employees Life, Accident And Health Insurance and Benefits	2,917,424,194	2,808,855,255	249,805,516	141,236,577
Total Governmental Activities	\$2,970,911,057	\$2,862,370,229	\$249,806,816	\$141,265,988
			General Revenues:	—
			Total General Revenues	—
			Change in Net Position (Exh. IV)	141,265,988
			Net Position - Beginning	3,431,613,760
			Net Position - Ending (Exh. I)	\$3,572,879,748

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit III

Balance Sheet – Governmental Funds

As of August 31, 2024

	General Funds Totals (Note 1.E)	Social Security Administration (Fund 0929)	Death Benefits - Peace Officers, Firemen, etc and Victims of Crime (Fund 1054)	Death Benefits - Retiree \$5,000 Lump Sum (Fund 3008)	Total Governmental Funds
Assets	\$	\$	\$	\$	\$
Current Assets:					
Cash and Cash Equivalents:					
Cash in State Treasury	4,231	38,382	—	—	42,613
Total Cash and Cash Equivalents	4,231	38,382	—	—	42,613
Legislative Appropriations	138,812	—	2,500	—	141,312
Accounts Receivable	1,330	16,094	—	—	17,424
Due From Other Funds (Note 5.A)	—	41,031	—	—	41,031
Total Current Assets	144,373	95,507	2,500	—	242,380
Total Assets	144,373	95,507	2,500	—	242,380
Liabilities & Fund Balances					
Current Liabilities:					
Payables:					
Voucher/Accounts Payable	140,142	—	2,500	—	142,642
Due To Other Funds (Note 5.A)	4,231	17,795	—	—	22,026
Total Current Liabilities	144,373	17,795	2,500	—	164,668
Total Liabilities	144,373	17,795	2,500	—	164,668
Fund Balances:					
Restricted	—	77,712	—	—	77,712
Total Fund Balances (Exh. IV)	—	77,712	—	—	77,712
Total Liabilities & Fund Balances	\$144,373	\$95,507	\$2,500	\$—	\$242,380
Total Fund Balances - Governmental Funds (above):					\$77,712
Amounts reported for 'Governmental Activities' in the Statement of Net Position (Exhibit I) are different because: An Internal Service Fund is used by the System to account for the assets and liabilities associated with the Group Benefits Program for State employees and employees of certain institutions of higher education. The Net Position of the Internal Service Fund (Exhibit V) are included with 'Governmental Activities' in the Statement of Net Position.					3,572,802,036
Net Position of Governmental Activities (Exh. I)					\$3,572,879,748

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit IV

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended August 31, 2024

	General Funds Totals (Note 1.E)	Social Security Administration (Fund 0929)	Death Benefits - Peace Officers, Firemen, etc and Victims of Crime (Fund 1054)	Death Benefits - Retiree \$5,000 Lump Sum (Fund 3008)	Total Governmental Funds
Revenues	\$	\$	\$	\$	\$
Legislative Appropriations out of the State's General Revenue Fund:					
Appropriation Revenue:					
For Judicial Retirement System Plan One	15,858,069	—	—	—	15,858,069
For Death Benefits Peace Officers, etc. and Victims of Crime	—	—	25,567,463	—	25,567,463
For Death Benefits-Retirees	—	—	—	11,850,613	11,850,613
Total Appropriation Revenue	15,858,069	—	25,567,463	11,850,613	53,276,145
Administration Fees for Social Security Administration	—	238,829	—	—	238,829
License Plate Donations	—	—	1,300	—	1,300
Total Revenues	15,858,069	238,829	25,568,763	11,850,613	53,516,274
Expenditures					
Current:					
Death Benefits	—	—	25,568,763	11,895,703	37,464,466
Retirement Benefits	15,858,069	—	—	—	15,858,069
Administrative Expenditures:					
Salaries & Wages	—	114,775	—	—	114,775
Payroll Related Costs	—	34,935	—	—	34,935
Professional Fees & Services	—	2,396	—	—	2,396
Travel	—	—	—	—	—
Materials & Supplies	—	2,738	—	—	2,738
Communications & Utilities	—	1,892	—	—	1,892
Repairs & Maintenance	—	2,602	—	—	2,602
Rentals & Leases	—	1,738	—	—	1,738
Printing & Reproduction	—	236	—	—	236
Other Expenditures	—	3,016	—	—	3,016
Total Administrative Expenditures	—	164,328	—	—	164,328
Total Expenditures	15,858,069	164,328	25,568,763	11,895,703	53,486,863
Net Change in Fund Balance	—	74,501	—	(45,090)	29,411
Fund Balances - Beginning	—	3,211	—	45,090	48,301
Fund Balances - Ending (Exh. III)	\$—	\$77,712	\$—	\$—	\$77,712
Net Change in Fund Balances - Governmental Funds:					\$29,411
Amounts reported for 'Governmental Activities' in the Statement of Activities (Exhibit II) are different because: An Internal Service Fund is used by the System to account for the revenues and expenses associated with the Group Benefits Program for State employees and employees of certain institutions of higher education. The net revenue (expense) of the Internal Service Fund (Exhibit VI) is included in 'Governmental Activities' in the Statement of Activities.					141,236,577
Change in Net Position of Governmental Activities (Exh. II)					\$141,265,988

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit V

Statement of Net Position – Proprietary Fund

As of August 31, 2024

	Internal Service Fund
	Employees Life, Accident and Health Insurance and Benefits Fund (0973), (U/F 0973 and 4973)
Assets	\$
Current Assets:	
Cash and Cash Equivalents:	
Cash in State Treasury	134,312,198
Total Cash and Cash Equivalents	134,312,198
Short-Term Investments	2,062,194,395
Receivables:	
Interest Receivable	10,215,644
Accounts Receivable	310,515,376
Total Receivables	320,731,020
Due From Other Funds (Note 5.A)	23,405,513
Total Current Assets	2,540,643,126
Non-Current Assets:	
Investments: (Note 2.A)	
Fixed Income	1,752,274,260
Total Investments	1,752,274,260
Capital Assets:	
Non-Depreciable:	
Construction in Progress	2,053,174
Depreciable, Net of Accumulated:	
Depreciation/Amortization of \$468,457	
Right-to-use lease and SBITA assets	819,323
Depreciation/Amortization of \$9,719	
Building	2,449,978
Furniture and Equipment	51,373
Total Capital Assets	5,373,848
Total Non-Current Assets	1,757,648,108
Total Assets	4,298,291,234
Liabilities	
Current Liabilities:	
Payables:	
Claims Payable:	
Incurred, Self-Funded	40,937,429
Incurred But Not Reported, Self-Funded	642,890,555
Total Claims Payable	683,827,984
Premiums Payable	266,298
Administrative and Other Fees Payable	7,629,159
Accounts Payable	5,785,891
Total Payables	697,509,332
Due To Other Funds (Note 5.A):	
Other Interfunds Payable	27,125,492
Total Due To Other Funds	27,125,492
Total Current Liabilities	724,634,824
Non-Current Liabilities:	
Lease and SBITA Liabilities (Note 2.D)	847,701
Other Liabilities	6,673
Total Non-Current Liabilities	854,374
Total Liabilities	725,489,198
Net Position	
Restricted For:	
Employee Life, Accident and Health Insurance and Benefits	3,572,802,036
Total Net Position (Exh. VI)	\$3,572,802,036

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit

Exhibit VI

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

Year Ended August 31, 2024

	Internal Service Fund
	Employees Life, Accident and Health Insurance and Benefits Fund (0973), (U/F 0973 and 4973)
Operating Revenues	\$
Contributions to Insurance Program:	
From Employers	2,200,356,943
From Members:	
For Employees	598,299,697
For COBRA	5,997,024
Total Contributions from Members	604,296,721
Total Contributions to Insurance Program	2,804,653,664
Other Operating Revenues:	
COBRA 2% Administration Fee	119,940
Warrants Voided by Statute of Limitations	24,948
Penalty Assessed to Insurance Carrier	4,056,701
Total Other Operating Revenues	4,201,590
Total Operating Revenues	2,808,855,254
Operating Expenses	
Employee Benefit Payments:	
For Employees ¹	2,872,750,267
For COBRA	25,251,730
For Health Savings Accounts	2,583,422
For SmartShoppERS Reward	110,715
Total Employee Benefit Payments	2,900,696,134
Administrative Expenses:	
Salaries & Wages	5,443,376
Payroll Related Costs	1,749,368
Professional Fees & Services	1,698,582
Travel	15,655
Materials & Supplies	540,132
Communications & Utilities	419,298
Repairs & Maintenance	479,359
Rentals & Leases	140,523
Printing & Reproduction	19,871
Depreciation	9,719
Amortization	337,708
Interest Expense	32,455
Other Operating Expenses	1,523,228
Total Administrative Expenses	12,409,274
Total Operating Expenses	2,913,105,408
Operating Loss	(104,250,154)
Non-Operating Revenues (Expenses)	
Net Increase in Fair Value of Investments	71,895,210
Less: Investment Expense	(4,319,480)
Net Income, Investing Activities	67,575,730
Interest Revenue	177,607,101
Securities Lending Activities:	
Loan Premium on Securities Lending	2,213,117
Broker Rebates	(1,871,273)
Agent Fees	(37,944)
Net Securities Lending Activity	303,900
Total Non-Operating Revenues (Expenses)	245,486,731
Change in Net Position	141,236,577
Net Position - Beginning	3,431,565,459
Net Position - Ending (Exh. V)	\$3,572,802,036

¹ The benefit payments are reported net of \$346,779,044 pharmacy rebates.

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.



Exhibit VII

Statement of Cash Flows – Proprietary Fund

Year Ended August 31, 2024

	Internal Service Fund	
	Employees Life, Accident and Health Insurance and Benefits Fund (0973), (U/F 0973)	
Cash Flows from Operating Activities:	\$	
Cash Received from Members		604,402,366
Cash Received from Employers and Non-employer Contributing Entities		2,223,601,728
Cash Received from Pharmacy Rebates		314,804,811
Cash Payments to Insurance Carriers and Third Party Administrators		(3,170,429,319)
Cash Payments for Goods and Services		(37,402,494)
Net Cash Used by Operating Activities		(65,022,908)
Cash Flows from Investing Activities:		
Net Receipts/(Purchases) of Short-Term Investment Fund		14,462,932
Interest on Deposit in State Treasury		7,750,873
Net Cash Provided by Investing Activities		22,213,805
Net Decrease in Cash and Cash Equivalents		(42,809,103)
Cash and Cash Equivalents:		
Beginning of Year		177,121,301
End of Year		134,312,198
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:		
Operating Loss		(104,250,154)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		347,427
Change in Assets and Liabilities:		
Decrease in Accounts Receivable		45,833,915
Increase in Due From Other Funds		(5,355,524)
Increase in Accounts Payable		50,880,457
Decrease in Due To Other Funds		(10,594,304)
Decrease in Obligations Under Securities Lending		(41,689,670)
Decrease in Funds Held for Others		(195,055)
Total Adjustments		39,227,246
Net Cash Used by Operating Activities		(\$65,022,908)
Non-Cash Investing Activities:		
Net Income, Investing Activities		\$67,575,730

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit VIII

Statement of Fiduciary Net Position

As of August 31, 2024

	Employees Retirement Fund (0935) and (0955)	Law Enforcement and Custodial Officer Supplemental Fund (0977)	Judicial Retirement System Plan II (0993)	Excess Benefit Arrangement (5039)	State Retiree Health Plan (3973)	Total Defined Benefit Plans
Assets	\$	\$	\$	\$	\$	\$
Cash and Short-Term Investments:						
Cash and Cash Equivalents:						
Cash in Bank	1,548,675	—	—	—	—	1,548,675
Cash in State Treasury	45,967,265	2,673,186	1,676,430	—	63,754,529	114,071,410
Total Cash and Cash Equivalents	47,515,940	2,673,186	1,676,430	—	63,754,529	115,620,085
Securities Lending Collateral	363,963,945	19,328,633	7,350,592	—	—	390,643,170
Short-Term Investments	1,636,370,606	86,891,071	33,043,786	—	68,029,072	1,824,334,535
Total Cash and Short-Term Investments	2,047,850,491	108,892,890	42,070,808	—	131,783,601	2,330,597,790
Investments: (Note 1.G)						
Public Equities	13,224,017,681	703,095,165	267,184,904	—	—	14,194,297,750
Fixed Income	5,887,541,596	313,029,076	118,954,941	—	—	6,319,525,613
Alternative Investments	16,260,240,289	864,525,185	328,530,318	—	—	17,453,295,792
Other Investments	126,195,257	6,709,555	2,549,714	—	—	135,454,526
Total Investments	35,497,994,823	1,887,358,981	717,219,877	—	—	38,102,573,681
Receivables:						
Federal Receivable	—	—	—	—	155,911,195	155,911,195
Interest and Dividends Receivable	123,519,829	6,587,804	2,497,567	—	785,632	133,390,832
Contributions/Accounts Receivable	130,533,196	4,150,622	2,174,775	—	28,080,636	164,939,229
Unsettled Sales-Investment Receivables	76,522,262	4,068,539	1,546,095	—	—	82,136,896
Total Receivables	330,575,287	14,806,965	6,218,437	—	184,777,463	536,378,152
Due From Other Funds (Note 5.A)	31,326,651	1,686,843	696,797	—	3,242,815	36,953,106
Due From Other Agencies (Note 1.G)	10,707,836	—	—	—	—	10,707,836
Prepaid Claims Expense	389,638	—	—	—	—	389,638
Capital Assets:						
Non-Depreciable:						
Land	874,889	—	—	—	—	874,889
Construction in Progress	10,660,662	747,456	13,048	—	1,245,139	12,666,305
Depreciable, Net of Accumulated						
Depreciation/Amortization of \$16,359,721						
Right-to-use lease and SBITA assets	7,735,143	413,829	137,370	—	417,226	8,703,568
Depreciable, Net of Accumulated						
Depreciation/Amortization of \$32,030,388						
Building	73,167,814	739,342	130,472	—	1,265,786	75,303,414
Furniture and Equipment	529,754	15,503	2,759	—	26,671	574,687
Vehicles	3,309	—	—	—	—	3,309
Total Capital Assets	92,971,571	1,916,130	283,649	—	2,954,822	98,126,172
Total Assets	38,011,816,297	2,014,661,809	766,489,568	—	322,758,701	41,115,726,375
Liabilities						
Payables:						
Voucher/Accounts Payable	43,055,740	1,362,419	929,444	—	171,785,589	217,133,192
Unsettled Purchases-Investment Payables	89,410,162	4,753,763	1,806,489	—	—	95,970,414
Total Payables	132,465,902	6,116,182	2,735,933	—	171,785,589	313,103,606
Due To Other Funds (Note 5.A)	19,329,631	2,524,850	553,189	—	11,006,087	33,413,757
Due To Other Agencies (Note 1.G)	2,877,708	—	—	—	—	2,877,708
Unearned Revenue	120,855	270,741	61,379	—	—	452,975
Employees Compensable Leave	5,689,602	—	—	—	—	5,689,602
Obligations Under Securities Lending	362,362,799	19,266,121	7,321,366	—	—	388,950,286
Funds Held for Others	—	—	—	—	—	—
Lease and SBITA Liabilities (Note 2.D)	9,769,403	486,435	174,919	—	436,390	10,867,147
Other Liabilities	149,848	6,744	3,017	—	3,436	163,045
Total Liabilities	532,765,748	28,671,073	10,849,803	—	183,231,502	755,518,126
Fiduciary Net Position Restricted for Pension and Other Postemployment Benefits	\$37,479,050,549	\$1,985,990,736	\$755,639,765	\$—	\$139,527,199	\$40,360,208,249

USAS Funds (U/F) are:

Fund 0955: 0955, 0935, 0980, 8070, 8955, 9014, 9015; Fund 0977: 0977, 8977; Fund 0993: 0993, 8993; Fund 5039: 5039;

Fund 3973: 0973, 3973; Fund 0946: 0946, 8946; Fund 0945: 0945, 8945; Fund 0943: 0943, 8943;

Fund 0001: 1001; Fund 0001: 2001; Fund 8070: 8070; Fund 0980: 0980; Fund 0973: 4973.

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit VIII (Concluded)
Statement of Fiduciary Net Position
As of August 31, 2024

	TexaSaver 401(k) Trust Fund (0946)	TexaSaver 457 Trust Fund (0945)	Health Savings Account Fund (4973)	State Employees Cafeteria Plan Trust Fund (0943)	Total Pension and Other Employee Benefit Trust Funds
Assets	\$	\$	\$	\$	\$
Cash and Short-Term Investments:					
Cash and Cash Equivalents:					
Cash in Bank	\$85,748	\$1,921	\$—	\$—	\$1,636,344
Cash in State Treasury	2,522,439	4,066,997	161,386	1,986,132	122,808,364
Total Cash and Cash Equivalents	2,608,187	4,068,918	161,386	1,986,132	124,444,708
Securities Lending Collateral	—	—	—	—	390,643,170
Short-Term Investments	—	—	—	31,855,616	1,856,190,151
Total Cash and Short-Term Investments	2,608,187	4,068,918	161,386	33,841,748	2,371,278,029
Investments: (Note 1.G)	—	—	—	—	—
Public Equities	—	—	—	—	14,194,297,750
Fixed Income	—	—	—	—	6,319,525,613
Alternative Investments	—	—	—	—	17,453,295,792
Other Investments	—	—	—	—	135,454,526
Total Investments	—	—	—	—	38,102,573,681
Receivables:					
Federal Receivable	—	—	—	—	155,911,195
Interest and Dividends Receivable	15,749	16,769	—	155,364	133,578,714
Contributions/Accounts Receivable	82,170	45,894	95,602	3,873,779	169,036,674
Unsettled Sales-Investment Receivables	—	—	—	—	82,136,896
Total Receivables	97,919	62,663	95,602	4,029,143	540,663,479
Due From Other Funds (Note 5.A)	128,697	30,162	—	97,431	37,209,396
Due From Other Agencies (Note 1.G)	—	—	—	—	10,707,836
Prepaid Claims Expense	—	—	—	—	389,638
Capital Assets:					
Non-Depreciable:					
Land	—	—	—	—	874,889
Construction in Progress	—	—	—	—	12,666,305
Depreciable, Net of Accumulated					
Depreciation/Amortization of \$16,359,721					
Right-to-use lease and SBITA assets	—	—	—	—	8,703,568
Depreciable, Net of Accumulated					
Depreciation/Amortization of \$32,030,388					
Building	—	—	—	—	75,303,414
Furniture and Equipment	—	—	—	—	574,687
Vehicles	—	—	—	—	3,309
Total Capital Assets	—	—	—	—	98,126,172
Total Assets	2,834,803	4,161,743	256,988	37,968,322	41,160,948,231
Liabilities					
Payables:					
Voucher/Accounts Payable	85,749	1,921	—	3,179,329	220,400,191
Unsettled Purchases-Investment Payables	—	—	—	—	95,970,414
Total Payables	85,749	1,921	—	3,179,329	316,370,605
Due To Other Funds (Note 5.A)	45,134	8,491	—	41,040	33,508,422
Due To Other Agencies (Note 1.G)	—	—	—	—	2,877,708
Unearned Revenue	—	—	—	—	452,975
Employees Compensable Leave	—	—	—	—	5,689,602
Obligations Under Securities Lending	—	—	—	—	388,950,286
Funds Held for Others	—	—	256,988	—	256,988
Lease and SBITA Liabilities (Note 2.D)	—	—	—	—	10,867,147
Other Liabilities	—	—	—	—	163,045
Total Liabilities	130,883	10,412	256,988	3,220,369	759,136,778
Fiduciary Net Position Restricted for Pension and Other Postemployment Benefits	\$2,703,920	\$4,151,331	\$—	\$34,747,953	\$40,401,811,453

Exhibit IX

Statement of Changes in Fiduciary Net Position – Pension and Other Employee Benefit Trust Funds

Year Ended August 31, 2024

	Employees Retirement Fund (0955) and (0935)	Law Enforcement and Custodial Officer Supplemental Fund (0977)	Judicial Retirement System Plan II (0993)	Excess Benefit Arrangement (5039)	State Retiree Health Plan (3973)	Total Defined Benefit Plans
Additions	\$	\$	\$	\$	\$	\$
Contributions:						
Members	805,558,294	15,022,006	8,992,124	\$ —	—	829,572,424
Employers	902,936,352	42,752,777	18,370,296	—	800,581,831	1,764,641,256
Legacy Payment and One-Time Additional Funding	519,001,368	772,000,000	99,000,000	—	—	1,390,001,368
Non-Employer Contributing Entity Contributions	—	—	—	—	43,071,186	43,071,186
Service Contributions Transferred from						
Teacher Retirement System	125,188,573	—	—	—	—	125,188,573
Federal Revenues	—	—	—	—	147,699,278	147,699,278
Others - Forfeitures	—	—	—	—	—	—
Total Contributions	2,352,684,587	829,774,783	126,362,420	—	991,352,295	4,300,174,085
Investment Income:						
From Investing Activities:						
Net Appreciation in Fair Value of Investments	3,406,635,780	177,843,592	69,049,053	—	—	3,653,528,425
Interest and Dividends	881,173,664	47,040,113	17,427,737	—	8,507,057	954,148,571
Class Action Settlements	731,855	38,326	14,620	—	—	784,801
Total Investing Activity Income	4,288,541,299	224,922,031	86,491,410	—	8,507,057	4,608,461,797
Less: Investment Expense	(51,448,488)	(1,978,157)	(904,535)	—	—	(54,331,180)
Net Income, Investing Activities	4,237,092,811	222,943,874	85,586,875	—	8,507,057	4,554,130,617
From Securities Lending Activities:						
Loan Premium on Securities Lending	17,072,084	916,731	321,300	—	—	18,310,115
Broker Rebates	(14,895,869)	(797,460)	(283,451)	—	—	(15,976,780)
Agent Fees	(245,524)	(13,397)	(4,345)	—	—	(263,266)
Net Income, Securities Lending Activities	1,930,691	105,874	33,504	—	—	2,070,069
Net Investment Income	4,239,023,502	223,049,748	85,620,379	—	8,507,057	4,556,200,686
Other Additions:						
Other Revenue:						
Warrants Voided by Statute of Limitations	422,533	2,549	—	—	—	425,082
Reimbursements - Third Party	—	—	—	—	4,407,206	4,407,206
Rental Income	2,109,351	—	—	—	—	2,109,351
Miscellaneous Revenue	57,078	—	—	—	—	57,078
Administration Fees	—	—	—	—	—	—
Total Other Revenue	2,588,962	2,549	—	—	4,407,206	6,998,717
Transfer In:						
Interfund Transfers In (Note 1.G):	—	—	—	524,963	—	524,963
Interagency Transfers In (Note 5.C):	—	—	—	191,543	—	191,543
Total Transfers In	—	—	—	716,506	—	716,506
Total Other Additions	2,588,962	2,549	—	716,506	4,407,206	7,715,223
Total Additions	\$6,594,297,051	\$1,052,827,080	\$211,982,799	\$716,506	\$1,004,266,558	\$8,864,089,994

USAS Funds (U/F) are:

Fund 0955: 0955, 0980, 8070, 8955, 9014, 9015; Fund 0977: 0977, 8977; Fund 0993: 0993, 8993; Fund 5039: 5039; Fund 3973: 0973, 3973; Fund 0946: 0946, 8946; Fund 0945: 0945, 8945; Fund 0943: 0943, 8943;

The accompanying Notes to the Basic Financial Statements are an integral part of this exhibit.

Exhibit IX (Continued)
Statement of Changes in Fiduciary Net Position –
Pension and Other Employee Benefit Trust Funds
Year Ended August 31, 2024

	TexaSaver 401(k) Trust Fund (0946)	TexaSaver 457 Trust Fund (0945)	Health Savings Account Fund (4973)	State Employees Cafeteria Plan Trust Fund (0943)	Total Pension and Other Employee Benefit Trust Funds
Additions	\$	\$	\$	\$	\$
Contributions:					
Members	—	—	—	59,058,346	888,630,770
Employers	—	—	—	—	1,764,641,256
Legacy Payment and One-Time Additional Funding	—	—	—	—	1,390,001,368
Non-Employer Contributing Entity Contributions	—	—	—	—	43,071,186
Service Contributions Transferred from					
Teacher Retirement System	—	—	—	—	125,188,573
Federal Revenues	—	—	—	—	147,699,278
Others - Forfeitures	—	—	—	3,640,354	3,640,354
Total Contributions	—	—	—	62,698,700	4,362,872,785
Investment Income:					
From Investing Activities:					
Net Appreciation in Fair Value of Investments	—	—	—	—	3,653,528,425
Interest and Dividends	190,333	202,671	—	1,524,270	956,065,845
Class Action Settlements	—	—	—	—	784,801
Total Investing Activity Income	190,333	202,671	—	1,524,270	4,610,379,071
Less: Investment Expense	(92,625)	(33,676)	—	(17,224)	(54,474,705)
Net Income, Investing Activities	97,708	168,995	—	1,507,046	4,555,904,366
From Securities Lending Activities:					
Loan Premium on Securities Lending	—	—	—	—	18,310,115
Broker Rebates	—	—	—	—	(15,976,780)
Agent Fees	—	—	—	—	(263,266)
Net Income, Securities Lending Activities	—	—	—	—	2,070,069
Net Investment Income	97,708	168,995	—	1,507,046	4,557,974,435
Other Additions:					
Other Revenue:					
Warrants Voided by Statute of Limitations	—	—	—	—	425,082
Reimbursements - Third Party	196,371	18,545	—	20,204	4,642,326
Rental Income	—	—	—	—	2,109,351
Miscellaneous Revenue	—	—	—	110,715	167,793
Administration Fees	49,607	227,525	—	—	277,132
Total Other Revenue	245,978	246,070	—	130,919	7,621,684
Transfer In:					
Interfund Transfers In (Note 1.G):	—	—	—	—	524,963
Interagency Transfers In (Note 5.C):	—	—	—	—	191,543
Total Transfers In	—	—	—	—	716,506
Total Other Additions	245,978	246,070	—	130,919	8,338,190
Total Additions	\$343,686	\$415,065	\$—	\$64,336,665	\$8,929,185,410

- to next page

Exhibit IX (Continued)
Statement of Changes in Fiduciary Net Position –
Pension and Other Employee Benefit Trust Funds
Year Ended August 31, 2024

	Employees Retirement Fund (0955) and (0935)	Law Enforcement and Custodial Officer Supplemental Fund (0977)	Judicial Retirement System Plan II (0993)	Excess Benefit Arrangement (5039)	State Retiree Health Plan (3973)	Total Defined Benefit Plans
Deductions	\$	\$	\$	\$	\$	
Benefits:						
Benefits	2,925,454,298	100,297,636	41,178,269	689,700	1,213,931,939	4,281,551,842
Less: Payments from Members	—	—	—	—	(187,288,403)	(187,288,403)
Refunds of Contributions	159,563,794	3,619,035	283,965	—	—	163,466,794
Service Contributions Transferred to Teacher Retirement System (Note 3.A)	33,284,702	—	—	—	—	33,284,702
Total Benefits	3,118,302,794	103,916,671	41,462,234	689,700	1,026,643,536	4,291,014,935
Administrative Expenses:						
Salaries & Wages	15,938,273	1,721,999	167,717	—	3,746,297	21,574,286
Payroll Related Costs	4,734,514	542,979	47,093	—	1,168,782	6,493,368
Professional Fees & Services	6,361,875	525,545	49,052	—	1,434,402	8,370,874
Travel	69,786	5,936	1,037	—	22,294	99,053
Materials & Supplies	757,909	167,203	6,988	—	355,495	1,287,595
Communications & Utilities	522,023	47,971	209	—	512,096	1,082,299
Repairs & Maintenance	1,167,391	159,674	4,866	—	272,568	1,604,499
Rentals & Leases	58,234	47,377	4,754	—	83,535	193,900
Printing & Reproduction	81,627	6,169	1,089	—	11,095	99,980
Depreciation	3,424,742	2,933	494	—	4,779	3,432,948
Amortization	8,422,476	290,872	124,317	—	173,850	9,011,515
Interest Expense	454,025	18,085	6,394	—	16,707	495,211
Other Operating Expenses	4,146,530	85,201	17,531	—	273,928	4,523,190
Total Administrative Expenses	46,139,405	3,621,944	431,541	—	8,075,828	58,268,718
Other Deductions:						
Loss on Sale of Capital Assets	9,724	—	—	—	—	9,724
Interfund Transfers Out (Note 1.G):						
Excess Benefit Arrangement	524,963	—	—	—	—	524,963
Interagency Transfers Out (Note 5.C):	—	—	—	26,806	—	26,806
Total Transfers Out	524,963	—	—	26,806	—	551,769
Total Other Deductions	534,687	—	—	26,806	—	561,493
Total Deductions	3,164,976,886	107,538,615	41,893,775	716,506	1,034,719,364	4,349,845,146
Net Increase (Decrease)	3,429,320,165	945,288,465	170,089,024	—	(30,452,806)	4,514,244,848
Fiduciary Net Position Restricted for Pension and Other Postemployment Benefits:						
Beginning of Year	34,049,730,384	1,040,702,271	585,550,741	—	169,980,005	35,845,963,401
End of Year (Exh. VIII)	\$37,479,050,549	\$1,985,990,736	\$755,639,765	\$—	\$139,527,199	\$40,360,208,249

¹ The benefit payments in the State Retiree Health Plan are reported net of \$327,591,200 pharmacy rebates.

Exhibit IX (Concluded)
Statement of Changes in Fiduciary Net Position –
Pension and Other Employee Benefit Trust Funds
Year Ended August 31, 2024

	TexaSaver 401(k) Trust Fund (0946)	TexaSaver 457 Trust Fund (0945)	Health Savings Account Fund (4973)	State Employees Cafeteria Plan Trust Fund (0943)	Total Pension and Other Employee Benefit Trust Funds
Deductions	\$	\$	\$	\$	\$
Benefits:					
Benefits	—	—	—	63,406,438	4,344,958,280
Less: Payments from Members	—	—	—	—	(187,288,403)
Refunds of Contributions	—	—	—	—	163,466,794
Service Contributions Transferred to Teacher Retirement System (Note 3.A)	—	—	—	—	33,284,702
Total Benefits	—	—	—	63,406,438	4,354,421,373
Administrative Expenses:					
Salaries & Wages	178,563	32,146	—	73,286	21,858,281
Payroll Related Costs	54,363	9,764	—	22,447	6,579,942
Professional Fees & Services	19,780	4,988	—	11,997	8,407,639
Travel	2,113	345	—	595	102,106
Materials & Supplies	8,755	2,039	—	4,057	1,302,446
Communications & Utilities	10,714	1,697	—	21,856	1,116,566
Repairs & Maintenance	1,133	290	—	65,422	1,671,344
Rentals & Leases	2,089	534	—	971	197,494
Printing & Reproduction	520	133	—	242	100,875
Depreciation	—	—	—	—	3,432,948
Amortization	—	—	—	—	9,011,515
Interest Expense	—	—	—	—	495,211
Other Operating Expenses	72,369	921	—	930,718	5,527,198
Total Administrative Expenses	350,399	52,857	—	1,131,591	59,803,565
Other Deductions:					
Loss on Sale of Capital Assets	—	—	—	—	9,724
Interfund Transfers Out (Note 1.G):					
Excess Benefit Arrangement	—	—	—	—	524,963
Interagency Transfers Out (Note 5.C):	—	—	—	—	26,806
Total Transfers Out	—	—	—	—	551,769
Total Other Deductions	—	—	—	—	561,493
Total Deductions	350,399	52,857	—	64,538,029	4,414,786,431
Net Increase (Decrease)	(6,713)	362,208	—	(201,364)	4,514,398,979
Fiduciary Net Position Restricted for					
Pension and Other Postemployment Benefits:					
Beginning of Year	2,710,633	3,789,123	—	34,949,317	35,887,412,474
End of Year (Exh. VIII)	\$2,703,920	\$4,151,331	\$—	\$34,747,953	\$40,401,811,453



Notes to the Basic Financial Statements

August 31, 2024

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Notes to the Basic Financial Statements

August 31, 2024

1. Summary of Significant Accounting Policies

The financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board (GASB).

1.A The Reporting Entity

(In accordance with GASB Statement 14)

The Texas Constitution under Article XVI, Section 67 authorized the Texas Legislature to establish by law an Employees Retirement System of Texas (the System) to provide benefits for officers and employees of the State. The System was established in 1947 and operates primarily under Vernon's Texas Codes Annotated (V.T.C.A.), Texas Government Code, Title 8, Subtitle B.

The System has the powers, privileges and immunities of a corporation. The System is governed by a Board of Trustees, which is made up of six members responsible for the general administration and operations of the System. The six-member board is composed of three elected members and three members who are appointed respectively by the Governor, the Speaker of the Texas House of Representatives, and the Chief Justice of the Supreme Court of Texas. The Board appoints a person other than a member of the Board to serve at the Board's will as Executive Director to manage a staff of approximately 440 to provide benefits to State and higher education employees, retirees, and beneficiaries. The Texas Legislature has the authority to set the contribution rates for both employee and employer retirement contributions.

Although the System is a separate legal entity and by statute must prepare a separate annual financial report, it is also a retirement system of the State of Texas financial reporting entity and is included in the State's annual financial report as a blended component unit.

1.B New Accounting Pronouncements

The System adopted GASB Statement No. 100, "Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62." effective June 30, 2024. This statement established guidelines on how to report changes in accounting policies, estimates, and error corrections. Implementation of this standard made no impact on the financial statements

1.C Basic Financial Statements

(In accordance with GASB Statement 34)

The Basic Financial Statements consist of:

- Government-wide Financial Statements;
- Fund Financial Statements and Combining Financial Statements of the Defined Benefit and Contribution Plans; and
- Notes to the Basic Financial Statements.

Government-wide financial statements report all assets, liabilities and net position of the System's Governmental Funds and Internal Service Fund. Governmental activities are generally financed through intergovernmental revenues and other non-exchange revenues. Fiduciary activities are excluded from the government-wide financial statements.

Fund financial statements are presented immediately after the government-wide financial statements. These statements present information for Governmental Funds, the Internal Service Fund, and the Fiduciary Funds. Fund financial statements have been prepared using the measurement focus appropriate for each type of fund.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

1.D Measurement Focus – Basis of Accounting

(In accordance with GASB Statement 34)

Measurement *focus* refers to the definition of the resource flows measured. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The government-wide Statement of Net Position and Statement of Activities use the economic resources measurement focus and the accrual basis of accounting.

The government-wide Statement of Activities presents the System's governmental activities by function and distinguishes between program revenues and general revenues. Program revenues are further broken down into charges for services, and operating grants and contributions.

Program revenues of the governmental activities are: appropriations from the State's General Revenue Fund for Judicial Retirement System Plan One, law enforcement and peace officer death benefits, lump sum retiree death benefits, benefits for victims of crime, insurance premiums received by the Internal Service Fund from employees and the State of Texas, and all investment income deposited or credited to the Internal Service Fund.

Program expenses of the governmental activities are: benefit expenses, death benefit expenses, claims expenses, premium payments of the Internal Service Fund, and all administrative expenses. Governmental Funds financial statements are accounted for under the modified accrual basis of accounting and current financial resources measurement focus. All revenues reported are recognized based on the criteria of measurability and availability. Governmental Funds and revenues are considered to be available if the revenues are due at year end and collected within 60 days thereafter. Amounts are defined as measurable if they can be estimated or otherwise determined. Expenditures are recognized when the related liability is incurred. Benefit payments to participants are recorded upon distribution.

Proprietary fund distinguishes operating activities from non-operating ones. Operating activities generally include providing services and producing or delivering goods. The majority of the operating revenues in the System's proprietary fund are insurance premiums. Operating expenses include the costs of claims and related administrative expenses. Non-operating revenues and expenses are those items that do not meet any of the above definitions.

The System does not have a policy for eliminating internal activities in the Government-wide Statement of Activities because the funds reported in the Government-wide Statement of Activities are distinct programs and do not have activities among each other.

Pension and Other Employee Benefit Trust Funds, and Internal Service Funds are maintained on the full accrual basis of accounting and the economic resources measurement focus. All economic resources, including financial and capital assets and related liabilities, both current and long-term, and the changes therein are reported in the fund's financial statements. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. Contributions are recognized when due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Capital assets are depreciated.

1.E Basis of Presentation

(In accordance with GASB Statement 34)

Fund Structure

The fund financial statements are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. These accounts are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with applicable statutory guidelines or restrictions. The System's funds fall under three fund categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds. Following is a brief description of each fund category and fund type used by the System.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Governmental Fund Category

Governmental Fund reporting focuses primarily on the sources, uses, and balances of current financial resources and whether current-year revenues were sufficient to pay for current-year services.

General Fund

The General Fund is the principal fund appropriated by the State and is used to account for the Judicial Retirement System Plan One Fund (JRS I) general activities. The General Fund also contains payroll related administrative activity, such as direct deposit corrections and child support deduction offsets. The system reports the following funds as General Fund:

- Judicial Retirement System Plan One Fund (JRS I) (General Revenue Fund) – This fund is established by V.T.C.A., Texas Government Code, Title 8, Subtitle D and is used to account for appropriations received from the State's General Revenue Fund for annuity and refund payments to eligible judicial employees who commenced service prior to September 1, 1985.
- Unappropriated Receipts (General Revenue Fund) – This fund accounts for member contributions received from the Judicial Retirement System Plan One Fund.
- Direct Deposit Correction Account - This fund holds money returned by financial institutions which had been transmitted for direct deposit where problems prevented credit being given to individual depositors.

Other Major Governmental Funds

Other Major Governmental Funds consist of special revenue funds and are used to account for activities for specific purposes.

- Social Security Administration Fund – This fund accounts for the expenditures of administration of the Social Security Program.
- Death Benefits Program for Commissioned Peace Officers, Firemen, etc. Fund (General Revenue Fund) – This fund accounts for payments of death benefits and administrative fees, which are funded by an appropriation from the State's General Revenue Fund. Established by V.T.C.A., Texas Government Code, Title 6, Chapter 615. The Compensation to Victims of Crime Program is also included in this fund, for payments of death benefits to the beneficiaries of victims of crime. Established by Texas Criminal Procedure Code, Article 56.54.
- Lump Sum Retiree Death Benefit Fund (General Revenue Fund) – This fund accounts for the payments of the lump sum benefit, which is an additional benefit provided by the System to the beneficiaries of retirees who die while still receiving a retirement annuity.

The Legislature establishes an estimated appropriation for these programs which ERS administers drawing additional funds or lapsing funds to the General Revenue Fund based on actual activity during the fiscal year.

Proprietary Fund Category

Proprietary Fund reporting focuses on the determination of operating income, changes in net position, net position, and cash flows.

Internal Service Fund

Internal Service Funds are used to report any activity that provides goods or services, on a cost-reimbursement basis, to other funds, departments, agencies of the reporting entity, or other governments.

- Employees Life, Accident and Health Insurance and Benefits Fund – This fund accounts for the services provided to State of Texas agencies and higher education institutions that participate in the Texas Employees Group Benefits Program. Established by Chapter 1551, Texas Insurance Code, which identifies the State as the predominant participant in the activity of this fund.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Fiduciary Fund Category

The fiduciary funds are not part of the government-wide financial statements.

Pension and Other Employee Benefit Trust Funds

Pension and Other Employee Benefit Trust Funds (Pension Trust Funds) report the resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, deferred compensation plans, and other employee benefit plans.

- Employees Retirement System Fund (ERS) – This fund is established by V.T.C.A., Texas Government Code, Title 8, Subtitle B and is used to account for the accumulation of resources for pension benefit payments to qualified State employees or beneficiaries.
- Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS) – This fund is established by V.T.C.A., Texas Government Code, Title 8, Subtitle B and is used to account for the payments of benefits as provided by the Commissioned Law Enforcement and Custodial Officer Supplemental Retirement Benefit Act.
- Judicial Retirement System Plan Two Fund (JRS II) – This fund is established by V.T.C.A., Texas Government Code, Title 8, Subtitle E and is used to account for the accumulation of resources for pension benefit payments to eligible judicial employees who commenced service after August 31, 1985.
- Excess Benefit Arrangement (EBA) – This fund is established by V.T.C.A., Texas Government Code, Title 8, Subtitle B and is used to account for the payments of annuities otherwise payable from the Employees Retirement Fund that exceed the limitations on benefits imposed by Internal Revenue Code (IRC) Section 415(b).
- State Retiree Health Plan (SRHP) – The System provides postemployment health care, life and dental insurance benefits through the Group Benefits Program in accordance with Chapter 1551, Texas Insurance Code. The State Retiree Health Plan (SHRP) is a cost-sharing multiple-employer postemployment health care plan that covers retired employees of the State, and other entities as specified by the state legislature.
- TexaSaver 401(k) Trust Fund – This fund is established by V.T.C.A., Article 6252-3g and is used to account for the costs of administering the IRC Section 401(k) deferred compensation plan.
- TexaSaver 457 Trust Fund – This fund is established by V.T.C.A., Article 6252-3g and is used to account for tax-deferred portions of salaries of State employees in accordance with the provisions of IRC Section 457 and the costs of administering the program.
- Health Savings Account Fund (HSA) – This fund is established by V.T.C.A., Texas Government Code, Title 8, Subtitle I, Chapter 1653 and is used to account for member contributions for HSA. ERS acts as a pass through from the members payroll deduction to the third-party administering bank.
- State Employees Cafeteria Plan Trust Fund (TexFlex) – This fund is established by Chapter 1551, Texas Insurance Code and is used to account for before-tax salary reduction contributions from State employees and employees of higher education institutions, reimbursements for health care and dependent care, and the costs of administering the program.

1.F Budgets

Governmental Funds

The Texas Legislature appropriates monies out of the State's General Revenue Fund for benefit payments of the Judicial Retirement System Plan One Fund and all Other Major Governmental Funds other than the Social Security Administration Fund on an 'estimated to be' basis. This type of appropriation means that the System has the authority to increase the appropriations as needed during the time period that the appropriation is allowed to remain open. For benefit payments, expenditures in excess of appropriations received are not a violation of budgetary authority. The System is required to lapse all unencumbered appropriations by November 1 of each year.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Fiduciary Funds

The Texas Legislature does not appropriate monies to the System for administrative expenses. A budget for administrative expenses, including capital outlay, is prepared annually and approved by the System's Board of Trustees at the line-item level. The System's management must approve any transfers between line items, and the Board must approve any amendments to the approved budget.

Administrative expenses are budgeted in and paid primarily from the Employees Retirement Fund. Expenses are allocated monthly to the other funds based on percentages determined by time sheets and resource requirements used to administer each fund within each division. Expenses are limited by a statutory provision that no expense can be made for more than the State of Texas pays for similar services. Fiduciary funds are not lapsed at year-end.

1.G Assets, Liabilities, Fund Balances and Net Position

(In accordance with GASB Statement 34)

Cash and Short-Term Investments

Cash and Cash Equivalents (in accordance with GASB Statement 9), as reported in the Statement of Cash Flows for the Internal Service Fund, are composed of cash on hand, cash in local banks, cash in the State Treasury, and cash equivalents. Cash in local banks is held by Fiduciary Funds. Cash balances of most state funds are pooled and invested by the Treasury Operations Division at the Comptroller's office. Interest earned is deposited in the specified funds designated by law.

The Statement of Cash Flows for the proprietary fund shows the change in cash and cash equivalents during the fiscal year. Both Cash Equivalents and Short-Term Investments are defined as short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash and (b) so near maturity they present insignificant risk of changes in value due to changes in interest rates. Investments with an original maturity of three months or less and that are used for cash management rather than investing activities are considered cash equivalents. Restricted securities held as collateral for Securities Lending are not included as cash equivalents on the Statement of Cash Flows. The petty cash account, and the Texa\$aver and State Employees Cafeteria Plan accounts (Cash in Bank) are maintained at a local commercial bank.

Valuation

Cash Equivalents and Short-Term Investments are reported at amortized cost.

Investments

Investments of the Employees Retirement System Fund, the Law Enforcement and Custodian Officer Supplemental Retirement Fund, and the Judicial Retirement System Plan Two Fund are consolidated in the Investments Pool Fund.

Valuation

Investments of the Pension Trust Funds and Internal Service Fund are reported at fair value in accordance with GASB Statement No.72. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Public Equities and Fixed Income

The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Public real estate are listed securities (Real Estate Investment Trusts or "REITs" and Real Estate Operating Companies or "REOCs") traded in the public exchange.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Other Investments

Other investments are derivative investments. Derivative investments are either executed on an exchange or in a bilateral deal in an over-the-counter (OTC) market. Options are priced at the mean and settle price and Forwards priced at the last sale price in their respective active markets. In addition, other investments include one commingled equity limited partnership priced at the net asset value per share by the general partner.

Alternative Investments

For alternative investments, the System has established a Valuation Committee that periodically reviews and approves the fair value of these investments.

Certain foreign alternative investments in the inception year are reported at cost, which approximates fair value. Fair value at fiscal year-end is based on the fair value of net assets reported in the partnership's most recent capital account statements from the general partner or administrator of the fund, adjusted for any cash flow and material changes in fair value, according to the Valuation Committee guidelines, between the reporting date of partnership's most recent capital account statements and the System's fiscal year end date. The System's alternative investments include private equity, private real estate, private infrastructure, private fixed income and hedge funds. The general nature of the System's private equity funds is that distributions are received through the liquidation of the underlying assets of the funds. Private equity partnerships have an expected life of approximately seven to fifteen years and are not liquid in nature. The fair value of the net assets is estimated using recent observable information for similar investments, such as discounted cash flows earning multiples and company comparables.

The System's private real estate investments are limited partnerships. The partnerships participate in both closed-ended and open-ended commingled funds. The System does not directly own buildings other than its headquarters. Closed-ended funds typically have a pre-determined life of seven to twelve years (plus possible extensions) and are illiquid in nature. Open-ended funds do not have a pre-determined liquidation date and the System has the ability to sell its interests periodically. The fair value of private real estate is based on the set asset values of limited partner interests in the commingled funds. Each commingled fund is audited annually and the underlying investments may be periodically appraised by an independent third party. Valuation assumptions can be subjective and are based on market and property specific inputs.

The System's hedge fund investments represent ownership interest in limited partnerships or limited liability companies. These types of investments consist of private commingled investment vehicles that issues securities to accredited investors or qualified purchasers. The fair values of hedge funds are based on the net assets of the limited partnerships. These funds' valuations are appraised by an independent administrator and reconciled annually to the audited financial statements.

In general, the System's hedge funds are categorized into the following strategies:

- Equity Long/Short hedge funds — This strategy includes long and short investments made primarily in developed market common stocks. Management of each hedge fund has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long to a net short position.
- Event-Driven hedge funds — These types of investments include hedge funds that aim to profit from a catalyst. In many instances, these catalysts can be associated with economic, political, corporate, and government-driven events. A majority of these investments are targeted at corporate actions.
- Macro hedge funds — These types of investments include hedge funds that invest in a range of strategies which are based on movements in macroeconomic variables. Management of each hedge fund can use a variety of instruments including fixed income, currency, commodity, or equity securities.
- Opportunistic hedge funds — These include investments in hedge funds that provide niche and often uncorrelated exposures. Management of such funds can use a variety of instruments including credit, equity, and derivative securities; some of which may be less-liquid in nature.
- Relative Value hedge funds — This strategy seeks to capitalize on the mispricing of related securities or financial instruments.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Private fixed income funds are ownership in limited partnerships which consists of private investment funds that are either commingled or separate. These funds are classified as predominately “credit” instruments that may be liquid or illiquid. The System utilizes a process similar to that of private equity funds in assessing the fair value of the fund. The expected life of the funds is approximately three to ten years, with the option of two one-year extensions. The valuations are reviewed at the end of each reporting period as financial statements or cash flows information becomes available.

The System’s private infrastructure investments are in large-scale public systems, services and facilities that are necessary for economic activity. These types of relatively illiquid investments are often made in essential services with high barriers to entry and predictable cash flows and have expected life from ten to twelve years, with the option of one to three-year extension. The fair value of the net assets is estimated using a variety of approaches, which may involve using recent information from comparable companies, replacement cost analysis, and discounted cash flows. Each investment is typically audited annually and appraised periodically by an independent third party.

If the System has investments where no readily ascertainable fair value exists, the System’s management, in consultation with their investment advisors and the Master Trust Custodian, will determine the fair values for those investments.

Short-Term Investments

The System’s short-term investment is Short-Term Investment Fund, which is a 2a-7 like fund and is priced at the Net Asset Value per Share by the custodian bank.

Invested Securities Lending Collateral

The cash collateral from the borrowers in the securities lending program that the System reinvested are valued according to the types of those investments.

Permissible Investments

Eligible securities are as follows:

- Domestic equities, screened to eliminate against any known bankruptcy proceedings, lawsuits, or breach of corporate ethics that might jeopardize the company’s economic future or existence.
- Equities of companies domiciled in countries outside of the United States.
- Global fixed income securities, subject to a minimum credit rating of “CCC-, Caa3,” or their equivalent as rated by two Nationally Recognized Securities Rating Organizations, as included in the Barclays Capital Universal Index or successor index. Fixed income and short-term securities that downgrade to below the acceptable rating described above will be exchanged or sold within one year, but special exceptions may be permitted and reported to the Board of Trustees.
- Interests in private securities exempted from registration under federal and state securities laws, including certain limited liability securities and vehicles, such as limited partner interests in limited partnerships, trusts and limited liability corporations as deemed appropriate by the System.
- Private equity and private real estate investments must be institutional in quality and meet the parameters specified in the System’s investment policy.
- Global publicly traded real estate equities subject to the quality standards set forth in the investment policy.
- Foreign currencies transactions and foreign currency derivatives are permitted as necessary to facilitate the settlement of foreign security transactions, consistent with industry best practices.
These transactions are also permitted to settle private market transactions, meet capital calls or exchange distributions back into U.S. dollars.
- Forward, futures and options, subject to the restrictions set forth in the investment policy.

Investment Asset Allocation

The System’s policy in regard to the allocation of investment assets is established and may be amended by the Board of Trustees. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plans (See Figure 14 in Note 3.B for the most recent target asset allocation).

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Investment Unit Trust Accounting

In order to provide flexibility of asset allocation and effectively invest in a diversified manner, the Board of Trustees directed that investment unit trust accounting be implemented. The pension funds began the unit trust accounting on September 1, 2006. Unit trust accounting involved assigning units to each fund based on the share of the funds' investment fair value to the total fair value of the consolidated investments. The custodian bank prepares consolidated bank statements and fund statements that show the unit trust accounting activity. Investment earnings and appreciation increase the per unit value of all participating funds. Deposits and withdrawals for each fund change the number of units held by each fund. These changes are recorded at the unit value of the transaction date.

Investment earnings or losses and fees for the total consolidated fund are allocated to each of the participating funds on a daily basis using the pro rata fair value share.

Receivables

Federal Receivables represent cash receipts due to the State Retiree Health Plan related to the Affordable Care Act Program and earned rebates and discounts from the insurance program vendors. Interest and Dividends Receivables represent income earned in the current year that will be received the following fiscal year. The Contributions/Accounts Receivables represent contributions that are due from members and the State. The Unsettled Investment Receivables account for sales of investments that traded before fiscal year and settled after fiscal year.

Capital Assets

Pension Trust Funds are accounted for on a cost of service measurement focus. This means that all capital assets associated with the funds' activities are included in their statements of net position. Purchases of capital assets by these funds are reported at cost. Depreciation of all exhaustible capital assets is charged as an expense against the funds' operations. Accumulated depreciation is reported on the statements of net position. Depreciation has been provided over the estimated useful lives, using the straight-line method. The capitalization thresholds and estimated useful lives are shown in Figure 1.

Figure 1
Capitalization Thresholds and Useful Lives

Asset Category	Capitalization Threshold	Estimated Useful Life (in years)
	\$	
Land	—	N/A
Construction in Progress	—	N/A
Building & Building Improvements	100,000	10 - 30
Computer Software	100,000	5 - 6
Furniture and Equipment	5,000	3 - 15
Motor Vehicles	5,000	7
Internally Generated Computer Software	1,000,000	5 - 6

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Figure 1. (a) presents the composition of the System's Capital Assets. The summary of changes in capital assets for fiscal year 2024 are presented in Figure 1.

Starting in fiscal year 2024, new capital assets additions, disposals and its related depreciation and amortization were categorized between fiduciary funds and internal service funds. This resulted in cost balances in fiduciary funds of \$146,516,281 and internal service funds of \$5,852,024 and its related accumulated depreciation and amortization balances of \$48,390,109 and \$478,176, respectively. The net capital assets of fiduciary funds and internal service funds totaled \$98,126,172 and \$5,373,848, respectively.

Figure 1. (a)
Capital Assets Activity and Balances

	Land	Computer Software	Right-to-Use Assets	Building & Building Improvement	Construction in Progress Tangible & Intangible	Furniture & Equipment	Vehicles	Total
Cost	\$	\$	\$	\$	\$	\$	\$	\$
Balances as of August 31,2023	874,889	6,668,942	21,584,775	88,466,551	—	1,326,387	46,905	118,968,449
Additions	—	—	4,766,294	14,549,265	14,719,479	426,986	—	34,462,024
Disposals	—	(1,029,667)	—	—	—	(32,502)	—	(1,062,169)
Balances as of August 31,2024	874,889	5,639,275	26,351,069	103,015,816	14,719,479	1,720,871	46,905	152,368,304
Accumulated Depreciation and Amortization								
Balances as of August 31,2023	—	(5,707,920)	(7,474,399)	(21,896,719)	—	(969,871)	(39,987)	(36,088,896)
Depreciation and Amortization Expense	—	(205,933)	(9,353,779)	(3,365,705)	—	(145,404)	(3,609)	(13,074,430)
Disposals	—	274,578	—	—	—	20,464	—	295,042
Balances as of August 31,2024	—	(5,639,275)	(16,828,178)	(25,262,424)	—	(1,094,811)	(43,596)	(48,868,284)
Net Capital Assets - August 31,2024	\$874,889	\$—	\$9,522,891	\$77,753,392	\$14,719,479	\$626,060	\$3,309	\$103,500,020

Capital Assets are presented on Exhibit V & VIII. Certain amortization expenses are investment related and are included in "Less: Investment Expense" on Exhibit VI & IX. Please see Other Supplementary Information Schedule 4 for further detail.

Liabilities

Accounts Payable under the Internal Service Fund include claims incurred but not reported by the participants prior to fiscal year end and payable in future years as estimated by the System's actuary. The Unsettled Investment Payables under the Fiduciary funds is to account for purchases of investments that are traded before fiscal year end and settled after fiscal year end.

Employees Compensable Leave

Under Section 661.062 of Texas Government Code Chapter 661, a State employee is entitled to be paid for all unused vacation time accrued, in the event of the employee's resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months.

In Fiduciary Fund types, salary costs related to employees' rights to be compensated for vacation time are accrued as expenses of the period in which the services were rendered.

Accumulated compensable leave liabilities are reported in the Statement of Fiduciary Net Position for the Employees Retirement Fund. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Fund Balances – Governmental Funds

Fund balance is the difference between fund assets and liabilities on the governmental fund statements.

Restricted fund balance reports an amount with statutory constraints. Membership fees collected in the ERS pension fund may be applied only to programs administered by the retirement system's board of trustees.

Net Position – Restricted for Pension Benefits

The net position of the retirement trust funds consists of up to five reserve accounts, depending on the particular fund.

- The Employee Savings Account represents the accumulation of active and inactive member deposits plus interest.
- The State Accumulation Account represents reserves available to fund the future active member retirement, death, and survivor benefits.
- The Retirement Annuity Reserve Account represents reserves to pay retirement, death, and survivor benefits and post-retirement benefit increases for current retirees.
- The Interest Account represents the interest, dividends, securities lending income, and net appreciation or depreciation received and accrued on the invested assets of the fund. All investment income is transferred to the Employee Savings, State Accumulation, and Retirement Annuity Reserve accounts based on applicable Texas statutes.
- The Expense Account represents reserves to pay all administration and maintenance expenses of the retirement trust funds.

See Note 3.D for the balances of each funded plans' legally required reserves.

Restricted Net Position – Proprietary Fund

(In accordance with GASB Statement 34)

Chapter 1551 of the Texas Insurance Code requires that the System estimate funds needed for an average 60-day period, considering projected claims and administrative expenses for a contingency reserve fund for self-funded coverage. The System is further required to include this amount in its legislative appropriations request. Subject to adequate appropriation from the legislature, the estimated amount must be placed in the contingency reserve fund along with interest on, earnings of, and proceeds from the sale of investments of assets in the contingency reserve fund. This reserve amount is reported as 'Restricted Net Position' in both the government-wide and the proprietary fund Statement of Net Position.

Interfund Activity and Balances

(In accordance with GASB Statement 34)

Activities between the System and agencies of the State of Texas, and activities between the System's funds have been analyzed and classified in accordance with the following criteria:

Interfund Services Provided and Used

This activity represents transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to State government. They are accounted for as revenues by the recipient fund and as expenditures or expenses by the disbursing fund. Contributions for retirement and insurance from other funds within the State of Texas reporting entity are reported as Interfund Services Provided and Used. The accrual of Interfund Services Provided and Used is classified as Accounts Receivable and Accounts Payable on the government-wide and the fund financial statements.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Interfund Reimbursements

This activity represents expenditures or expenses applicable to a particular fund but paid from another fund. The transactions are reported as expenditures or expenses in the reimbursing fund and a reduction of corresponding amounts in the reimbursed fund. Administrative expenses paid by the Employees Retirement System Fund and subsequently reimbursed by the System's other funds are reported as Interfund Reimbursements in the financial statements. The accrual of Interfund Reimbursements is reported on the government-wide Statement of Net Position as Due From External Parties or Due To External Parties and on the fund financial statements as Due From Other Funds or Due To Other Funds.

Interfund Transfers

This activity represents routine transfers of resources. Interfund transfers are reported in the Other Financing Sources (Uses) section for Governmental Funds and as Other Additions or Other Deductions in the Pension Trust Fund financial statements. The accrual of Interfund Transfers is reported on the government-wide Statement of Net Position as Due From External Parties or Due To External Parties and on the fund financial statements as Due From Other Funds or Due To Other Funds. Retirement Membership Fees received by the Employees Retirement System Fund and transferred to other funds of the System are reported as Interfund Transfers. See Note 5.B Interfund Transfers.

Interagency Activity and Balances

(In accordance with GASB Statement 34)

This activity represents routine transfers of funds between the System and other agencies and institutions within the State of Texas financial reporting entity. At year end, the accrual of transfers from or to the funds of the System are reported as Due To Other Agencies or Due From Other Agencies on the Statements of Net Position. See Note 5.C Interagency Transfers.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

2. Detail Disclosures on Funds

(In accordance with GASB Statements 3, 28, 40, 67, and 72)

2.A Deposits, Investments, and Repurchase Agreements

Deposits

Cash in State Treasury is \$42,613 (Exhibit III), \$134,312,198 (Exhibit V) and \$122,808,364 (Exhibit VIII). The total carrying amount of Cash in Bank as of August 31, 2024 are presented in Figure 2.

Figure 2
Deposits of Cash in Bank

Deposits	Carrying Value	Bank Balance
	\$	\$
Fiduciary Funds:		
Cash in Bank (Exh. VIII)	1,636,344	1,636,344
Totals	\$1,636,344	\$1,636,344

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The System does not have a deposit policy for custodial credit risk. The balance of deposits with custodian bank as of August 31, 2024 represents amounts held in foreign currency and cash balance not yet invested. These deposits were uninsured and uncollateralized and subject to custodial credit risk.

Investments

Policy of Asset Allocation

The System diversifies both across and within major asset classes in order to construct a highly efficient portfolio (i.e. one that delivers strong compound returns on a long-term, risk-adjusted basis.). Each of the asset classes and sub-asset classes provide a distinct and purposeful role within the Trust. Investment asset classes include public equity, private equity, government bonds, credit, real estate, hedge funds and infrastructure. Such a portfolio mix generally allows ERS to earn steady long-term gains, to generate sufficient cash flow to pay monthly benefits, and to limit downside risk during difficult market conditions.

Return seeking assets include public and private equity, public and private credit, public and private real estate and private infrastructure. Risk reducing assets include liquidity assets (rates and cash & equivalents) and diversifying assets (hedge funds and special situations).

Investment assets are categorized into principal components, which may include one or more investment asset classes, the majority of the investments in the public equities category are equity securities that are issued in the United States and overseas.

The fixed income category includes domestic and international fixed income securities that have a relatively low risk of default, as well as securities that have high risk and long maturity. This category also invests in ETFs and REITs. Alternative Investments category includes private equity, private real estate, private infrastructure, private fixed income and hedge funds. Private equity investments are set up in private equity limited partnerships.

Private real estate investments are set up in limited partnerships that specialize in real estate. Private Infrastructure investments are limited partnerships based on event-driven strategies (e.g., tender offers, mergers, and acquisitions). Hedge fund investments are set up in hedge fund limited partnership. Private fixed income funds are limited partnerships that invest in foreign and domestic fixed income securities.

The majority of the investments in the other investments category are commingled funds. Derivatives are also reported in this category.

Short-term investments category includes money market and bond funds and cash in bank to meet the System's short-term liquidity requirement.

Fair Value Measurement

The System categorizes their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority (Level 1) to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority (Level 3) to unobservable inputs.

- Level 1: Unadjusted quoted prices for identical instruments in active markets.
- Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3: Valuations derived from valuation techniques in which significant inputs are unobservable. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

The System uses the following valuation techniques to measure fair value of investments:

- Market Approach: Prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or group of assets and liabilities are used to measure fair value.
- Cost Approach: The amount that would be required currently to replace the present service capacity of an asset is used to measure fair value.
- Income Approach: Future amounts (for example, cash flows, or revenues and expenses) are converted to a single current amount to determine fair value.

U.S. treasury securities, equity securities, Real Estate Investment Trusts, and Exchange Traded Funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and debt derivative securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. Index linked debt securities are valued by multiplying the external market price feed by the applicable day's Index Ratio.

Level 2 debt securities also have non-proprietary information from multiple independent sources that were readily available to market participants who are known to be actively involved in the market. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities.

Level 3 debt securities use proprietary information or single source pricing. Value of equity securities classified in Level 3 is based on last trade data that is 30 days or more before the fiscal year end. Real assets, if any, classified in Level 3 are real estate investments generally valued using the income approach by internal manager reviews or independent external appraisers. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

When inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The fair values of alternative investments are measured at net asset value (NAV) per share (or its equivalent). The System's investments are summarized in Figure 3.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The System's investment policy limits holding of securities by counterparties to those involved with securities lending and those used as collateral for futures contracts. The System has contracted with the BNY Mellon Asset Servicing to serve as the custodian for the System's investments. Investments are registered in the name of the System or in the name of the System's custodian and are held in the name of the System by the custodian.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 3
Fair Value of Investment**

	Level 1	Level 2	Level 3	NAV	Total
Fiduciary Funds:	\$	\$	\$	\$	\$
Investments:					
Public Equities:					
Domestic Equities	7,403,807,329	8,134,844			7,411,942,173
International Equities	5,093,350,097				5,093,350,097
Exchange Traded Funds (ETFs)	709,121,060				709,121,060
Real Estate Investment Trust (REITs)	979,884,420				979,884,420
Total Public Equities	14,186,162,906	8,134,844	—	—	14,194,297,750
Fixed Income:					
U.S. Treasury Securities	2,269,085,289	—			2,269,085,289
U.S. Government Agency Obligations		1,239,802,564			1,239,802,564
Corporate Obligations		2,213,794,750			2,213,794,750
Corporate Asset and Mortgage Backed Securities		46,333,313			46,333,313
International Obligations		543,599,214			543,599,214
Real Estate Investment Trust (REITs)		6,910,483			6,910,483
Total Fixed Income	2,269,085,289	4,050,440,324	—	—	6,319,525,613
Other Investments:					
Derivatives	(52,316)				(52,316)
Commingled Funds				135,506,842	135,506,842
Total Other Investments	(52,316)	—	—	135,506,842	135,454,526
Investments Measured at the Net Asset Value (NAV):					
Equity Long/Short				1,130,182,691	1,130,182,691
Event Driven				513,708,362	513,708,362
Macro				422,277,048	422,277,048
Opportunistic				137,639,303	137,639,303
Private Equity				6,979,714,907	6,979,714,907
Private Real Estate				3,839,198,256	3,839,198,256
Private Infrastructure				2,447,065,240	2,447,065,240
Private Fixed Income				1,481,213,102	1,481,213,102
Relative Value				502,296,883	502,296,883
Total Investments Measured at the NAV:	—	—	—	17,453,295,792	17,453,295,792
Total Investments	16,455,195,879	4,058,575,168	—	17,588,802,634	38,102,573,681
					(Exh. VIII)
Securities Lending Collateral (Note A):					
Government Repurchase Agreements				390,643,170	390,643,170
Total Securities Lending Collateral	—	—	—	390,643,170	390,643,170
					(Exh. VIII)
Short-Term Investments (Note A):					
Money Market and Bond Funds				1,848,839,547	1,848,839,547
Investment in Pool Cash				7,350,604	7,350,604
Total Short-Term Investments	—	—	—	1,856,190,151	1,856,190,151
					(Exh. VIII)
Proprietary Fund:					
Investments:					
Fixed Income:					
Exchange Traded Funds (ETFs)	1,752,274,260				1,752,274,260
Total Fixed Income	1,752,274,260				1,752,274,260
Total Investments	1,752,274,260				1,752,274,260
					(Exh. V)

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 3
Fair Value of Investments
(Concluded)**

	Level 1	Level 2	Level 3	NAV	Total
Short-Term Investments (Note A):					
Money Market and Bond Funds				2,062,194,395	2,062,194,395
Total Short-Term Investments	—	—	—	2,062,194,395	2,062,194,395
					(Exh. V)

Note A: Investments are reported at amortized cost.

Foreign Currency Risk

Foreign currency risk for investments and deposits is the risk that changes in exchange rates will adversely affect the investments and deposits. The System does not have a policy for managing foreign currency risk. The System's investment and deposit exposure to foreign currency risk as of August 31, 2024 is summarized in Figure 4.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is managed through diversification and by operating within defined parameters versus a benchmark index. Excluding those securities *issued* by or *explicitly guaranteed* by the U.S. Government, which are not considered to have credit risk, the System's credit quality distribution for securities with credit risk exposure as of August 31, 2024 is summarized in Figure 5. The securities were rated according to categories from Standard & Poor's, Moody's, or Fitch ratings, whichever is lower. A withdrawn rating signifies the removal of a rating on either an obligation or an issuer due to inadequate information, bankruptcy, reorganization, liquidation, or maturity of obligation.

The System earns interest on monies held at the custodial agent bank overnight when a domestic security purchase transaction fails to be completed due to the broker not delivering the purchased security on settlement date. When this occurs, the System's money is invested overnight in a Common Trust Fund at the custodial agent bank. The System does not earn any interest on any failed foreign security purchase transactions.

Concentration Risk

Concentration risk is the risk of loss attributable to the magnitude of investment in a single issuer. The System's investment policies stipulate that investments in the securities of any one corporation may not exceed 3% of the fair value of the total fund. As of August 31, 2024, the System was not exposed to any concentration risk.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 4
Foreign Currency Risk**

Currency	Investments			Investments Total (USD)	Short-term Investments
	Public Equities (USD)	Alternative Investments (USD)	Fixed Income (USD)		Deposits (USD)
Fiduciary Funds:	\$	\$		\$	\$
Australian Dollar	109,675,534	112,612,441	—	222,287,975	957,971
Brazilian Real	52,931,159	—	—	52,931,159	60,530
Canadian Dollar	388,075,658	—	2,248,191	390,323,849	12,902
Chilean Peso	1,258,966	—	—	1,258,966	—
Chinese Yuan Renminbi	39,905,949	—	—	39,905,949	164,532
Colombian Peso	1,388,094	—	—	1,388,094	508
Czech Koruna	1,675,400	—	—	1,675,400	26,285
Danish Krone	156,941,964	—	—	156,941,964	15,516
Egyptian Pound	69,767	—	—	69,767	12,377
Euro	1,431,177,200	936,883,522	—	2,368,060,722	1,053,078
Hong Kong Dollar	32,402,667	—	—	32,402,667	46,015
Hungarian Forint	3,042,409	—	—	3,042,409	16,057
Indian Rupee	318,210,088	—	—	318,210,088	122,476
Indonesian Rupiah	8,739,709	—	—	8,739,709	445
Israeli Shekel	5,770,593	—	—	5,770,593	21,096
Japanese Yen	748,820,275	—	—	748,820,275	1,536,193
Kuwaiti Dinar	1,350,908	—	—	1,350,908	30,553
Malaysian Ringgit	7,679,745	—	—	7,679,745	7,079
Mexican Peso	45,483,751	—	—	45,483,751	399,391
New Taiwan Dollar	264,605,835	—	—	264,605,835	51,721
Norwegian Krone	11,093,904	—	—	11,093,904	86,854
Peruvian Sol	21,568	—	—	21,568	26,710
Philippine Peso	197,924	—	—	197,924	1,987
Polish Zloty	6,087,690	—	—	6,087,690	12,778
Pound Sterling	491,620,570	66,404,047	—	558,024,617	23,082
Qatari Riyal	740,647	—	—	740,647	207,858
Saudi Arabia Riyal	13,150,975	—	—	13,150,975	402,226
Singapore Dollar	70,091,511	—	—	70,091,511	2,382
South African Rand	11,373,139	—	—	11,373,139	557,600
South Korean Won	211,360,575	—	—	211,360,575	51
Swedish Krona	26,123,772	—	—	26,123,772	501,936
Swiss Franc	252,134,404	—	—	252,134,404	1,716
Thai Baht	11,190,809	—	—	11,190,809	14,910
Turkish Lira	10,430,880	—	—	10,430,880	5,472
UAE Dirham	12,871,556	—	—	12,871,556	—
Fiduciary Funds Total	4,747,695,595	1,115,900,010	2,248,191	5,865,843,796	6,380,287
Total for Investments	\$4,747,695,595	\$1,115,900,010	\$2,248,191	\$5,865,843,796	\$6,380,287

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 5
Fixed Income Investments Credit Risk**

Standard & Poors/ Moody's/ Fitch Ratings	U. S Treasury Securities	U.S. Government Agency Obligations	Corporate Obligations	Corporate Asset and Mortgage Backed Securities	International Obligations	Real Estate Investment Trust(REITs)	Exchange Traded Funds (ETFs)	Total
Fiduciary Funds	\$	\$	\$	\$	\$	\$	\$	\$
Investments:								
A-/A3/A-				210				210
A/A2/A				3,470,595				3,470,595
A+/A1/A+				1,535,438				1,535,438
AA+/Aa1/AA+	2,269,085,289	1,234,730,764						3,503,816,053
B/B2/B			176,317,643	17,794,684	58,527,112			252,639,439
B-/B3/B-			282,808,969		42,613,064			325,422,033
B+/B1/B+			331,684,472	7,431,223	84,526,653			423,642,348
BB/Ba2/BB			439,808,570		58,221,847			498,030,417
BB-/Ba3/BB-			415,684,797		101,934,603	6,910,483		524,529,883
BB+/Ba1/BB+			252,988,347		89,216,667			342,205,014
BBB/Baa2/BBB			8,307,065	2,908,795				11,215,860
BBB-/Baa3/BBB-			25,245,196		21,137,510			46,382,706
Ca/C/C					3,729,174			3,729,174
CCC-/Caa3/C			14,572,952		5,054,760			19,627,712
CCC/Caa2/CC			54,948,024		10,921,915			65,869,939
CCC+/Caa1/CCC			167,669,956		20,425,111			188,095,067
D/D/					3,798,578			3,798,578
Not Rated		5,071,800	43,758,759	13,192,368	43,492,220			105,515,147
Investments Totals	2,269,085,289	1,239,802,564	2,213,794,750	46,333,313	543,599,214	6,910,483	—	6,319,525,613
Proprietary Funds	\$	\$	\$	\$	\$	\$	\$	\$
Investments:								
Not Rated							1,752,274,260	1,752,274,260
Investments Totals	—	—	—	—	—	—	1,752,274,260	1,752,274,260

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of August 31, 2024, the System invested \$46,333,313 in asset backed and mortgage backed obligations, which are subject to early principal payment in a period of declining interest rates and could reduce or eliminate the stream of income that would have been received. As a result, the fair value of these investments is highly sensitive to interest rate changes. U.S. Government Agency Obligations are implicitly guaranteed by the US government. The System does not have a policy for interest rate risk management. However, interest rate risk is managed through duration, by operating within defined risk parameters versus a benchmark index. As of August 31, 2024, the System's exposure to interest rate risk is summarized in Figure 6.

Figure 6
Investment Interest Rate Risk

Investment Type	Fiduciary Funds		Proprietary Fund	
	Fair Value	Modified Duration	Fair Value	Modified Duration
	\$		\$	
U.S. Treasury Securities	2,269,085,289	3.43	—	—
U.S. Government Agency Obligations	1,239,802,564	5.29	—	—
Corporate Obligations	2,213,794,750	3.82	—	—
Corporate Asset and Mortgage Backed Securities	46,333,313	2.83	—	—
International Obligations	543,599,214	3.58	—	—
Real Estate Investment Trusts (REITs)	6,910,483	0.51	—	—
Exchanged Traded Funds (ETFs)		—	1,752,274,260	4.46
Totals	6,319,525,613	3.94	1,752,274,260	4.46

Securities Lending

Securities lending transactions are governed by the Texas Government Code Section 815.303. The System participates in a securities lending program, administered by the securities lending agent bank, whereby certain securities are transferred to an approved independent broker/dealer (borrower) with a simultaneous agreement to return the collateral for the same securities in the future. The contract with the System's securities lending agent bank requires the bank to indemnify the System fully if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan. In addition, the contract limits the total amount of securities that can be lent to 25% of holdings.

The System is permitted to loan securities under 1) open loans which are generally overnight loans, and 2) term loans with specified expected termination dates. Securities lent include fixed income securities and domestic and international equities. The System's securities lending agent bank lends the securities for initial collateralization in the form of cash or U.S. Government or Agency securities of 102% for domestic securities and 105% for international securities.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Cash collateral is invested in repurchase agreements. The policy is to ensure that the difference in maturities between the cash collateral investments and the loan tenor is no more than five days. The System cannot pledge or sell collateral securities received unless the borrower defaults and, therefore, the System does not establish an asset and a corresponding liability in the balance sheet for the collateral value of securities received and the System does not accept any non-cash collateral. There were no significant violations of legal or contractual provisions and no borrower or lending agent default losses were reported in fiscal year 2024.

The System received net securities lending income totaling \$2,373,969 (\$303,900 presented in Exhibit VI and \$2,070,069 presented in Exhibit IX) for the fiscal year ended August 31, 2024. Securities lending activities were discontinued in the Internal Service Fund by the end of the fiscal year. The collateral information as of August 31, 2024 is summarized in Figure 7.

**Figure 7
Securities Lending Collateral Summary**

Investment Type	Underlying Securities Fair Value	Cash Collateral Fair Value
	\$	\$
Fiduciary Funds:		
Domestic Equities	8,733,803	8,954,423
International Equities	1,094,311	1,161,162
Corporate Obligations	198,618,519	203,757,555
Exchange Traded Funds - Equities (ETFs)	142,228,329	145,939,365
International Obligations	29,992,108	30,810,206
Corporate Asset and Mortgage Backed Securities	20,332	20,459
Totals	380,687,402	390,643,170
		Exh.VIII

Repurchase Agreements

During fiscal year 2024, the System invested the cash collaterals from the securities lending program in repurchase agreements. As of August 31, 2024, the System had \$390,643,170 balance in these assets.

Alternative Investments

The System makes contingent commitments to investments in entities that manage private equity, private real estate, private infrastructure, private fixed income, and hedge fund portfolios. The categories of these investments as of August 31, 2024 are summarized in Figure 8.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 8
Alternative Investments (Note A)**

Currency	No. of Funds	Commitment	Remaining Commitment	Adjusted Funded Amount	Fair Value	Redemption Frequency	Redemption Notice	Redemption Restrictions
		\$	\$	\$	\$			
Private Equity:								
US Dollar	196	9,935,214,418	2,420,096,826	7,515,117,592	6,366,001,662	N/A	N/A	N/A
Euro Dollar	18	761,792,879	282,855,292	478,937,587	547,309,198	N/A	N/A	N/A
British Pound	2	91,997,500	6,028,033	85,969,467	66,404,047	N/A	N/A	N/A
Korean Won						N/A	N/A	N/A
Sub-total	216	10,789,004,797	2,708,980,151	8,080,024,646	6,979,714,907			
Private Real Estate:								
US Dollar	91	5,850,947,050	1,262,627,514	4,588,319,536	3,655,416,187	N/A, Monthly/ Quarterly	N/A, 45-90 Days	N/A
Euro Dollar	3	262,335,300	26,338,283	235,997,017	183,782,069	N/A, Monthly/ Quarterly	N/A, 45-90 Days	N/A
Sub-total	94	6,113,282,350	1,288,965,797	4,824,316,553	3,839,198,256			
Private Infrastructure:								
US Dollar	43	2,688,163,622	717,611,747	1,970,551,875	2,128,660,545	N/A	N/A	N/A
Australian Dollar	2	89,710,520	—	89,710,520	112,612,441	N/A	N/A	N/A
Euro Dollar	4	231,319,519	68,349,519	162,970,000	205,792,254	N/A	N/A	N/A
Sub-total	49	3,009,193,661	785,961,266	2,223,232,395	2,447,065,240			
Private Fixed Income:								
US Dollar	16	2,082,000,000	773,529,946	1,308,470,054	1,481,213,102	N/A	N/A, 90 Days	N/A
Hedge Funds:								
Equity Long/Short								
US Dollar	2	310,000,000	—	310,000,000	751,506,598	Monthly	30 Days	N/A
US Dollar	1	75,000,000	—	75,000,000	101,247,829	Annually	45 Days	12 Month Lockup
US Dollar	1	100,000,000	—	100,000,000	116,205,193	Quarterly	45 Days	25% Investor Gate
US Dollar	1	126,483,581	—	126,483,581	158,630,464	N/A	N/A	5 Year Lockup
US Dollar	1	65,760,000	—	65,760,000	248,391	N/A	N/A	4 Year Lockup
US Dollar	1	48,380,228	—	48,380,228	1,535,796	N/A	N/A	3 Year Lockup
US Dollar	1	—	—	—	808,420	N/A	N/A	5 Year Lockup
Event Driven								
US Dollar	1	109,554,176	—	109,554,176	74,468,378	Monthly	30 Days	N/A
US Dollar	1	80,000,000	—	80,000,000	5,735,047	Quarterly	60 Days	12 Month Lockup
US Dollar	1	145,000,000	—	145,000,000	76,138,484	Quarterly	180 Days	12.5% Fund Gate, 12 Month Lockup
US Dollar	1	125,000,000	—	125,000,000	168,193,549	Quarterly	65 Days	N/A
US Dollar	1	62,500,000	—	62,500,000	97,286,230	Rolling 9 Month	60 Days	25% Investor Gate, 9 Month Lockup
US Dollar	1	17,500,000	—	17,500,000	2,272,582	N/A	N/A	4 Year Lockup
US Dollar	1	75,000,000	—	75,000,000	89,614,091	Quarterly	60 Days	12 Month (soft) Lockup
Macro								
US Dollar	1	106,618,455	—	106,618,455	113,745,960	Quarterly	30 Days	N/A
US Dollar	1	105,000,000	—	105,000,000	117,315,685	Quarterly	60 Days	25% Fund Gate, 24 Month Lockup
US Dollar	1	104,114,000	—	104,114,000	92,609,355	N/A	N/A	5 Year Lockup
US Dollar	1	100,000,000	—	100,000,000	98,606,048	Quarterly	45 Days	N/A
Opportunistic								
US Dollar	1	125,000,000	—	125,000,000	128,403,979	Annually	N/A	36 Month Lockup
US Dollar	1	16,345,085	—	16,345,085	9,235,324	N/A	N/A	N/A
Relative Value								
US Dollar	1	100,000,000	—	100,000,000	171,912,912	Quarterly	60 Days	50% Investor Gate
US Dollar	1	100,000,000	—	100,000,000	69,838,714	Quarterly	45 Days	25% Investor Gate
US Dollar	1	50,000,000	—	50,000,000	53,231,483	Quarterly	90 Days	25% Investor Gate
US Dollar		62,500,000	—	62,500,000	97,286,230	Rolling 9 Month	60 Days	25% Investor Gate, 9 Month Lockup
US Dollar		17,500,000	—	17,500,000	2,272,582	N/A	N/A	4 Year Lockup
US Dollar	1	100,000,000	—	100,000,000	107,754,963	Quarterly	90 Days	25% Investor Gate
Sub-total	25	2,327,255,525	—	2,327,255,525	2,706,104,287			
Total	400	24,320,736,333	5,557,437,160	18,763,299,173	17,453,295,792			

Note A: Commitment, Remaining Commitment, Adjusted Funded Amount, and Fair Value are reported in US Dollar

Notes to the Basic Financial Statements (Continued)

August 31, 2024

2.B Fund Equity

Fiduciary Net Position Held in Trust for Pension Benefits and Other Purposes

A summary of pension plan and other employee benefit fiduciary net position at August 31, 2024 is presented in Figure 9.

Figure 9
Net Position - Fiduciary Fund

Fund Type	Amount
	\$
Defined Benefit Plans (Note A)	40,360,208,249
Deferred Compensation Plans and Cafeteria Plan:	
Administration - Deferred Compensation Plans	6,855,251
Administration - State Employees Cafeteria Plan	34,747,953
Total Deferred Compensation Plans and Cafeteria Plan	41,603,204
Net Position Restricted for Pension and Other Benefits	40,401,811,453

Exh. VIII

Note A: See Note 3.D Reserves for details of the statutorily required reserve balances of the Defined Benefit Plans

2.C Derivative Investment

Derivatives are generally defined as contracts or securities whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. A derivative instrument that does not meet the definition of an investment derivative instrument or a hedging derivative instrument should be classified as an "other derivative instrument." The System did not have any derivatives classified as "other derivative instrument" as of August 31, 2024.

Futures Contracts

The System purchases and sells futures contracts as a means of adjusting the portfolio mix and as a lower transaction cost substitute for transactions which would otherwise occur in the underlying portfolios. A futures contract is a contract to buy or sell units of an index or financial instrument at a specified future date at a price agreed upon when the contract is originated. Upon entering into a futures contract, the System pledges to the broker cash or U.S. government securities equal to the minimum "initial margin" requirement of the futures exchange. The System could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts.

The System's investment managers seek to control this risk through counterparty credit requirements and the use of Commodity Futures Trading Commission approved futures and exchange traded options. The System anticipates that the counterparties will be able to satisfy their obligations under the contracts.

The System receives or pays a daily "variation margin," which is an amount of cash equal to the daily fluctuation in value of the contract.

The accumulated value of the variation margin is the fair value of the futures contract. The outstanding futures contracts as of August 31, 2024 are summarized in Figure 10.

Options

An option is a contract that gives buyers the right, but not the obligations, to buy (call) or sell (put) an asset at a specified future date at a price agreed upon when the option is originated. The option's price is usually a small percentage of the underlying asset's value.

As a writer of financial options, the System receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a purchaser of financial options, the System pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The System had no outstanding option contracts as of August 31, 2024.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Forward Contracts

The System enters into forward contracts to minimize the short-term impact of foreign exchange rate fluctuations on the asset and liability positions of international equities. The System had no outstanding forward contracts on August 31, 2024.

Figure 10
Summary of Outstanding Derivative Investments

Futures	Expiration Date	No. of Futures	Long/Short	Change in Fair Value		Fair Value		Notional Amount
				Classification	Amount	Classification	Amount	
					\$		\$	\$
C\$ CURRENCY FUTURE (CME)	9/17/2024	41	Short	Investment Revenue	(52,316)	Investments	(52,316)	(2,989,269)
Derivative Investments Grand Total		41			(52,316)		(52,316)	(2,989,269)

2.D Future Minimum Lease and SBITA Payments

(In accordance with GASB Statement 87 and 96)

The System leases equipment under long-term, non-cancellable lease agreements. The System implemented GASB Statements 96 Subscription Based Information Technology Agreements (SBITA) in fiscal year 2023, which dictated certain long-term technology subscriptions be capitalized. The leases and subscriptions expire at various dates through 2028. The outstanding liability as of August 31, 2024 was \$11.71 million. The future minimum payments under the lease and subscription agreements as of August 31, 2024 are presented in Figure 11.

Figure 11
Future Minimum Lease and SBITA Payments

Fiscal Year	Internal Service Fund Principal	Internal Service Fund Interest	Fiduciary Funds Principal	Fiduciary Funds Interest	Total Principal	Total Interest
	\$	\$	\$	\$	\$	\$
2025	403,930	4,162	5,827,930	100,115	6,231,860	104,277
2026	200,912	1,781	3,637,384	47,473	3,838,296	49,254
2027	172,752	601	1,037,692	13,081	1,210,444	13,682
2028	70,107	130	364,141	2,376	434,247	2,506
Total	\$847,701	\$6,673	\$10,867,147	\$163,045	\$11,714,848	\$169,718

3. Defined Benefit Plans

(In accordance with GASB Statements 67 and 73)

The Employees Retirement System of Texas Plan (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Plan (LECOS), and Judicial Retirement System of Texas Plan Two (JRS II) are single employer defined benefit pension plans. ERS, LECOS, and JRS II are administered through trust. Each plan provides service retirement, death and disability benefits. Benefit and contribution provisions of each plan are authorized by State law and may be amended by the Texas Legislature.

Member contribution rates of the ERS, LECOS, and JRS II and State contribution rates of the ERS, LECOS, and JRS II are set by State law. The law prohibits any amendment to the plan that would cause the period required to amortize any unfunded actuarial accrued liability to equal or exceed 31 years. Administrative expenses of the ERS, LECOS and JRS II are financed through investment earnings. A description of the benefits including the key elements of pension formulas is provided in the Summary of Plan Provisions under the Introductory Section of this report.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

3.A Plan Descriptions and Contributions

Employees Retirement Plan

Plan Description

There are two classes of membership within this retirement plan: (1) the elected class and (2) the employee class.

Membership in the elected class is limited to persons who hold State offices that are normally filled by statewide election (including legislators) and excludes officials covered by the Judicial Retirement System of Texas Plan Two.

Membership in the employee class includes all employees and appointed officers of the State and excludes independent contractors and their employees and employees covered by the Teacher Retirement System of Texas.

System Employees

System employees are members of the Employees Retirement Plan.

Contributions

Employees are required to contribute a percentage of their monthly gross compensation, including base salary, longevity pay, hazardous duty pay, and benefit replacement pay and excluding overtime pay and emoluments other than housing and utilities. The contribution rate for members hired or taking office prior to September 1, 2022 is 9.50%. Employees and elected class members hired or taking office on or after September 1, 2022 contribute 6.00%.

For fiscal year 2024, the State contributed 10.00% of the payroll of members for both the employee class, legislators, and for other elected class members. See Note 3.B Funded Status and Funding Progress.

Law Enforcement and Custodial Officer Supplemental Retirement Plan

Plan Description

The plan covers custodial officers who are certified in accordance with the statutory requirements as having a normal job assignment that requires frequent or infrequent regularly planned contact with inmates managed by the hiring institutions. The plan also covers law enforcement officers who have been commissioned and recognized as commissioned law enforcement officers by the Texas Commission of Law Enforcement. The monthly benefit amount payable from this fund is equal to the excess of the total benefit over the regular benefit payable to the member from the Employees Retirement System Fund.

Contributions

For LECOS, employees hired prior to September 1, 2022 contribute 0.50% to the supplemental fund. The State contributes 1.75% of covered payroll. For LECOS, employees hired on or after September 1, 2022, members contribute 2.00% to the supplemental fund and the state contribution remains unchanged. An additional \$8,776,473 was contributed by the State from dedicated court fees. See Note 3.B Funded Status and Funding Progress.

Judicial Retirement System of Texas Plan Two

Plan Description

The plan covers judges, justices and commissioners of the Supreme Court, the Court of Criminal Appeals, the Court of Appeals, District Courts and certain commissions to a court who first became members after August 31, 1985. Members of the Judicial Retirement System of Texas Plan One are excluded from this plan.

Contributions

Members are required to contribute 9.50% of their compensation to the System during fiscal year 2024. Members who accrue 20 years of service credit in the retirement system may cease making contributions, but are considered contributing members for all other purposes; however, the State contribution continues. For the fiscal year ended August 31, 2024 the State contributed 19.25% of the payroll of members. See Note 3.B Funded Status and Funding Progress.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

3.B Net Pension Liability

(In accordance with GASB Statement 67)

Summary of Actuarial Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The assumptions are presented in Figure 12. Based on the actuarial assumptions listed in Figure 12, the components of the net pension liability as of August 31, 2024 are determined and summarized in Figure 13.

The projected cash flow from the employer are based on contributions for the most recent five year period, modified for consideration of subsequent events. The legislature passed Senate Bill No. 321 in the 87th legislative session during fiscal year 2021 requiring a legacy payment beginning in Fiscal Year 2022 to pay off the current unfunded actuarial liability by 2054. The legacy payment is an actuarially determined amount each biennium. The actuarially determined amount for fiscal year 2024 and 2025 is \$510 million each year. The passage of this bill indicates that the legislature is committed to funding the state pension obligations. Projected employer contributions are based on fiscal year 2024 funding levels. See Note 3.A for descriptions of member and State contributions.

Figure 12
Actuarial Assumptions - Defined Benefit Plans

	Employees Retirement Fund	Law Enforcement and Custodial Officer Supplemental Fund	Judicial Retirement System Plan II
(In accordance with GASB Statement No. 67)			
Valuation Date	August 31, 2024		
Actuarial Cost Method	Entry Age Normal		
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Open	
Remaining Amortization Period	30 Years	0 Years	6 years
Asset Valuation Method	Gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.		
Investment Rate of Return	7.0%		
Projected Salary Increases	0.00% – 8.80%	3.75% – 8.75%	2.3% plus follows State judicial tiered salary schedule as prescribed in Section 659.012
Inflation Rate	2.3%		
Last Experience Study	4-year period ending August 31, 2023		
Mortality Rate	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales most recently published by the Retirement Plans Experience Committee of the Society of Actuaries (“Ultimate MP”) and projected from the year 2020. Rates for male LECO members are set forward one year. Rates of judges are setback two years.		

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 13
Net Pension Liability**

	ERS	LECOS	JRS II
	\$	\$	\$
Total Pension Liability	49,768,012,427	1,870,402,742	724,525,318
Plan Fiduciary Net Position	37,479,050,549	1,985,990,736	755,639,765
Net Pension Liability	12,288,961,878	(115,587,994)	(31,114,447)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.31%	106.18%	104.29%

The long-term expected rate of return on the System's pension plan investments was determined using a building-block method in which best estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future geometric real rates of return by the target asset allocation percentage and by adding expected inflation. Total Real Rate of Return is arithmetic. Best estimates of rates of return for each major asset class included in the System's target allocation are summarized in Figure 14.

**Figure 14
Target Allocation**

Asset Class	Target Allocation	Real Return	Long-term Expected Portfolio Real Rate of Return
	%	%	%
Global Equity			
Public Equity	35.00	4.39	1.54
Private Equity	16.00	7.12	1.14
Global Credit			
Public Credit	9.00	5.65	0.51
Private Credit	3.00	6.14	0.18
Public Real Estate	3.00	4.00	0.12
Private Real Estate	9.00	3.70	0.33
Private Infrastructure	5.00	4.09	0.20
Rates	12.00	2.73	0.33
Cash & Equivalents	2.00	0.78	0.02
Hedge Funds	6.00	3.31	0.20
Special Situations	0.00	4.29	0.00
Totals	100.00		4.57
Inflation			2.60
Expected Nominal Rate of Return			7.17

Notes to the Basic Financial Statements (Continued)

August 31, 2024

A single discount rate was used to measure the total pension liability as of August 31, 2024. This single discount rate was based on an expected rate of return on pension plan investments, and a municipal bond rate, if applicable. In March 2024, the System Board of Trustees continued the long-term rate of return assumption of 7.0% after considering 1) the long-term expected return from the building block method; 2) an analysis of long-term expected return performed by the System investment consultant; and 3) analyses and recommendations of the System pension actuary.

Based on the stated assumptions and the projection of cash flow, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments for all periods. The single discount rate and the year when the fiduciary net position is projected to be depleted are summarized in Figure 15. The long-term expected return was used as the single discount rate for LECOS and JRS II for the first time due to one-time additional funding received from the State in September FY2023 for \$772 and \$99 million respectively.

Figure 15
Assumptions for Single Discount Rate

	ERS	LECOS	JRS II
Expected investment rate of return	7.00%	7.00%	7.00%
Year fiduciary net position depleted	Never	Never	Never

The sensitivity of the net pension liability to one percentage point increase or decrease to the single discount rate is summarized in Figure 16.

Figure 16
Sensitivity of Net Pension Liability

Pension Plan	1% Decrease	Single Discount Rate	1% Increase
ERS:	6.00%	7.00%	8.00%
	\$18,407,416,778	\$12,288,961,878	\$7,202,505,188
LECOS:	6.00%	7.00%	8.00%
	\$125,814,041	\$(115,587,994)	\$(314,408,334)
JRS II:	6.00%	7.00%	8.00%
	\$40,305,161	\$(31,114,447)	\$(92,529,552)

Money Weighted Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the fiscal year ended August 31, 2024, the annual money-weighted rate of return on the defined benefit plans was 12.55%. See Schedule of Investment Returns – Defined Benefit Plans in the Required Supplementary Information section for details.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

3.C Retirement Systems Membership

The membership of the retirement plans as of August 31, 2024 is summarized in Figure 17. The System's actuary includes members who retired on August 31 and received their first annuity in September as retirees in the actuarial valuation.

Figure 17
Retirement Systems Membership

	ERS		LECOS	JRS II
	Employee Class	Elected Class		
Retirees and Beneficiaries Currently Receiving Benefits	125,103	729	16,801	585
Terminated Employees Entitled to By Not Yet Receiving Benefits	167,717	141	36,497	152
Active Employees	143,715	334	32,143	658
Totals	436,535	1,204	85,441	1,395

Note: Estimated based on actuarial valuation as of August 31, 2024.

3.D Reserves

The balances of legally required reserves in each funded retirement plan as of August 31, 2024 are presented in Figure 18. See Note 1.G, Net Position - Restricted for Pension Benefits, for a description of each reserve account.

Figure 18
Reserves

	ERS	LECOS	JRS II	Totals
Net Plan Assets Reserved For:	\$	\$	\$	\$
Employee Savings	7,414,146,567	79,960,329	99,057,086	7,593,163,982
State Accumulation	1,553,383,923	813,983,889	236,566,568	2,603,934,380
Annuity Reserves	28,511,520,059	1,092,046,518	420,016,111	30,023,582,688
Total Net Plan Assets Reserved	37,479,050,549	1,985,990,736	755,639,765	40,220,681,050
	(Exh. VIII)	(Exh. VIII)	(Exh. VIII)	

Note: The Interest Account and the Expense Account have a total Net Plan Assets Reserved of \$0.

3.E Historical Trend Information

Historical trend information is designed to provide information about the ERS, LECOS, and JRS II's progress made in accumulating sufficient assets to pay benefits when due. This information is presented in the Required Supplementary Information immediately after the Notes to the Basic Financial Statements.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

4. Other Postemployment Benefits Plan (OPEB)

(In accordance with GASB Statement 74)

4.A Plan Descriptions and Contributions

State Retiree Health Plan

Plan Description

In addition to the pension benefits described in Note 3, the System provides postemployment health care, life and dental insurance benefits through the Group Benefits Program in accordance with Chapter 1551, Texas Insurance Code. This Program is governed by the same Board of Trustees who are also responsible for the System's defined benefit pension plans. See Note 1.A for structure of the Board of Trustees.

The State Retiree Health Plan (SRHP) is a cost-sharing multiple-employer postemployment health care plan with a special funding situation. This plan covers retired employees of the State, and other entities as specified by the State legislature.

Benefit and contribution provisions of the State Retiree Health Plan are authorized by State law and may be amended by the Texas Legislature. Participating entities are listed in Figure 19.

Figure 19
Participating Reporting Entities in the State Retiree Health Plan

	August 31, 2024
State Agencies	117
Universities	26
Junior and Community Colleges	50
Other Entities	8
Total Participating Entities	201

The principal participating employer is the state of Texas. State agencies and universities employ 191,253 which is 80.70% of the employees covered by the State Retiree Health Plan.

Contributions

Figure 20 summarizes the maximum monthly employer contribution toward eligible retirees' health and basic life premium, which is based on a blended rate. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. As the non-employer contributing entity, the State of Texas pays part of the premiums for the junior and community college.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 20
Employer Contribution Rates -
State Retiree Health Plan**

	Fiscal Year 2024
	\$
Retiree Only	624.82
Retiree & Spouse	1,340.82
Retiree & Children	1,104.22
Retiree & Family	1,820.22

Figure 21 summarizes premium contributions by source and claims expenses on a pay-as-you-go basis for the current fiscal year. The System's actuaries have estimated certain health, life, accidental death and dismemberment, and indemnity administrative fees.

**Figure 21
Contributions by Source and Claims Expenses -
State Retiree Health Plan**

	Amount
	\$
Contributions:	
Employers	800,581,831
Non-Employer Contributing Entities	43,071,186
Federal Revenues:	
Medicare Part D	1,698,811
Direct Subsidy	17,989,009
Low Income Premium Subsidy	(485,302)
Low Income Cost Sharing	4,036,037
Catastrophe Reinsurance	124,460,723
Total Federal Revenues	147,699,278
Total Contributions	\$991,352,295
Claims Expenses	1,213,931,939
Less: Payments from Inactive Members	(187,288,403)
Benefit Payments	\$1,026,643,536

4.B Net OPEB Liability

(In accordance with GASB Statement 74)

Summary of Actuarial Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The assumptions are presented in Figure 22.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

**Figure 22
Actuarial Assumptions -
State Retiree Health Plan**

Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Last Experience Study	State Agency Members: 5-year period ending August 31, 2023 Higher Education Members: 7-year period ending August 31, 2021
Actuarial Assumptions:	
Discount Rate	3.87%
Projected Annual Salary Increase	2.30% to 8.95%, including inflation
Annual Healthcare Trend Rate	<p>HealthSelect 5.60% for FY2026, 5.60% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033 and later years</p> <p>HealthSelect Medicare Advantage 36.00% for FY2026, 8.00% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033 and later years</p> <p>Pharmacy 11.50% for FY2026, 11.00% for FY2027, 10.00% for FY2028, 8.50% for FY2029, 7.00% for FY2030 decreasing 100 basis points per year to 5.00% for FY2032 and 4.30% for FY2033 and later years</p>
Inflation Assumption Rate	2.30%
Ad hoc Postemployment Benefit Changes	None
Mortality Rate	<p>State Agency Members</p> <p>a. Service Retirees, Survivors and other Inactive Members (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020.</p> <p>b. Service Retirees, Survivors and other Inactive Members (JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table with a 2 year setback. Generational mortality improvements in accordance with the Ultimate MP-2020 Projection Scale are projected from the year 2020.</p> <p>c. Disability Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes): 2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively.</p> <p>d. Active Members: Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2010.</p> <p>Higher Education Members</p> <p>a. Service Retirees, Survivors and other Inactive Members: Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021.</p> <p>b. Disability Retirees: Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members.</p> <p>c. Active Members: Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010.</p>

Notes to the Basic Financial Statements (Continued)

August 31, 2024

Figure 23 shows the System's net OPEB liability for the State Retiree Health Plan as of August 31, 2024. Calculations are based on the benefit provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of cost between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Figure 23
Net OPEB Liability

	Amount
	\$
Total OPEB Liability	29,445,116,991
Less: Plan Fiduciary Net Position	139,527,199
Net OPEB Liability	\$29,305,589,792
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.47%

The required Schedule of Changes in Net OPEB Liability and Related Ratios immediately following the notes to the financial statements presents the information about the Plan fiduciary net position and the total OPEB liability in fiscal year 2024. Multi-year trend information is presented.

Investment Policy

The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees amended the investment policy statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities.

Discount Rate

Because the State Retiree Health Plan does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bond rate. The assumption of the discount rate is summarized in Figure 24.

Figure 24
Assumptions for Single Discount Rate -
State Retiree Health Plan

Expected investment rate of return	Not applicable because the plan operates on a pay-as-you-go basis
Municipal bond rate (Note A)	3.87%
Year fiduciary net position depleted	2025
Single Discount Rate	3.87%
<i>Note A: The source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.</i>	

The sensitivity of the net OPEB liability to one percentage point increase or decrease to the discount rate is summarized in Figure 25.

Figure 25
Sensitivity of Net OPEB Liability to Changes in Discount Rate (In Thousands) -
State Retiree Health Plan

	1% Decrease	Single Discount Rate	1% Increase
Rate	2.87%	3.87%	4.87%
Net OPEB Liability	\$34,097,223	\$29,305,590	\$25,460,251

Notes to the Basic Financial Statements (Continued)

August 31, 2024

The initial healthcare trend rate is 5.60% for HealthSelect and 36.00% for HealthSelect Medicare Advantage and the ultimate rate is 4.3% for both. The sensitivity of the net OPEB liability to the changes in the discount rate and healthcare trend rate is summarized in Figure 26.

Figure 26
Sensitivity of Net OPEB Liability to Changes in Discount and Healthcare Trend Rates - State Retiree Health Plan

	1% Decrease (HealthSelect: 4.60% decreasing to 3.30%; HealthSelect Medicare Advantage: 35.00% to 3.30%; Pharmacy: 10.50% decreasing to 3.30%)	Current Healthcare Cost Trend Rates (HealthSelect: 5.60% decreasing to 4.30%; HealthSelect Medicare Advantage: 36.00% to 4.30%; Pharmacy: 11.50% decreasing to 4.30%)	1% Increase (HealthSelect: 6.60% decreasing to 5.30%; HealthSelect Medicare Advantage: 37.00% to 5.30%; Pharmacy: 12.50% decreasing to 5.30%)
Net OPEB Liability	\$25,145,669,824	\$29,305,589,792	\$34,608,366,553

Money-Weighted Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the year ended August 31, 2024, the annual money-weighted rate of return on the State Retiree Health Plan was 4.24%.

4.C State Retiree Health Plan Membership

The membership of the State Retiree Health Plan includes retirees who retired with at least 10 years of service to eligible entities. These retirees must meet certain age requirements. Surviving spouses and dependents of these retirees are also covered.

The System's actuary includes members who retired on August 31 and received their first annuity in September as retirees in the actuarial valuation.

The membership of the State Retiree Health Plan as of August 31, 2024 is summarized in Figure 27.

Figure 27
State Retiree Health Plan Membership

Active Members	236,923
Inactive Members Currently Receiving Benefit Payments	141,420
Inactive Members Entitled to But Not Yet Receiving Benefit Payments	16,545
Total	394,888

Note: Estimated based on actuarial valuation as of August 31, 2024

4.D Reserves

The State Retiree Health Plan is a pay-as-you-go plan and is not expected to accumulate funds. Although there are some accumulated funds as of August 31, 2024, these are not sufficient to cover a full year's benefit payments and are expected to be depleted shortly.

4.E Historical Trend Information

The historical trend information is designed to provide funding progress in the State Retiree Health Plan. This information is presented in the Required Supplementary Information immediately after the Notes to the Basic Financial Statements.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

5. Interfund Activity and Transactions

5.A Interfund Receivables and Payables

(In accordance with GASB Statement 38)

At year-end, accruals related to interfund transfers and interfund reimbursements between the System's funds, are reported as Due From Other Funds or Due To Other Funds in the fund financial statements (See Note 1.G).

The majority of the due to other funds balance in the Employees Life, Accident and Health Insurance and Benefits fund are payments from retirees, which are due to the State Retiree Health Plan. Figure 28 presents individual interfund receivable and interfund payable balances at August 31, 2024.

Figure 28
Interfund Receivables and Payables

	Due From Other Funds	Due to Other Funds
Governmental Activities:	\$	\$
Governmental Funds	41,031	22,026
Employees Life, Accident & Health Insurance and Benefits Fund	23,405,513	27,125,492
Total Governmental Activities	23,446,544	27,147,518
Fiduciary Funds:		
Pension & Other Employee Benefit Trust Funds	37,209,396	33,508,422
Total - Interfund Receivables & Payables	60,655,940	60,655,940

5.B Interfund Transfers

(In accordance with GASB Statement 38)

Interfund Transfers include transfers of membership fees from the Employees Retirement Fund to other funds of the System and transfers between the Employees Retirement Fund and the Excess Benefit Arrangement Fund for retirement benefit payments (See Note 1.G). Interfund Transfers between governmental activities and fiduciary funds are reclassified to revenues and expenses in the government-wide Statement of Activities. Figure 29 presents interfund transfers for the year ended August 31, 2024.

Figure 29
Interfund Transfers

	Transfers In	Transfers Out
	\$	\$
Fiduciary Funds:		
Pension and Other Employee Benefit Trust Funds	524,963	524,963
Total - Interfund Transfers	524,963	524,963

5.C Interagency Transfers

Interagency Transfers include transfers between the System's funds and other funds of the State of Texas reporting entity (See Note 1.F). Also included in this category is the amount transferred to the Teacher Retirement System for service established in the Employees Retirement Fund and payable from the Excess Benefit Arrangement Fund. Interagency Transfers between Governmental Activities and other funds of the State are reclassified to revenues and expenses in the government-wide Statement of Activities.

Notes to the Basic Financial Statements (Continued)

August 31, 2024

6. Contingent Liability

6.A Litigation

The System is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the System's attorneys, the resolution of these matters will not have a material adverse effect on the financial condition of the System.

6.B Sick Leave

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is taken only in the event of illness. In the event of an employee's death, a payment is made to the employee's estate for one-half of the accumulated leave or 336 hours, whichever is less. Such payments are recognized as expenses/ expenditures when paid. Service credit is given upon retirement at the rate of one month of service for each 160 hours of an employee's accumulated sick leave balance. Additional fractions of 160 hours are counted as full months of service credit.

Effective August 28, 1995, accumulated sick leave may also be used to meet service requirements to qualify for retirement at a rate of one month of service for each 160 hours of accrued unused sick leave for employees hired before September 1, 2009. Employees hired after September 1, 2009 are not able to use accumulated sick leave to meet retirement eligibility. The additional contingent liability for future compensation of sick leave, based on accumulated sick leave balances as of August 31 was not considered material.

6.C Incentive Compensation Plan

An Incentive Compensation Plan was adopted in December 2006 and amended subsequently to enable the System to remain competitive in its efforts to attract, retain, and motivate talented employees who are specialized in investments and other functions that support investment decisions. The purpose of the Plan is to provide the opportunity for Plan participants to earn performance incentive pay based on the System's investment performance and the participant's job performance.

Payments can only be paid following years in which the System earns a positive return, and plan participants must be employed by the System on the designated dates in the Plan in order to earn and receive payment. The Board of Trustees may cancel or modify the Plan at any time. The performance incentive pay is paid over the subsequent 2 years.

The remaining liability of \$8,553,591 for the incentive pay plan as of August 31, 2024 is for amounts earned in prior fiscal years.

7. Risk Management

(In accordance with GASB Statement 10)

7.A Risk Exposure

The System is exposed to the following types of claims for risk of loss:

- Health insurance
- Life insurance
- Accidental death and dismemberment (AD & D) insurance
- Disability insurance
- Dental insurance
- Property and casualty
- Unemployment
- Workers' compensation

Notes to the Basic Financial Statements (Continued)

August 31, 2024

7.B Risk Financing

Claims for health, life, accidental death and dismemberment (AD & D), disability, and dental insurance coverages are recorded in the Employees Life, Accident and Health Insurance and Benefits Fund under the Texas Employees Group Benefits Program (GBP). These coverages are provided through a combination of insurance contracts, a self-funded health plan, a self-funded dental indemnity plan, dental health maintenance organization (DHMO) contracts, and vision plan.

The System purchases commercial insurance to cover the risk of loss related to general liability; theft of, damage to, and destruction of assets; and natural disasters. Claims for unemployment and workers compensation are funded by the System on a pay-as-you-go basis, and they are paid out of the Employees Retirement System Fund. These claim expenses are allocated periodically to other funds based on percentages determined by a study of each fund's usage. The risk financing for different coverages is summarized in Figure 30.

**Figure 30
Summary of Risk Financing**

Type of Coverage	Plan Name	Self-Funded	Risk Retained with
Health	• HealthSelect	Yes	System
	• Consumer Directed HealthSelect	Yes	System
	• Prescription Drug	Yes	System
	• Vision	Yes	System
Life	N/A	No	Insurance Carrier
Accidental Death and Dismemberment	N/A	No	Insurance Carrier
Disability	N/A	Yes	System
Dental	• DHMOs	No	Insurance Carrier
	• Dental Indemnity Plan	Yes	System
Property and Casualty	N/A	No	Insurance Carrier
Unemployment	N/A	Yes	System
Workers' Compensation	N/A	Yes	System

7.C Liabilities

For self-funded coverages of the Internal Service Fund, the System's liabilities are reported when it is both probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Based on the estimates provided by the System's insurance actuary (Rudd and Wisdom, Inc.), liabilities are re-evaluated to consider current settlements, frequency of claims, past experience and economic factors. Changes in the balances of the self-funded claims liabilities for the current fiscal year are presented in Figure 31.

**Figure 31
Changes in Self-Funded Claims Liabilities**

	August 31, 2024	August 31, 2023
	\$	\$
Beginning Balance	622,598,522	647,790,365
Current-Year Claims and Changes in Estimates	2,853,733,750	2,363,780,692
Claim Payments	(2,792,504,288)	(2,388,972,535)
Ending Balance	683,827,984	622,598,522

Notes to the Basic Financial Statements (Concluded)

August 31, 2024

For coverages that are insured (not self-funded), no significant reductions in insurance coverage occurred in the past year. For both self-funded and insured coverages of the Internal Service Fund, the balance of claims that have been incurred but not reported as of August 31, 2024 is \$642,890,555. Claim settlements did not exceed coverage in the last three fiscal years.

8. Termination Benefits

(In accordance with GASB Statement 47)

Termination benefits in the form of healthcare continuation under Consolidated Omnibus Budget Reconciliation Act (COBRA) are provided for both voluntary and involuntary terminations under the Group Benefits Program. The System maintains the COBRA membership in the Group Benefits Program as part of a group without designating the entity where the members worked prior to being eligible for COBRA benefits. The Group Benefits Program has 974 COBRA participants.

The COBRA members are eligible to remain in the Group Benefits Program for 18 months, 29 months if disabled, and their dependents are eligible to remain in the program for 36 months. The premium rates are set annually, and are based on the experience of the group.

9. Subsequent Events

To mitigate the risk of significant future liabilities, the 88th Legislature established a new cash balance benefit for JRS II plan for judges taking office on or after September 1, 2024.

Required Supplementary Information

Budgetary Comparison Schedule - General Fund (Judicial Retirement System Plan One)

	Budget			Variance with Final Budget
	Original	Final	Actual	
	\$	\$	\$	\$
Budgetary Fund Balance - Beginning 09-01-2023	—	—	—	—
Revenue				
Legislative Appropriations	16,664,760	15,858,069	15,858,069	—
Expenditures				
Retirement Benefits	16,664,760	15,858,069	15,858,069	—
Excess of Revenue over Expenditures	—	—	—	—
Budgetary Fund Balance - Ending 08-31-2024	—	—	—	—

Budgetary Comparison Schedule - Major Governmental Fund (Death Benefits- Retiree \$5,000 Lump Sum)

	Budget			Variance with Final Budget
	Original	Final	Actual	
	\$	\$	\$	\$
Budgetary Fund Balance - Beginning 09-01-2023	—	45,090	45,090	—
Revenue				
Legislative Appropriations	13,750,000	11,850,613	11,850,613	—
Expenditures				
Death Benefits	13,750,000	11,895,703	11,895,703	—
Excess of Revenue over Expenditures	—	(45,090)	(45,090)	—
Budgetary Fund Balance - Ending 08-31-2024	—	—	—	—

Required Supplementary Information (Continued)

Budgetary Comparison Schedule - Major Governmental Fund (Death Benefits - Peace Officers, Firemen, etc. and Victims of Crime)

	Budget			Variance with Final Budget
	Original	Final	Actual	
	\$	\$	\$	\$
Budgetary Fund Balance - Beginning 09-01-2023	—	—	—	—
Revenue				
Legislative Appropriations	51,866,100	25,567,463	25,567,463	—
License Plate Donations	—	1,300	1,300	—
Total Revenue	51,866,100	25,568,763	25,568,763	—
Expenditures				
Death Benefits	51,866,100	25,568,763	25,568,763	—
Excess of Revenue over Expenditures	—	—	—	—
Budgetary Fund Balance - Ending 08-31-2024	—	—	—	—

Budgetary Comparison Schedule - Major Governmental Fund (Social Security Administration)

	Budget			Variance with Final Budget
	Original	Final	Actual	
	\$	\$	\$	\$
Budgetary Fund Balance - Beginning 09-01-2022	3,211	3,211	3,211	—
Revenue				
Administration Fees	238,829	238,829	238,829	—
Expenditures				
Total Administrative Expenditures	164,328	164,328	164,328	—
Deficiency of Revenue over Expenditures	74,501	74,501	74,501	—
Budgetary Fund Balance - Ending 08-31-2023	77,712	77,712	77,712	—

Required Supplementary Information (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios – Defined Benefit Plans (in 000's)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employees Retirement Fund										
Total Pension Liability										
Service Cost	\$1,231,203	\$1,146,791	\$1,457,263	\$1,445,557	\$1,346,986	\$1,827,864	\$2,146,247	\$985,244	\$1,026,494	\$1,121,699
Interest	2,373,849	2,522,626	2,510,128	2,559,723	2,694,083	2,516,723	2,376,688	3,027,806	3,144,127	3,273,055
Changes of Benefit Terms	(87,835)	—	—	—	—	—	—	—	—	—
Difference between Expected and Actual Experience	(284,751)	133,557	115,632	91,881	(578,195)	510,657	(747,551)	509,628	878,615	672,786
Changes of Assumptions	(3,429,167)	5,301,965	2,219,672	(1,982,914)	8,469,458	6,366,987	(22,817,318)	—	—	(298,761)
Benefit Payments and Refunds	(2,049,291)	(2,147,307)	(2,288,825)	(2,406,361)	(2,540,262)	(2,621,737)	(2,711,256)	(2,843,879)	(2,919,271)	(2,993,217)
Net Change in Total Pension Liability	(2,245,992)	6,957,632	4,013,870	(292,114)	9,392,070	8,600,494	(21,753,190)	1,678,799	2,129,965	1,775,561
Total Pension Liability - Beginning	39,510,917	37,264,925	44,222,557	48,236,427	47,944,313	57,336,383	65,936,877	44,183,687	45,862,486	47,992,451
Total Pension Liability - Ending	\$37,264,925	\$44,222,557	\$48,236,427	\$47,944,313	\$57,336,383	\$65,936,877	\$44,183,687	\$45,862,486	\$47,992,451	\$49,768,012
Plan Fiduciary Net Position										
Contributions - Employer	\$500,395	\$686,763	\$700,078	\$697,189	\$712,648	\$735,856	\$739,573	\$1,259,883	\$1,305,085	\$1,421,938
Contributions - Member	462,159	674,678	685,461	683,933	694,788	713,985	718,357	721,520	758,060	805,558
Pension Plan Net Investment Income	56,941	1,273,414	2,832,628	2,430,297	758,467	1,791,061	6,937,215	(728,036)	2,062,075	4,241,180
Benefit Payments and Refunds	(2,049,291)	(2,147,307)	(2,288,825)	(2,406,361)	(2,540,262)	(2,621,737)	(2,711,256)	(2,843,879)	(2,919,271)	(2,993,217)
Pension Plan Administrative Expense	(21,840)	(20,449)	(23,095)	(23,550)	(27,752)	(24,182)	(21,851)	(31,641)	(42,311)	(46,139)
Additional One-Time State Funding	—	—	—	—	—	—	—	—	900,000	—
Net Change in Plan Fiduciary Net Position	(1,051,636)	467,099	1,906,247	1,381,508	(402,111)	594,983	5,662,038	(1,622,153)	2,063,638	3,429,320
Plan Fiduciary Net Position - Beginning	25,050,117	23,998,481	24,465,580	26,371,827	27,753,335	27,351,224	27,946,206	33,608,244	31,986,092	34,049,730
Plan Fiduciary Net Position - Ending	\$23,998,481	\$24,465,580	\$26,371,827	\$27,753,335	\$27,351,224	\$27,946,207	\$33,608,244	\$31,986,092	\$34,049,730	\$37,479,050
Net Pension Liability - Ending	\$13,266,444	\$19,756,977	\$21,864,600	\$20,190,978	\$29,985,159	\$37,990,670	\$10,575,443	\$13,876,394	\$13,942,721	\$12,288,962
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.40%	55.32%	54.67%	57.89%	47.70%	42.38%	76.06%	69.74%	70.95%	75.31%
Covered Payroll (Note A)	\$6,150,195	\$6,742,143	\$6,859,707	\$6,811,926	\$6,947,625	\$7,158,435	\$7,188,368	\$7,205,608	\$7,856,401	\$8,744,408
Net Pension Liability as a Percentage of Covered Payroll	215.71%	293.04%	318.74%	296.41%	431.59%	530.71%	147.12%	192.58%	177.47%	140.54%

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Required Supplementary Information (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios – Defined Benefit Plans (Continued) (in 000's)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Law Enforcement and Custodial Officer Supplemental Fund										
Total Pension Liability										
Service Cost	\$57,459	\$71,429	\$99,390	\$79,309	\$71,926	\$96,690	\$91,246	\$93,712	\$59,220	\$35,220
Interest	87,224	88,410	82,236	91,171	96,085	86,012	82,146	80,910	106,020	122,887
Difference between Expected and Actual Experience	(9,640)	(21,657)	(17,532)	(21,651)	(54,147)	(1,841)	(27,962)	65,927	32,677	26,338
Changes of Assumptions	148,114	375,371	(144,398)	(87,015)	427,818	158,946	82,179	(739,123)	(701,313)	(9,839)
Benefit Payments and Refunds	(61,344)	(64,542)	(69,756)	(75,633)	(82,250)	(86,706)	(91,669)	(97,196)	(99,519)	(103,914)
Net Change in Total Pension Liability	221,813	449,011	(50,060)	(13,819)	459,432	253,101	135,940	(595,770)	(602,915)	70,692
Total Pension Liability - Beginning	1,542,978	1,764,791	2,213,802	2,163,742	2,149,923	2,609,355	2,862,456	2,998,396	2,402,626	1,799,711
Total Pension Liability - Ending	\$1,764,791	\$2,213,802	\$2,163,742	\$2,149,923	\$2,609,355	\$2,862,456	\$2,998,396	\$2,402,626	\$1,799,711	\$1,870,403
Plan Fiduciary Net Position										
Contributions - Employer	\$26,728	\$27,497	\$26,583	\$26,110	\$25,864	\$22,293	\$20,294	\$21,428	\$24,800	\$42,753
Contributions - Member	8,376	9,539	9,583	9,275	9,098	8,950	9,078	8,729	10,902	15,022
Pension Plan Net Investment Income	1,918	44,831	99,341	84,938	26,250	61,097	232,795	(5,026)	64,704	223,050
Benefit Payments and Refunds	(61,344)	(64,542)	(69,756)	(75,633)	(82,250)	(86,706)	(91,669)	(97,196)	(99,519)	(103,914)
Pension Plan Administrative Expense	(1,411)	(1,421)	(1,811)	(1,851)	(2,167)	(1,933)	(1,781)	(1,681)	(2,481)	(3,622)
Additional One-Time State Funding	—	—	—	—	—	—	—	—	—	772,000
Net Change in Plan Fiduciary Net Position	(25,733)	15,904	63,940	42,839	(23,205)	3,701	168,717	(73,746)	(1,594)	945,289
Plan Fiduciary Net Position - Beginning	869,878	844,145	860,049	923,989	966,828	943,623	947,324	1,116,042	1,042,296	1,040,702
Plan Fiduciary Net Position - Ending	\$844,145	\$860,049	\$923,989	\$966,828	\$943,623	\$947,324	\$1,116,041	\$1,042,296	\$1,040,702	\$1,985,991
Net Pension Liability - Ending	\$920,646	\$1,353,753	\$1,239,753	\$1,183,095	\$1,665,732	\$1,915,132	\$1,882,355	\$1,360,330	\$759,009	(\$115,588)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	47.83%	38.85%	42.70%	44.97%	36.16%	33.09%	37.22%	43.38%	57.83%	106.18%
Covered Payroll (Note A)	\$1,506,028	\$1,725,880	\$1,746,349	\$1,689,590	\$1,682,633	\$1,662,147	\$1,586,537	\$1,581,950	\$1,704,482	\$1,845,546
Net Pension Liability as a Percentage of Covered Payroll	61.13%	78.44%	70.99%	70.02%	99.00%	115.22%	118.65%	85.99%	44.53%	(6.26%)

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Required Supplementary Information (Continued)

Schedule of Changes in Net Pension Liability and Related Ratios – Defined Benefit Plans (Concluded) (in 000's)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Judicial Retirement System Plan II										
Total Pension Liability										
Service Cost	\$16,244	\$19,429	\$20,420	\$16,056	\$16,415	\$28,965	\$37,434	\$31,450	\$29,481	\$27,133
Interest	30,785	30,980	31,671	34,440	36,103	35,248	32,800	38,249	41,248	48,475
Changes of Benefit Terms	—	—	—	—	(1,019)	—	—	—	—	—
Difference between Expected and Actual Experience	(10,066)	(5,833)	5,091	(1,463)	26,592	(12,695)	(1,793)	(4,769)	1,459	(9,289)
Changes of Assumptions (Note A)	35,653	23,397	(56,699)	—	111,655	113,895	(86,361)	(36,200)	(80,619)	28,080
Benefit Payments and Refunds	(19,238)	(21,155)	(23,361)	(24,865)	(29,220)	(32,041)	(35,142)	(37,108)	(40,210)	(41,462)
Net Change in Total Pension Liability	53,378	46,818	(22,878)	24,168	160,526	133,372	(53,062)	(8,378)	(48,641)	52,937
Total Pension Liability - Beginning	386,286	439,664	486,482	463,604	487,772	648,298	781,670	728,607	720,229	671,588
Total Pension Liability - Ending	439,664	486,482	463,604	487,772	648,298	781,670	728,608	720,229	671,588	724,525
Plan Fiduciary Net Position										
Contributions - Employer	\$12,457	\$12,374	\$12,495	\$12,560	\$13,100	\$14,186	\$14,322	\$14,385	\$14,686	\$18,370
Contributions - Member	5,465	5,754	6,017	5,940	6,463	8,634	8,759	8,576	8,830	8,992
Pension Plan Net Investment Income	820	19,862	44,875	39,192	12,832	30,633	120,145	(4,269)	36,047	85,620
Benefit Payments and Refunds	(19,238)	(21,155)	(23,361)	(24,866)	(29,220)	(32,041)	(35,142)	(37,108)	(40,210)	(41,462)
Pension Plan Administrative Expense	(284)	(226)	(295)	(296)	(363)	(273)	(235)	(321)	(244)	(431)
Additional One-Time State Funding	—	—	—	—	—	—	—	—	—	99,000
Net Change in Plan Fiduciary Net Position	(780)	16,609	39,731	32,530	2,812	21,139	107,849	(18,737)	19,109	170,089
Plan Fiduciary Net Position - Beginning	365,290	364,510	381,119	420,850	453,380	456,192	477,331	585,179	566,442	585,551
Plan Fiduciary Net Position - Ending	\$364,510	\$381,119	\$420,850	\$453,380	\$456,192	\$477,331	\$585,180	\$566,442	\$585,551	\$755,640
Net Pension Liability - Ending	\$75,154	\$105,363	\$42,754	\$34,392	\$192,106	\$304,339	\$143,428	\$153,787	\$86,037	(\$31,114)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.91%	78.34%	90.78%	92.95%	70.37%	61.07%	80.31%	78.65%	87.19%	104.29%
Covered Payroll (Note B)	\$77,501	\$78,261	\$78,190	\$78,772	\$79,711	\$88,579	\$89,583	\$90,028	\$91,665	\$94,801
Net Pension Liability as a Percentage of Covered Payroll	96.97%	134.63%	54.68%	43.66%	241.00%	343.58%	160.11%	170.82%	93.86%	(32.82%)

Note A: The change in the Total Pension Liability due to the change in the Single Discount Rate is included as an assumption change.

Note B: The covered payroll is the annual payroll for the fiscal year as reported by the System.

Required Supplementary Information (Continued)

Schedule of Employer Contributions – Defined Benefit Plans

Fiscal Year	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	\$	\$	\$	\$	%
Employee Retirement Fund					
2015	737,111,059	500,394,986	236,716,073	6,150,194,660	8.14
2016	679,806,017	686,763,354	(6,957,337)	6,742,143,036	10.19
2017	713,527,832	700,078,188	13,449,644	6,859,706,582	10.21
2018	933,914,990	697,189,414	236,725,576	6,811,925,525	10.23
2019	946,266,489	712,647,639	233,618,850	6,947,624,737	10.26
2020	985,000,670	735,855,712	249,144,958	7,158,435,103	10.28
2021	1,148,701,141	739,572,907	409,128,234	7,188,367,590	10.29
2022	1,259,883,400	1,259,883,400	—	7,205,607,848	17.48
2023	1,305,085,539	2,205,085,540	(900,000,000)	7,856,401,438	28.07
2024	1,421,937,720	1,421,937,720	—	8,744,407,894	16.26
Law Enforcement and Custodial Officer Supplemental Fund					
2015	38,131,404	26,728,318	11,403,086	1,506,027,764	1.77
2016	43,167,243	27,497,297	15,669,946	1,725,879,688	1.59
2017	45,332,090	26,583,162	18,748,928	1,746,349,412	1.52
2018	53,560,012	26,109,655	27,450,357	1,689,590,272	1.55
2019	54,853,838	25,864,146	28,989,692	1,682,633,066	1.54
2020	56,679,229	22,293,664	34,385,565	1,662,147,480	1.34
2021	59,019,190	20,294,220	38,724,970	1,586,537,362	1.28
2022	62,803,409	21,427,506	41,375,903	1,581,949,840	1.35
2023	67,838,399	24,800,350	43,038,049	1,704,482,394	1.46
2024	42,752,777	814,752,777	(772,000,000)	1,845,546,173	44.15
Judicial Retirement System Plan II					
2015	13,107,449	12,457,095	650,354	77,500,736	16.07
2016	12,895,678	12,374,200	521,478	78,260,550	15.81
2017	12,444,384	12,494,828	(50,444)	78,189,668	15.98
2018	12,934,435	12,559,722	374,713	78,772,445	15.94
2019	13,056,631	13,100,263	(43,632)	79,710,813	16.43
2020	16,342,752	14,186,283	2,156,469	88,578,603	16.02
2021	21,383,347	14,321,889	7,061,458	89,582,518	15.99
2022	21,345,576	14,384,970	6,960,606	90,027,734	15.98
2023	21,394,619	14,685,583	6,709,036	91,665,033	16.02
2024	18,370,296	117,370,296	(99,000,000)	94,801,206	123.81

Required Supplementary Information (Continued)

Schedule of Changes in Net OPEB Liability and Related Ratios (in 000's)

	2017 (Note A)	2018	2019	2020	2021	2022	2023	2024
State Retiree Health Plan (Note B)								
Total OPEB Liability								
Service Cost	\$2,303,979	\$1,495,979	\$1,206,106	\$1,539,978	\$1,564,918	\$1,617,052	\$1,037,900	\$ 977,051
Interest	1,225,588	1,261,856	1,221,955	1,063,159	755,312	797,736	1,050,906	1,045,020
Changes of Benefit Terms	—	—	—	—	—	—	(133,956)	—
Difference between Expected and Actual Experience	(501,666)	(935,689)	(89,009)	(818,424)	(15,786)	(482,638)	(201,234)	(75,425)
Changes of Assumptions	(8,728,822)	(5,924,045)	3,006,228	(2,520,337)	1,325,578	(8,588,389)	(2,679,714)	1,491,604
Benefit Payments and Refunds	(728,548)	(662,723)	(740,841)	(737,408)	(768,441)	(705,380)	(835,933)	(880,643)
Net Change in Total OPEB Liability	(6,429,469)	(4,764,622)	4,604,439	(1,473,032)	2,861,581	(7,361,619)	(1,762,031)	2,557,607
Total OPEB Liability - Beginning	41,212,263	34,782,794	30,018,172	34,622,611	33,149,579	(36,011,160)	28,649,541	26,887,510
Total OPEB Liability - Ending	\$34,782,794	\$30,018,172	\$34,622,611	\$33,149,579	\$36,011,160	\$28,649,541	\$26,887,510	\$29,445,117
Plan Fiduciary Net Position								
Contributions - Employer (Note C)	\$892,205	\$307,029	\$401,285	\$748,369	\$766,689	\$699,999	\$801,019	\$800,582
Contributions - Non-employer Contributing Entity	45,035	16,585	20,183	37,737	39,189	36,751	42,250	43,071
Contributions - Federal Revenues for Medicare	1,659	1,418	1,480	1,768	1,584	1,588	1,519	1,699
Contributions - Adjustments	(2,071)	—	—	—	—	—	—	—
Net Investment Income	4,517	10,907	3,323	1,336	233	738	6,464	8,507
Health Care Claims	(995,816)	(938,921)	(1,038,588)	(1,076,890)	(1,066,897)	(1,007,573)	(1,139,895)	(1,213,932)
Payment from Members (Note D)	195,806	203,123	209,837	230,151	192,427	190,660	181,952	187,288
Total Benefit Payments	(800,010)	(735,798)	(828,751)	(846,739)	(874,470)	(816,913)	(957,943)	(1,026,644)
Administrative Expense	(5,629)	(5,818)	(6,008)	(6,815)	(8,607)	(6,774)	(7,913)	(8,076)
Other - Federal Revenues	71,462	73,075	87,909	109,331	106,029	111,533	122,009	146,000
Other Additions	356	3,249	85	24	59	—	—	4,407
Net Change in Plan Fiduciary Net Position	207,524	(329,353)	(320,494)	45,011	30,706	26,922	7,405	(30,454)
Plan Fiduciary Net Position - Beginning	502,259	709,783	380,430	59,936	104,947	135,653	162,575	169,980
Plan Fiduciary Net Position - Ending	\$709,783	\$380,430	\$59,936	\$104,947	\$135,653	\$162,575	\$169,980	\$139,527
Net OPEB Liability - Ending	\$34,073,011	\$29,637,742	\$34,562,675	\$33,044,632	\$35,875,507	\$28,486,966	\$26,717,530	\$29,305,590
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	2.04%	1.27%	0.17%	0.32%	0.38%	0.57%	0.63%	0.47%

Note A: The beginning balance and components of the total OPEB liability for fiscal year 2017 are recalculated based on the correct discount rate defined under GASB Statement No. 74.

Note B: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Note C: Contributions are not based on a measure of pay.

Note D: In fiscal year 2017, payments from members were reported as contributions from members. Beginning from fiscal year 2018, payments from members are reported as deductions from benefit payments.

Required Supplementary Information (Continued)

Schedule of Contributions from Employers and Non-employer Contributing Entities – Other Postemployment Benefits Plan

Fiscal Year (Note A)	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency/ (Excess)
	\$	\$	\$
State Retiree Health Plan			
2017	2,714,958,093	936,827,489	1,778,130,604
2018	2,332,643,695	325,031,537	2,007,612,158
2019	2,687,207,910	422,947,418	2,264,260,492
2020	2,590,236,378	787,874,304	1,802,362,074
2021	2,720,518,130	807,461,391	1,913,056,739
2022	2,111,027,890	738,337,709	1,372,690,181
2023	2,013,370,300	844,788,055	1,168,582,245
2024	2,210,215,956	843,653,071	1,366,562,885

Note A: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. OPEB contributions are not a measure of pay.

Schedule of Investment Returns

– Annual Money-Weighted Rate of Return, Net of Investment Expense

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	%	%	%	%	%	%	%	%	%	%
Defined Benefit Plans:										
Employees Retirement Fund	0.23	5.40	11.84	9.42	2.80	6.70	25.50	-2.19	6.53	12.53
Law Enforcement and Custodial Officer Supplemental Fund	0.22	5.39	11.80	9.40	2.79	6.64	25.38	-0.46	6.41	12.90
Judicial Retirement System Plan II	0.23	5.47	11.88	9.40	2.86	6.78	25.53	-0.74	6.46	12.75
Overall	0.23	5.40	11.84	9.42	2.80	6.70	25.49	-2.09	6.53	12.55
Other Post-Employment Benefit Plan:										
State Retiree Health Plan	N/A	N/A	1.03	1.84	2.32	1.59	0.18	0.59	4.61	4.24

Required Supplementary Information (Continued)

Notes to The Required Supplementary Information

Defined Benefit Plans

The assumptions and methods used for this actuarial valuation were recommended by the actuary and adopted by the Board of Trustees. Additional information on the actuarial assumptions as of the latest actuarial valuation is summarized in Figure 1.

The total pension liability reported in the Schedule of Changes in Net Pension Liability and Related Ratios was provided by the System’s actuary. The net pension liability is measured as the total pension liability less the amount of fiduciary net position of the pension plans.

The actuarially determined contributions for the Employees Retirement Fund, the Law Enforcement and Custodial Supplemental Fund, and Judicial Retirement Plan II are calculated as of August 31, 2024, based on the actuarial assumptions described in Figure 1. These contributions are reported in the Schedule of Employer’s Contribution – Defined Benefit Plans.

**Figure 1
Summary of Actuarial Assumptions - Defined Benefit Plans**

	Employees Retirement Fund	Law Enforcement and Custodial Officer Supplemental Fund	Judicial Retirement System Plan II
(In accordance with GASB Statement No. 67)			
Valuation Date	August 31, 2024		
Actuarial Cost Method	Entry Age Normal		
Amortization Method	Level Percent of Payroll, Closed	Level Percent of Payroll, Open	
Amortization Period	30 Years	0 Years	6 years
Asset Valuation Method	Gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains or losses.		
Investment Rate of Return	7.0%		
Projected Salary Increases	0.0% – 8.8%	3.75% – 8.75%	2.3% plus follows State judicial tiered salary schedule as prescribed in Section 659.012
Inflation Rate	2.30%		
Last Experience Study	4-year period ending August 31, 2023		
Mortality Rate	2020 State Retirees of Texas (SRT) mortality table. Generational mortality improvements in accordance with the ultimate rates from the scales most recently published by the Retirement Plans Experience Committee of the Society of Actuaries (“Ultimate MP”) and projected from the year 2020. Rates for male LECO members are set forward one year. Rates of judges are setback two years.		

Required Supplementary Information (Concluded)

Other Postemployment Benefit Plan

The assumptions and methods used for this actuarial valuation are the same as those used for defined benefit plans where appropriate. Additional information on the actuarial assumptions as of the latest actuarial valuation is summarized in Figure 2. The following assumptions have been changed since the previous Other Postemployment Benefits (OPEB) valuation:

- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- Proportion of future retirees assumed to cover dependent children.
- The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement.
- Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short term expectations.
- The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.
- The discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Figure 2
Summary of Actuarial Assumptions - Other Postemployment Benefit Plan

State Retiree Health Plan (In accordance with GASB Statement No. 74)	
Valuation Date	August 31, 2024
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll, Open
Amortization Period	30 Years
Asset Valuation Method	Not applicable
Actuarial Assumptions:	
Discount Rate	
Projected Salary Increases	2.30% to 8.95%, including inflation
Inflation Rate	2.30%
Healthcare Cost and Trend Rate	<p>HealthSelect 5.60% for FY2026, 5.60% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033 and later years</p> <p>HealthSelect Medicare Advantage 36.00% for FY2026, 8.00% for FY2027, 5.25% for FY2028, 5.00% for FY2029, 4.75% for FY2030, 4.50% for FY2031 decreasing 10 basis points per year to an ultimate rate of 4.30% for FY2033 and later years</p> <p>Pharmacy 11.50% for FY2026, 11.00% for FY2027, 10.00% for FY2028, 8.50% for FY2029, 7.00% for FY2030 decreasing 100 basis points per year to 5.00% for FY2032 and 4.30% for FY2033 and later years</p>

Other Supplementary Information – Schedule 1

Revenues, Expenses and Changes in Statutory Account Balances

(Non-GAAP Presentation) - Employees Retirement Fund
Year Ended August 31, 2024

	Employee Savings Account	State Accumulation Account	Retirement Annuity Reserve Account	Interest Account	Expense Account	Totals
Operating Revenues	\$	\$	\$	\$	\$	\$
Contributions to Retirement System:						
Member Contributions	800,607,785	—	—	—	—	800,607,785
Employer Contributions	—	902,592,133	—	—	—	902,592,133
Legacy Payment and One-Time Additional Funding	—	519,001,368	—	—	—	519,001,368
Service Contributions from Teacher Retirement System	—	—	125,188,573	—	—	125,188,573
Membership Fees	—	—	—	—	344,219	344,219
Penalty Interest	—	4,950,509	—	—	—	4,950,509
Investment Income:						
Net Appreciation in Fair Value of Investments	—	—	—	3,406,635,780	—	3,406,635,780
Interest and Dividends	—	—	—	883,104,355	—	883,104,355
Class Action Settlements	—	—	—	731,855	—	731,855
Rental Income	—	—	—	—	2,109,351	2,109,351
Warrants Voided By Statute of Limitations	—	422,533	—	—	—	422,533
Sale of Surplus Equipment	—	—	—	—	—	—
Recycling Revenue	—	—	—	—	1,784	1,784
Reimbursement - Third Party	—	—	—	—	—	—
Miscellaneous	—	—	—	—	55,294	55,294
Total Operating Revenues	800,607,785	1,426,966,543	125,188,573	4,290,471,990	2,510,648	6,645,745,539
Operating Expenses						
Retirement System Benefits Paid:						
Retirement Benefits	—	—	2,920,027,053	—	—	2,920,027,053
Death Benefits:						
Active Members	—	4,192,855	—	—	—	4,192,855
Retirees	—	(45,090)	1,290,675	—	—	1,245,585
Member Contributions Withdrawn	159,563,794	—	—	—	—	159,563,794
Service Contributions to Teacher Retirement System	—	—	33,284,702	—	—	33,284,702
Administrative Expenses	—	—	—	—	93,709,126	93,709,126
Depreciation Expense	—	—	—	—	3,424,742	3,424,742
Lease Interest Expense	—	—	—	—	454,025	454,025
Total Operating Expenses	159,563,794	4,136,570	2,954,602,430	—	97,587,893	3,215,890,687
Income (Loss) Before Non-Operating Expenses and Operating Transfers	641,043,991	1,422,829,973	(2,829,413,857)	4,290,471,990	(95,077,245)	3,429,854,852
Non-Operating Revenues (Expenses)						
Loss on Disposal of Fixed Assets	—	—	—	—	(9,724)	(9,724)
Income (Loss) Before Operating Transfers	641,043,991	1,422,829,973	(2,829,413,857)	4,290,471,990	(95,086,969)	3,429,845,128
Operating Transfers In (Out)						
Distribution of Interest	143,724,905	2,196,305,582	1,854,829,571	(4,194,860,058)	—	—
Establishment of Benefit Reserves	(387,359,939)	(1,012,485,333)	1,399,845,272	—	—	—
Distribution of Interest for Administrative Expenses	—	—	—	(95,611,932)	95,611,932	—
Member Accounts-Escheated	(3,120,142)	3,120,142	—	—	—	—
Excess Benefit Arrangement Transfers	—	—	—	—	(524,963)	(524,963)
Net Operating Transfers	(246,755,176)	1,186,940,391	3,254,674,843	(4,290,471,990)	95,086,969	(524,963)
Net Income	394,288,815	2,609,770,364	425,260,986	—	—	3,429,320,165
Account Balances - Beginning	7,019,857,752	(1,056,386,441)	28,086,259,073	—	—	34,049,730,384
Account Balances - Ending	\$7,414,146,567	\$1,553,383,923	\$28,511,520,059	\$—	\$—	\$37,479,050,549

Note: As required by Texas Government Code Chapter 815.322, the System moved funds from the State Accumulation Account to the Retirement Annuity Reserve Account based on the actuarial determined present value of future benefits to be paid to retirees. Fund balance is sufficient to pay the future annuities to the current population of retirees.

Other Supplementary Information – Schedule 2

Revenues, Expenses and Changes in Statutory Account Balances

(Non-GAAP Presentation) - Law Enforcement and Custodial Officer Supplemental Retirement Fund

Year Ended August 31, 2024

	Employee Savings Account	State Accumulation Account	Retirement Annuity Reserve Account	Interest Account	Expense Account	Totals
Operating Revenues	\$	\$	\$	\$	\$	\$
Contributions to Retirement System:						
Member Contributions	15,021,846	—	—	—	—	15,021,846
State Retirement Contributions	—	42,752,777	—	—	—	42,752,777
One-Time Funding	—	772,000,000	—	—	—	772,000,000
Penalty Interest	—	160	—	—	—	160
Investment Income:						
Net Appreciation in Fair Value of Investments	—	—	—	177,843,592	—	177,843,592
Interest and Dividends	—	—	—	47,145,987	—	47,145,987
Class Action Settlements	—	—	—	38,326	—	38,326
Warrants Voided By Statute of Limitations	—	2,549	—	—	—	2,549
Total Operating Revenues	15,021,846	814,755,486	—	225,027,905	—	1,054,805,237
Retirement System Benefits Paid:						
Retirement Benefits	—	—	100,250,548	—	—	100,250,548
Refunds of Retirement Contributions	3,619,035	—	—	—	—	3,619,035
Death Benefits:						
Active Members	—	38,958	—	—	—	38,958
Retirees	—	—	8,130	—	—	8,130
Administrative Expenses	—	—	—	—	5,579,083	5,579,083
Depreciation Expense	—	—	—	—	2,933	2,933
Lease Interest Expense	—	—	—	—	18,085	18,085
Total Operating Expenses	3,619,035	38,958	100,258,678	—	5,600,101	109,516,772
Income (Loss) Before Operating Transfers	11,402,811	814,716,528	(100,258,678)	225,027,905	(5,600,101)	945,288,465
Operating Transfers In (Out)						
Distribution of Interest	1,631,452	145,797,698	71,998,654	(219,427,804)	—	—
Establishment of Benefit Reserves	(3,371,829)	(64,864,455)	68,236,284	—	—	—
Distribution of Interest for Administrative Expenses	—	—	—	(5,600,101)	5,600,101	—
Net Operating Transfers	(1,740,377)	80,933,243	140,234,938	(225,027,905)	5,600,101	—
Net Income (Loss)	9,662,434	895,649,771	39,976,260	—	—	945,288,465
Account Balances - Beginning	70,297,895	(81,665,882)	1,052,070,258	—	—	1,040,702,271
Account Balances - Ending	\$79,960,329	\$813,983,889	\$1,092,046,518	\$—	\$—	\$1,985,990,736

Note: As required by Texas Government Code Chapter 815.322, the System moved funds from the State Accumulation Account to the Retirement Annuity Reserve Account based on the actuarial determined present value of future benefits to be paid to retirees. Fund balance is sufficient to pay the future annuities to the current population of retirees.

Other Supplementary Information – Schedule 3
Revenues, Expenses and Changes in Statutory Account Balances
(Non-GAAP Presentation) - Judicial Retirement System Plan Two Fund
Year Ended August 31, 2024

	Employee Savings Account	State Accumulation Account	Retirement Annuity Reserve Account	Interest Account	Expense Account	Totals
Operating Revenues	\$	\$	\$	\$	\$	\$
Contributions to Retirement System:						
Member Contributions	8,963,617	—	—	—	—	8,963,617
Employer Contributions	—	18,370,296	—	—	—	18,370,296
One-Time Funding	—	99,000,000	—	—	—	99,000,000
Penalty Interest	—	28,507	—	—	—	28,507
Investment Income:						
Net Appreciation in Fair Value of Investments	—	—	—	69,049,053	—	69,049,053
Interest and Dividends	—	—	—	17,461,241	—	17,461,241
Class Action Settlements	—	—	—	14,620	—	14,620
Warrants Voided by Statute of Limitations	—	—	—	—	—	—
Total Operating Revenues	8,963,617	117,398,803	—	86,524,914	—	212,887,334
Operating Expenses						
Retirement System Benefits Paid:						
Retirement Benefits	—	—	41,178,269	—	—	41,178,269
Death Benefits:						
Active Members	—	—	—	—	—	—
Member Contributions Withdrawn	283,965	—	—	—	—	283,965
Administrative Expenses	—	—	—	—	1,329,188	1,329,188
Depreciation Expense	—	—	—	—	494	494
Lease Interest Expense	—	—	—	—	6,394	6,394
Total Operating Expenses	283,965	—	41,178,269	—	1,336,076	42,798,310
Income (Loss) Before Operating Transfers	8,679,652	117,398,803	(41,178,269)	86,524,914	(1,336,076)	170,089,024
Operating Transfers In (Out)						
Distribution of Interest	1,586,800	57,554,946	26,047,092	(85,188,838)	—	—
Establishment of Benefit Reserves	(1,669,698)	(27,913,653)	29,583,351	—	—	—
Distribution of Interest for Administrative Expenses	—	—	—	(1,336,076)	1,336,076	—
Net Operating Transfers	(82,898)	29,641,293	55,630,443	(86,524,914)	1,336,076	—
Net Income (Loss)	8,596,754	147,040,096	14,452,174	—	—	170,089,024
Account Balances - Beginning	90,460,332	89,526,472	405,563,937	—	—	585,550,741
Account Balances - Ending	\$99,057,086	\$236,566,568	\$420,016,111	\$—	\$—	\$755,639,765

Other Supplementary Information – Schedule 4

Administrative and Investment Expenses/Expenditures

Statutory Administrative Funds and Accounts

Year Ended August 31, 2024

	Administrative Expenses (Note A)	
	Non-Investment	Investment
Personnel Services	\$	\$
Salaries and Wages	27,416,432	36,480,668
Payroll Related Costs:		
Retirement Contributions	2,487,981	1,639,524
Retirement Membership Fees	929	319
Employees Insurance Contributions	2,572,270	965,485
Retirees Insurance Contributions	1,283,633	858,887
Social Security Contributions	2,012,075	1,375,934
Unemployment Compensation	7,357	2,518
Total Payroll Related Costs	8,364,245	4,842,667
Total Personnel Services	35,780,677	41,323,335
Professional Fees and Services		
Actuarial Services	735,589	61,548
Audit Services	368,407	54,804
Investment Consulting Fees	—	3,624,100
Investment Advisors	—	9,072,889
Group Benefits Advisors	473	—
Medical Board Member Fees	49,050	—
Architectural Services	—	—
Legal Services	600,537	128,982
Computer Programming Services	6,012,131	899,708
Other Professional Services	2,342,430	161,338
Total Professional Fees and Services	10,108,617	14,003,369
Other Services and Charges		
Travel	117,761	401,726
Materials and Supplies:		
Postage	745,510	160,075
General Office and Other Supplies	106,138	11,303
Subscriptions	73,952	187,250
Furniture and Equipment	779,537	282,795
Computer Software	140,179	—
Total Materials and Supplies	1,845,316	641,423
Communications and Utilities:		
Electricity, Gas and Water	502,183	34,952
Telephone and Telegraph	407,543	16,385
Electronic Communication Services	628,030	685,573
Total Communications and Utilities	1,537,756	736,910
Repairs and Maintenance:		
Land and Building	375,866	20,476
Furniture and Equipment	10,384	2,230
Computer Software and Equipment	1,767,055	109,438
Total Repairs and Maintenance	2,153,305	132,144
Rentals and Leases:		
Computer Software and Equipment	119,499	23,545
Office Equipment	83,918	42,545
Space	136,338	8,590
Total Rentals and Leases	339,755	74,680
Printing and Reproduction Services	120,982	6,422
Depreciation	3,442,667	—
Amortization	9,349,223	—
Interest on Leases	527,666	—

- to next page

Other Supplementary Information – Schedule 4 (Concluded)

Administrative and Investment Expenses/Expenditures

Statutory Administrative Funds and Accounts

Year Ended August 31, 2024

	Administrative Expenses (Note A)	
	Non-Investment	Investment
Other Services and Charges (continued)	\$	\$
Other Operating Expenses/Expenditures:		
Membership Fees	38,907	114,453
Employee Training	154,807	44,331
Insurance - Building and Vehicle	308,130	12,229
Fees and Other Charges	144,277	75,016
Investment Banking	—	1,003,231
Tenure Awards	6,534	1,376
Temporary Employment Agencies	793,544	124,287
Cleaning Services	365,266	32,831
Advertising Services	18,037	942
Freight/Delivery Services	5,534	1,170
Purchased Contracted Services	4,298,682	63,610
Prompt Payment Interest	4,040	699
Social Security Admin Fee Allocation	—	—
Third Party Administrator Fee - Cafeteria Plan	915,681	—
Total Other Operating Expenses/Expenditures	7,053,442	1,474,176
Total Other Services and Charges	26,487,873	3,467,481
Total Expenses/Expenditures	72,377,167	58,794,185
Method of Finance:		
State Employees Retirement System (S.E.R.S.) Trust Account (0955)	46,139,405	51,448,488
Law Enforcement and Custodial Officer Supplement Retirement Trust Fund (0977)	3,621,944	1,978,157
Judicial Retirement System Plan Two Trust Fund (0993)	431,541	904,535
TexaSaver 401(k) Trust Fund (0946)	350,399	92,625
TexaSaver 457 Trust Fund (0945)	52,857	33,676
State Employees Cafeteria Plan Trust Fund (0943)	1,131,591	17,224
State Retiree Health Plan (3973)	8,075,828	—
Total Fiduciary Funds	59,803,565	54,474,705
Employees Life, Accident, Health Insurance and Benefits Trust Account (0973)	12,409,274	4,319,480
Total Proprietary Fund	12,409,274	4,319,480
Social Security Administration Trust Account (0929)	164,328	—
Total Governmental Funds	164,328	—
Total Method of Finance	\$72,377,167	\$58,794,185

Note A: \$117,335,203 management fees were deducted and paid from the net asset value of Alternative Investments during fiscal year 2024. The accrued management fees were reported as deductions from the fair value of Alternative Investments. Details of the management fees are listed in the Investment Section

Other Supplementary Information – Schedule 5

Professional and Consulting Fees

Year Ended August 31, 2024

Nature of Service	Totals (Note A)
	\$
Actuarial Services - Retirement	299,925
Actuarial Services - Insurance	497,212
Audit Fees - Financial	310,000
Audit Fees - Insurance Carrier	97,910
Audit Fees - Other	15,301
Investment Consulting Fees	3,624,100
Investment Advisors	9,072,889
Group Benefits Advisors	473
Medical Board	49,050
Legal Services	729,519
Computer Programming Services	6,911,839
Educational Services	86,131
Other Professional Services	971,949
Other Consulting Services	1,445,688
Total Professional and Consulting Fees	24,111,986
Method of Finance:	
State Employees Retirement System (S.E.R.S.) Trust Account (0955)	18,433,605
Law Enforcement and Custodial Officer Supplement Retirement Trust Fund (0977)	1,129,300
Judicial Retirement System Plan Two Trust Fund (0993)	282,099
Texas\$aver 401(k) Trust Fund (0946)	26,672
Texas\$aver 457 Trust Fund (0945)	7,257
Health Savings Account (4973)	
State Employees Cafeteria Plan Trust Fund (0943)	14,061
State Retiree Health Plan (3973)	1,434,402
Total Fiduciary Funds	21,327,396
Employees Life, Accident, Health Insurance and Benefits Trust Account (0973)	2,782,194
Total Proprietary Fund	2,782,194
Social Security Administration Fund (0929)	2,396
Total Governmental Funds	2,396
Total Method of Finance	\$24,111,986

Note A: The Total Professional and Consulting fees amount reflects both the Investment and Non-Investment portion of fees.

INVESTMENT SECTION



Report on Investment Activity

Outline of Investment Policies

Time-weighted Rates of Return and Asset Allocations

Broker Commissions

Fees for Alternative Investments

Investment Advisory and Service Fees

List of Largest Assets Held

Investment Summary at Fair Value

Comparison of Actual versus Assumed Investment Performance

Report on Investment Activity

Fiscal Year 2024

Overview

The ERS Trust Fund earned a net return of 12.5% for Fiscal Year 2024 (FY24), surpassing the Policy Benchmark return of 11.8%, and closed the period with a fair value of \$39.9 billion. At fiscal year-end, the asset allocation consisted of 35.5% in Public Equity, 17.6% in Real Assets, 17.4% in Private Equity, 11.0% in Credit, 9.0% in Rates, 5.1% in Hedge Funds, 4.0% in Cash, and 0.3% in Special Situations.

Over the five-year period ending August 31, 2024, the Trust earned a 9.6% return, exceeding the 8.0% return of the Policy Benchmark. Over the 10-year period, the Trust earned a 7.8% return, exceeding the 6.8% return of the Policy Benchmark. These are among the highest returns in the industry and in the Trust's history.

The Investments Division, in collaboration with the Executive Director, Board of Trustees, Investment Advisory Committee, and other divisions, maintained a strong investment organization. Notable achievements included:

- Approved commitments of \$734 million to Private Equity (24 investments), \$150 million to Private Credit (2 investments), \$350 million to Private Real Estate (4 investments), \$190 million to Private Infrastructure (5 investments), and \$85 million to Hedge Funds (3 investments).
- Restructured the Public Equity Program, including defunding an external advisor and funding a new external advisor.
- Refined the investment process for the Lone Star Fund, an internally managed portfolio.
- Posted a Request for Applications (RFA) for General Public Equity Investment Advisory Services in January 2024 to enhance portfolio management.
- Terminated a contract with a data analytics provider to eliminate redundant software and reduce expenses.
- Updated the Hedge Funds Program's benchmark to the HFRI Fund-of-Funds Conservative Index.
- Consolidated the ERS PAAMCO Launchpad Portfolio with the ERS Absolute Return Portfolio.
- Merged two separate Public Real Estate Investment Portfolios into one global portfolio.
- Developed a tailored investment process for Group Benefits Program (GBP) to meet its specific needs.
- Continued investing in the Trust-level asset allocation process to enhance long-term returns.
- Enhanced risk management with weekly monitoring and reporting.

Most liquid and illiquid assets performed well during FY24. Public Equity returned 25.7%, Public Real Estate 19.0%, and Public Credit 12.7%. Private Credit and Private Infrastructure returned 19.4% and 8.8%, respectively. Private Real Estate ended FY24 with a -5.6% return, exceeding its policy benchmark return of -10.0%.

The Investments Division co-hosted another successful virtual TRS/ERS Emerging Manager Conference with over two thousand attendees. Additionally, the Investments Division also co-hosted the seventh biennial TRS/ERS Real Estate Emerging Manager (REEM) conference in January 2024, a focused educational and networking event in Austin, which attracted 145 participants.

In FY25, the Investments Division will focus on enhancing the Trust-level asset allocation decision process, improving the data-driven investment approach with daily refreshed dashboards, implementing real-time risk controls, and ensuring that external investment manager performance monitoring is best-in-class.

Report on Investment Activity (Continued)

Fiscal Year 2024

Economy and Financial Markets

Economy

Between September 2023 and August 2024, the U.S. economy grew steadily despite monetary policy that raised interest rates to their highest levels in almost 20 years.

- **Monetary Policy & Inflation:** By August 2024, inflation moderated to 2.5% (Consumer Price Index), approaching the Fed's 2% target. Prices for durable goods fell more rapidly than those for housing and services.
- **Labor Market:** Job creation slowed, causing the unemployment rate to rise from a low of 3.4% to 4.2%. Wage inflation also softened, and labor force participation remained softened.
- **Manufacturing:** The manufacturing sector experienced weak growth, with some months showing contraction, primarily due to higher capital costs and tighter lending standards.
- **Housing:** Elevated borrowing costs resulted in reduced home sales and limited inventory, keeping home prices high and pushing potential buyers to the sidelines.

Despite these challenges, inflation eased and the economy demonstrated resilience.

Equity

The stock market experienced significant volatility during this time. After a strong rally in 2023, especially in artificial intelligence and technology stocks, investor sentiment became a bit more cautious in 2024. Rising interest rates and concerns over corporate earnings caused fluctuations in the S&P 500 and NASDAQ, tempering the earlier optimism in the technology sector.

Even so, key indices rose across the board during the fiscal year. The U.S. (S&P 500 +27.1%) outperformed both developed markets (MSCI EAFE +19.9%) and emerging markets (MSCI EM +15.5%). Large capitalization stocks outperformed small and mid-capitalization stocks across most regions as investors preferred shorter duration assets and better capitalized companies given the higher funding cost.

Every sector in the S&P 500 had positive performance during the fiscal year. Leadership continued to come from the Communication Services and Information Technology sectors. Importantly, however; there was notable broadening out of sector performance, with the Financials, Industrials, Real Estate and Utilities sectors making strides.

Rates & Cash

In FY24, Treasury yields declined as inflation cooled and expectations grew for potential Federal Reserve rate cuts. The 10-year Treasury yield fell by 20 basis points, closing at 3.9%, while the spread between two-year and ten-year Treasuries narrowed to just 2 basis points. Rate-sensitive assets, such as Mortgages and Agency Securities, benefited from lower Treasury yields and tighter credit spreads.

The 3-month Treasury Bill Index, often seen as a cash proxy, delivered a strong 5.4% return, reflecting the impact of elevated interest rates on short-term instruments. As inflation eased, these rate-sensitive asset classes continued to perform well, bolstering fixed-income returns.

Credit

Credit markets performed well during FY24, buoyed by easing inflation and growing expectations for looser monetary policy. The weighted average yield for below-investment-grade bonds ended the year at 7.3%, down by 1.1%, while high-yield bond credit spreads tightened by 68 basis points. The five-year Treasury yield, which is close to the average maturity of the high-yield index, fell by 55 basis points to 3.7%, further supporting credit performance. Default rates rose by 40 basis points to 1.7%, while recovery rates improved from 46% to 52%. Public Credit's benchmark returned 12.5% for the year, driven by narrowing credit spreads and a favorable yield environment.

Report on Investment Activity (Continued)

Fiscal Year 2024

Public Real Estate

Credit markets performed well during FY24, buoyed by easing inflation and growing expectations for looser monetary policy. The weighted average yield for below-investment-grade bonds ended the year at 7.3%, down by 1.1%, while high-yield bond credit spreads tightened by 68 basis points. The five-year Treasury yield, which is close to the average maturity of the high-yield index, fell by 55 basis points to 3.7%, further supporting credit performance. Default rates rose by 40 basis points to 1.7%, while recovery rates improved from 46% to 52%. Public Credit's benchmark returned 12.5% for the year, driven by narrowing credit spreads and a favorable yield environment.

Overall, public real estate fundamentals remained robust, with solid earnings growth and strong balance sheets. Rising interest rates led to higher funding costs, but earnings growth was able to offset these impacts. Although the office sector has been a focus of negative headlines in commercial real estate, listed office companies tend to own higher-quality assets than their private counterparts, with better occupancy rates and earnings stability. As a result, the U.S. listed office subsector posted a substantial total return of 30.1% for FY24.

Despite concerns about banks reducing loan exposure to real estate, listed real estate companies had no issues refinancing debt, and the public bond market remained open for them throughout the fiscal year. According to Green Street Advisors, commercial real estate values peaked in March 2022 and bottomed out in December 2023, with a peak-to-trough value decline of 21.6% driven primarily by changes in capital market expectations. Notably, supply constraints were not a significant factor in this down cycle. As of August 2024, commercial real estate values had increased by 3.3% calendar year-to-date.

Public Equity

In FY24, the Public Equity Program earned a return of 25.7% versus the return of 23.0% for the MSCI ACWI IMI benchmark index. The main driver of returns was from the internally managed portfolio, the Lone Star Fund ("Lone Star"), which typically accounts for 75-80% of total public equity assets.

Lone Star achieved impressive performance during the fiscal year with a return of 27.0%, outpacing its benchmark, MSCI ACWI-ex China, by 2.4%. This positive performance occurred despite market volatility and concerns about economic growth throughout the year. Several factors contributed to the favorable market conditions, including cooling inflation, expectations of central bank rate cuts, and ongoing economic recovery in many regions.

Lone Star's outperformance in the U.S. was largely attributed to the stellar performance of the "Magnificent 7" large-cap technology companies. As the year progressed, gains broadened to include strong relative showings in the Health Care, Materials, and Industrial sectors. Positioning within the Consumer Discretionary and Real Estate sectors were the notable laggards. In international developed markets, stock selection within Europe and Japan contributed to outperformance.

Lone Star's performance in emerging markets was positive driven by returns in Taiwan. While not part of the Lone Star portfolio, it is worth noting that China's stock market faced challenges due to economic difficulties and pessimism. In contrast, India's market saw strong gains driven by economic growth and optimism pushing valuations to the higher end of their historic range.

Other notable performance in this program came from an active emerging markets external advisor, stock selection from two external advisors, and positioning within the Global Tactical portfolio. Headwinds during the fiscal year included underperformance from external advisors with a value tilt and stock selection from a recently funded U.S. growth manager.

Report on Investment Activity (Continued)

Fiscal Year 2024

Private Equity

Since its inception through the end of FY24, the Private Equity Program (PE) has committed \$13.1 billion to 239 investments (157 commingled funds and 82 co-investments). Currently, there are 194 active investments, with \$2.7 billion unfunded commitments as of the end of FY24. ERS holds Limited Partner Advisory Committee seats in 97 funds and Limited Partner Observer seats in three funds. Approximately \$11.6 billion in capital has been called, and the net asset value of the portfolio increased to \$6.9 billion, from \$6.5 billion the previous year. ERS has received \$10.8 billion in distributions, resulting in a 0.9x Distribution to Paid-In Capital (DPI), meaning that \$0.90 has been distributed for every \$1.00 invested.

During FY24, the program closed on 24 investments, including 13 co-investments, with commitments totaling \$734 million versus an approved commitment budget of \$600 million and a tactical range of \$450 million to \$750 million. Commitments reached the high end of the tactical range, driven by attractive co-investment opportunities sourced by staff from existing private equity managers.

Despite the slowdown in merger and acquisition activity and declines in private equity valuations, the PE portfolio earned a 5.9% return during FY24. As market interest rates rose, private equity managers sought additional capital from strategic Limited Partners to maintain liquidity and complete transactions. This allowed the PE program to capitalize on co-investment opportunities that contributed to its overall return.

Public Real Estate

ERS' Public Real Estate Program previously consisted of two regional portfolios: the U.S. REIT portfolio and the International Real Estate portfolio. On September 1, 2023, these portfolios merged into a single Global REIT portfolio, significantly simplifying and improving the reporting process. Against the backdrop of this structural change, the investment process remained unchanged.

During FY24, the Portfolio Management team was active in asset allocation, with the public real estate program receiving a net inflow of \$30 million. As of the end of FY24, the program's total value stood at \$758 million, representing 1.9% of the Trust's overall value.

The Global REIT portfolio delivered a strong total return of 19.0% for the fiscal year, outperforming its benchmark by 62 basis points. The primary drivers of this performance were positive stock selection in Australia and Japan, as well as an underweight to Hong Kong. While performance in Continental Europe and the U.S. was negative, these losses were more than offset by strong gains in Asian markets.

Private Real Estate

Since its inception in 2008 through the end of FY24, the Private Real Estate (PRE) program has committed \$6.6 billion to 106 investments (92 commingled funds and 14 co-investments). Approximately \$6.4 billion in capital has been called, and the net asset value of the ERS Private Real Estate portfolio is approximately \$3.8 billion. As of FY24, there are 89 active investments with \$1.2 billion in unfunded commitments. ERS holds Limited Partner Advisory Committee (LPAC) seats in 85 funds and Limited Partner Observer seats in three funds. The portfolio has generated \$4.7 billion in income, realized gains, and principal returns, resulting in a 0.7x Distribution to Paid-In Capital (DPI).

The Private Real Estate program has delivered a 9.7% total time-weighted return (TWR), net of fees, and a 1.3x Total Value to Paid-In Capital (TVPI) since inception. Market disruption and a significant slowdown in transaction volumes resulted in lower-than-expected distributions for FY23 and FY24. However, as the market stabilizes and the portfolio matures, more substantial distributions are expected to balance cash inflows and outflows.

In FY24, ERS committed \$350 million across four investments in both domestic and international strategies with four new investment managers. These investments were above the \$300 million commitment target but within the upper end of the tactical range of \$450 million. The largest of these is a multi-manager Co-Investment Fund,

Report on Investment Activity (Continued)

Fiscal Year 2024

which continues ERS' co-investment strategy but with a new manager. This fund offers an indirect approach to accessing opportunities typically unavailable to ERS through traditional fund investing.

Given the continued market disruption due to rising interest rates and repricing in the sector, the PRE return for FY24 was -5.6% TWR net of fees. However, this significantly outperformed the benchmark return of -10.0%, resulting in a positive relative return of 4.4%. As of the end of FY24, Private Real Estate represented 9.6% of the Trust's assets, exceeding the 9.0% target but within the tactical range of 4.0-14.0%.

The current allocation to Private Real Estate has moderated from elevated levels as private market returns normalize and public market performance improves. The fiscal year-to-date 0.8% NAV increase reflects a combination of capital calls and positive income returns, offset by a 6.0% depreciation in the value of existing portfolio investments. In FY24, the team will add to the portfolio prudently while maintaining balanced vintage year exposure, working toward its 9.0% allocation target.

Private Infrastructure

In FY24, three fund and two co-investment commitments totaling \$190 million were approved for the Private Infrastructure Program. The tactical plan targeted commitments of \$200 million, with a range of \$150 million to \$250 million. The goal was to return the portfolio to its 5.0% target allocation over the coming years while prudently maintaining vintage year diversification.

Since the program's inception, \$3.0 billion in capital has been called, and ERS has received \$1.5 billion in income, realized gains, or principal returns, resulting in a 0.5x Distribution to Paid-In Capital (DPI).

From inception through FY24, the Private Infrastructure program closed 32 co-investments and 30 funds, with commitments totaling \$3.1 billion. ERS holds Limited Partner Advisory Committee seats in 26 funds and observer seats in three funds. At the end of FY24, the Infrastructure portfolio's net asset value stood at \$2.44 billion, or 6.1% of the Trust's assets, compared to \$2.19 billion, or 6.2% at the end of FY23.

Infrastructure continued to demonstrate resilience and inflation protection, partially offsetting the modest increase in discount rates. Although fundraising activity recovered slightly in early 2024, it remains at its slowest pace in nearly a decade. The portfolio benefited from diversification across geography, sectors, currencies, and investment managers. Approximately 66% of the portfolio is invested in developed economies, while 65% is in energy/power and digital infrastructure, two sectors that are currently benefiting from market dynamics related to artificial intelligence deployment.

Public Credit

The Public Credit portfolio returned 12.7% for FY24, exceeding its benchmark by 0.2%, with yields and credit spreads about 0.2% higher than the benchmark. Its option-adjusted duration was roughly equal at three years. A notable difference lies in concentration: the public credit portfolio holds around 500 individual issues, compared to 2,000 in the benchmark. The portfolio was overweight in single-B rated issues and underweight in double-B and triple-C rated ones. It was also overweight by about 2% in oil field services and home construction, while underweight by similar amounts in cable and satellite providers and property and casualty insurers.

Private Credit

Since inception through the end of FY24, the Private Credit portfolio had 17 commitments managed by 10 general partners, with a net asset value (NAV) of \$1.48 billion. Two new commitments of \$75 million were added; including one to an existing investment manager with a distressed credit strategy already in the portfolio, and another to a private credit strategy with a new investment manager. During FY24, one investment was liquidated. These commitments met the FY24 capital plan, which aimed for \$100 million to \$150 million in new commitments to maintain exposure near the 3% target allocation for the Trust. The private credit portfolio delivered a 19.42% return for the year, outperforming its benchmark by 7.3%.

Report on Investment Activity (Concluded)

Fiscal Year 2024

Rates

In FY24, the Rates portfolio achieved a return of 6.9%, surpassing the 6.2% return of the Bloomberg Intermediate Treasury Index. This outperformance was mainly driven by strategic yield curve positioning and exposure to agency and mortgage-backed securities, both of which thrived in favorable market conditions.

Cash

The Cash portfolio also performed well in FY24, supported by higher yields driven by the Federal Reserve's policy. It returned 5.4%, slightly underperforming the 5.5% return of the 91-Day Treasury Bill Index. While higher short-term rates boosted returns, liquidity requirements led to a larger allocation to money market funds, which typically yield less than other permissible investments. Overall, the portfolio's performance was marginally below the benchmark. Nevertheless, the portfolio achieved returns not seen since 2007, when interest rates were similarly elevated.

Hedge Fund

In FY24, the Hedge Funds Program demonstrated its diversification and risk mitigation benefits to the ERS Trust. Despite a market environment dominated by risk-on sentiment, the Program maintained its stability, with minor declines of less than 0.1% in October 2023 and August 2024. However, during more challenging periods, such as September 2023 and April 2024, the Program delivered positive returns, highlighting its diversification advantages.

The Program also benefited from positive performance during risk asset rallies; however, due to its diversification construct, was not able to match the pace of stronger risk-on markets in some months. When considering the Program's beta guideline of 0.4 or less, the Program averaged a beta of 0.26 over a rolling five-year period, limiting its ability to track the Trust's strong performance in FY24. Nevertheless, all five underlying sub-strategies: Relative Value, Event Driven, Equity Long/Short, Global Macro, and Opportunistic were positive and within their respective exposure guidelines.

When evaluating the Hedge Fund Program's performance relative to its benchmark, it is important to consider the FY23 rate hike cycle by the U.S. Federal Reserve. The target rate of 5.5% throughout FY24 resulted in a Treasury Bill-based benchmark return of 9.2%, which presented a headwind for the relative performance of this program. Although the benchmark transition to the HFRI Fund-of-Funds Conservative Index will take effect in FY25, the strategies struggled to keep pace with both the benchmark and broader risk assets during FY24.

During FY24, the Hedge Fund team made \$50 million in top-up investments to two existing hedge fund allocations and redeployed \$35 million in a new hedge fund with an existing manager. Additionally, the team combined the ERS PAAMCO Launchpad Portfolio with the ERS Absolute Return Portfolio, consolidating the Hedge Fund Program into a single portfolio for improved management and oversight.

Key Portfolio Statistics

Statistics	2024	2023
Contributions to Pool	2,966,400,000	2,469,300,000
Withdrawals from Pool	(2,915,100,000)	(2,634,600,000)
Interest & Dividends	945,641,514	810,022,876
Securities Lending Net Income	2,070,069	2,744,744
Net Appreciation in Fair Value	3,653,528,425	1,387,384,469

Basic of Presentation:

Master custodian and the System's financials records. The time weighted method is used to calculate the rates of return.

Outline of Investment Policies

Fiscal Year 2024

Background

The Board of Trustees' investment policies are governed by the Texas Government Code and the Texas State Constitution. As fiduciaries of the System's funds, the Board of Trustees practices the following duties of care:

- Manage the assets for the exclusive benefit of the Beneficiaries;
- Adopt a long-term asset allocation;
- Establish prudent investment policies defining investment objectives and strategies;
- Seek to maximize investment returns while maintaining the safety of principal;
- Diversify the assets to reduce risk of loss;
- Diligently monitor investment performance;
- Efficiently manage the costs associated with implementation of the Trust; and
- Exercise reasonable care consistent with ERS' fiduciary duty, and maintain the integrity of the investment program.

Investments shall be made in securities that are considered prudent investments, exercising the judgment and care, under the circumstances prevailing at the time of the investment, that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income from the disposition and the probable safety of their capital. However, the Board of Trustees shall not participate in individual investment selections unless it is specifically provided for herein because that responsibility has been delegated to the Executive Director and the System's investment staff, with oversight by the Board of Trustees.

Roles and Responsibilities

The Board of Trustees is responsible for formulating, adopting, and overseeing the investment policies of the Trust. The Board shall (i) invest the funds as a single Trust without distinction as to their source (ii) hold securities purchased with such funds collectively for the proportionate benefit of the pension plans. Separate investment objective, investment guidelines, investment strategy and accounting will be used for Texas Employees Group Benefits Program assets.

The Board of Trustees will approve alternative investments over 0.6% of the total fair value of the System's assets as reported in the most recent Annual Comprehensive Financial Report pursuant to Texas Government Code Section 815.3016.

In accordance with Texas Government Code 815.301 (b), the Executive Director is delegated full authority and responsibility by the Board of Trustees to perform the responsibilities of the Board of Trustees and in the implementation of the Trust subject to the Board of Trustees' policies, rules, regulation and directives consistent with constitutional and statutory limitations. The Executive Director will establish procedures and controls for efficient implementation of the Trust by the System's staff. The Executive Director may delegate to another employees of the System any right, power of duty assigned to the Executive Director pursuant to Texas Government Code § 815.202 (f).

Asset Allocation

The Board of Trustees has adopted the assets allocation to improve the long-term expected return and the return relative to the risk taken of the trust. This framework for the asset allocation between return seeking and risk reduction/liquidity assets provides broader diversification and improved returns in disparate economic regimes. This framework is segregated into asset classes that are geared to seek returns and those that provide both risk reduction and liquidity as needed. In addition, the Board of Trustees has established specific sub-targets with minimums and maximums around target allocations.

Outline of Investment Policies (Concluded)

Fiscal Year 2024

Risk Management

The following statements represent the core values and beliefs that form the basis of the risk philosophy for the Trust in a long-term perspective:

- The System's investment program is structured to address systematic risk (or market risk) and non-systematic risk (risks associated with an asset class or portfolio).
- Risk management recognizes that some risks are quantitative or statistically measurable while others are not.
- Risk reporting should be timely, relevant, and understandable.

Risk management is a primary responsibility for the System's staff and investment results will be reviewed in the context of risk-adjusted returns. The Risk Management framework is established through (1) the adoption of the investment policies and the strategic asset allocation, (2) adoption of individual asset class benchmarks, and (3) reasonable risk limits within the investment policies for the implementation of the investment program. The goal is not to eliminate risk but to strive to achieve a balance between risk and return. The System's Chief Investment Officer is responsible for reporting and effectively communicating risk management results to the Board of Trustees on a regular basis.

Permissible Investments

The Board of Trustees will consider investment instruments appropriate for the System's funds and deemed to be prudent based on:

- Compliance with the definition of "securities" set forth in Texas Government Code § 815.301(f);
- Their consistency with Policy and portfolio objectives;
- Their application to the portfolio's diversification;
- The System's staff and /or advisor competency in evaluating, managing and trading the securities;
- Consideration of their liquidity within the portfolio; and
- Associated management fees and other investment expenses.

Proxy Voting

All proxies and bond exchanges shall be voted to consider only those factors that relate to the economic value of the System's investment, and such votes should be cast in accordance with the System's best interest and investment objectives for the funds.

Basis of Presentation: Texas Statute and the System's Investment Policy

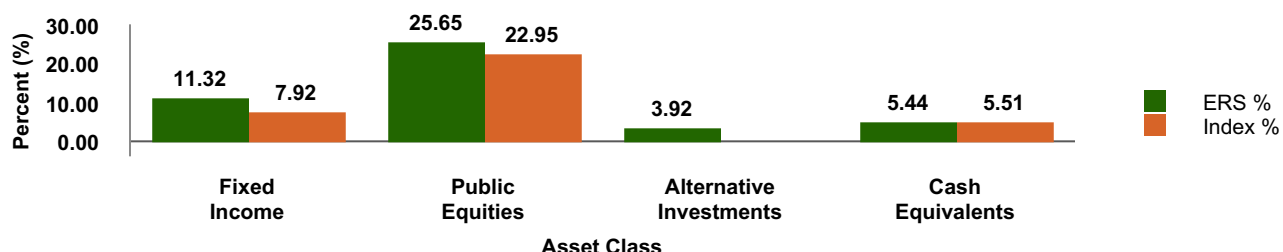
Time-Weighted Rates of Return and Asset Allocations

Investment Pool

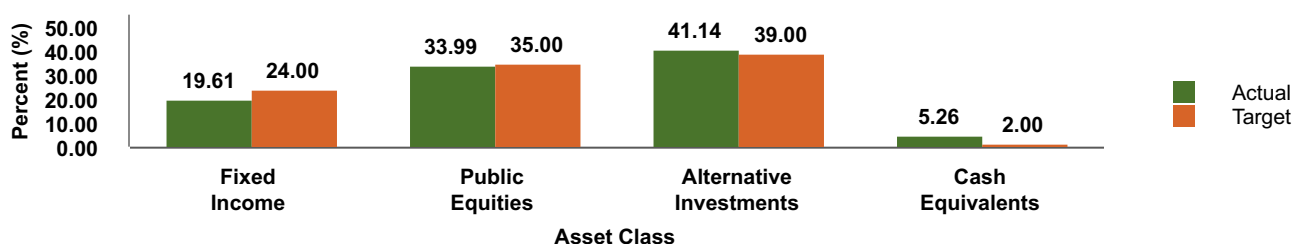
August 31, 2024

	Time-Weighted Rates of Return (Note A)							
	2020	2021	2022	2023	2024	3 Year (2022-2024)	5 Year (2020-2024)	10 Year (2015-2024)
	%	%	%	%	%	%	%	%
Fixed Income								
ERS	4.16	9.17	(6.63)	4.41	11.32	2.76	4.30	3.91
Index	6.41	0.88	(11.85)	(0.39)	7.92	(1.78)	0.34	1.93
Public Equities								
ERS	13.50	31.03	(15.19)	15.04	25.65	7.03	12.76	9.11
Index	15.81	30.43	(16.02)	13.67	22.95	5.48	12.13	8.83
Alternative Investments								
ERS	0.99	31.05	14.64	2.31	3.92	6.91	10.09	9.51
Index	NA	NA	NA	NA	NA	NA	NA	NA
Cash Equivalents								
ERS	1.01	(0.13)	0.50	3.66	5.44	3.18	2.08	2.00
Index	1.26	0.08	0.38	4.28	5.51	3.37	2.28	1.61
ERS Overall								
ERS	6.82	25.46	(1.59)	6.73	12.51	5.72	9.63	7.79
Index	8.17	18.50	(3.38)	5.92	11.77	4.58	7.95	6.76
Change in CPI	1.02	5.26	8.45	3.27	2.92	4.85	4.15	2.82

Overall One Year Time-Weighted Return



Overall One Year Average Asset Allocation



Note A: The Time-Weighted Rate of Return measures the net of fees performance of the total investment portfolio, considering income and market impact, including realized and unrealized gains, and eliminates the effect of timing of cash flows due to contributions and withdrawals which are not controllable by the investment managers. Time-weighted returns are calculated by geometrically linking their respective daily time-weighted returns. The 5-year return is used to smooth market swings and to maintain consistency with the long-term nature of the fund. The Time-Weighted Rate of Return is calculated as follows:

$$\left(\frac{\text{Ending Fair Value}}{\text{Beginning Fair Value} \pm \text{Net External Cash Flows}} - 1 \right) * 100$$

The indices used for comparison are gross of fees. The names of the index are listed as follow:

Fixed Income Securities Portfolio:	Barclays Capital Universal
Public Equities Portfolio:	Public Equity BM
Cash Equivalents Portfolio:	BofA Merrill Lynch 3 Month US Treasury Bill
Consumer Price Index All Item Seasonal Adj 1 Month in Arrears	

Basis of Presentation: Master custodian records.

Broker Commissions

Year Ended August 31, 2024

Domestic Equity

Brokerage Firm	No. of Shares Traded	Commissions	Commission Per Share
		\$	\$
Axo Clearing Inc.	2,275	34	0.015
Baird, Robert W & Co., Inc.	5,123,793	102,476	0.020
Barclays Capital	1,973,550	39,126	0.020
BMO Capital Markets Corp.	2,198,331	41,788	0.019
BNP Parisbas Prime Brokerage, Inc	1,973,550	39,126	0.020
BNY Mellon Clearing	2,198,331	41,788	0.019
Citigroup Global Markets, Inc.	2,862,107	36,875	0.013
Cowen & Co., LLC	2,673,280	53,466	0.020
Goldman Sachs	409,630	6,689	0.016
Instinet LLC	26,749	134	0.005
International Strategy Investment Group, Inc.	5,104,091	102,072	0.020
Jefferies & Co, Inc.	4,426,666	87,101	0.020
JP Morgan Securities, LLC	13,221,496	263,253	0.020
Keybanc Capital Markets, Inc.	1,638,588	32,772	0.020
Liquidnet, Inc.	690,614	13,621	0.020
Merrill Lynch & Co., Inc.	21,775,455	426,146	0.020
Mizuho Securities USA, Inc.	37,556	563	0.015
Morgan Stanley & Co., Inc.	7,989,062	151,884	0.019
National Financial Services, LLC	1,566,186	30,530	0.019
Raymond James & Associates, Inc.	12,037,202	240,316	0.020
RBC Capital Markets	3,069,671	61,393	0.020
Sanford C Bernstein & Co., Inc.	3,837,736	76,755	0.020
Santander	876,173	17,523	0.020
Scotia Holdings (US) Inc.	40,602	609	0.015
SG Americas Securities, LLC	160,748	1,774	0.011
Stifel, Nicolaus & Co., Inc.	4,432,932	88,659	0.020
Truist Bank	336,800	6,736	0.020
UBS	123,663	1,401	0.011
Wells Fargo Securities, LLC	11,804,617	236,092	0.020
	112,611,454	2,200,702	0.020

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Broker Commissions (Concluded)

Year Ended August 31, 2024

International Equity

Brokerage Firm	No. of Shares Traded	Commissions	Commission Per Share
		\$	\$
Baader Bank Ag	135,706	9,104	0.067
Banco Itau International	133,400	752	0.006
Bank of America	151,746	2,239	0.015
Barclays Capital	4,076,250	122,185	0.030
Berenberg	16,069,705	170,240	0.011
BMO Nesbitt Burns	1,175,618	17,149	0.015
BNP Paribus	2,092,313	55,999	0.027
BNY Mellon Clearing	6,025,088	130,507	0.022
Brasil Plural SA	372,200	2,458	0.007
Caceis Bank	6,826,672	198,929	0.029
CGS-CIMB Securities (Hong Kong) Ltd	24,679	4,823	0.195
CIBC Mellon	970,492	14,248	0.015
Citigroup Global Markets, Inc.	18,240,518	124,126	0.007
Clearstream Banking AG	2,740,685	12,425	0.005
CLSA	4,032,000	31,325	0.008
Credit Lyonnais Securities	1,609,530	27,084	0.017
Daiwa Securities	20,640,136	156,492	0.008
Evercore	80,000	1,187	0.015
Goldman Sachs	951	3	0.004
HSBC	9,751	1,362	0.140
Instinet LLC	1,913,651	16,656	0.009
Jefferies & Co, Inc.	30,431,724	332,631	0.011
JP Morgan Securities, LLC	32,986,332	393,994	0.012
KEB Salomon Smith Barney Securities	24,000	8,419	0.351
Liquidnet, Inc.	827,551	24,444	0.030
Macquarie Securities (USA), Inc.	24,346,699	56,534	0.002
Merrill Lynch & Co., Inc.	20,881,839	490,288	0.023
Mizuho Securities USA, Inc.	1,857,900	23,841	0.013
Morgan Stanley & Co., Inc.	26,592,962	305,776	0.011
Raymond James & Associates Inc.	8,450,491	71,832	0.009
RBC Capital Markets	7,700	11	0.001
Sanford C Bernstein & Co., Inc.	1,768,817	71,551	0.040
Santander	3,424,623	29,884	0.009
Scotia Holdings (US) Inc.	32,785	358	0.011
Societe Generale	70,628	23,944	0.339
Stifel, Nicolaus & Co., Inc.	755,000	9,556	0.013
UBS	13,624	43	0.003
	239,793,766	2,942,399	0.012

Basis of Presentation: Master custodian records.

Fees for Alternative Investments

Year Ended August 31, 2024

Investment Type	Asset Value	Management Fees	Profit Share	Other Fees
		(Note A)	(Note B)	
	\$	\$	\$	\$
Private Equity	6,979,714,907	39,935,695	28,506,587	23,536,476
Private Real Estate	3,839,198,256	30,592,087	6,851,022	17,756,784
Private Infrastructure	2,447,065,240	19,808,042	4,910,928	6,785,090
Private Fixed Income	1,481,213,102	244,015	—	2,412,602
Hedge Funds (Note C)	2,706,104,287	25,860,870	19,800,091	10,483,808
Public Equity	240,726,384	894,494	70,013	—
Grand Total	\$17,694,022,176	\$117,335,203	\$60,138,641	\$60,974,760

Note A: These amounts are management fees that the System paid to external entities in the current fiscal year. Any unpaid accruals of management fees as of August 31, 2024 were reported as part of the fair value of Investments.

Note B: These amounts are the profit that the System shared with, and were paid to, external entities in the current fiscal year when the target investment returns of the underlying investments were surpassed.

Note C: The amounts reported are for the period from July 1, 2022 to June 30, 2024.

Investment Advisory and Service Fees

Year Ended August 31, 2024

Advisory Service	Asset Value	Fees	Basis Points	Other Investment Services	Fees
	\$	\$			\$
Public Equity Advisors	1,879,051,089	8,549,463	45	Custodian Fees	1,010,291
Total	1,879,051,089	8,549,463	45	Security Lending Agent Fees	301,211
				Investment Consultant Fees	3,624,100
				Investment Banking Fees:	11,708
				Total	4,947,310

Public Equity Advisors
Acadian Asset Management
Altrinsic Global Advisors
Arrowstreet Capital
Axiom Asset Management
Baillie Gifford & Co
Brandywine Global Investment Management
Global Alpha Capital Management
GQG Partners
J O Hambro Capital Management

Directed Commissions

Consistent with the System's Investment Policy as adopted by the Board of Trustees, and in order to maximize the System's resources including commission dollars generated through trade activity, directed commissions are sometimes used to fund a portion of budgeted investment program expenses. Trade activity in excess of the level required to support research products used by the System's investment staff is directed toward the payment of budgeted items. Directed Commissions totaled \$906,536 during fiscal year 2024.

Basis of Presentation: Master custodian records.

List of Largest Assets Held (Note A)

Year Ended August 31, 2024

Ten Largest Stock Holdings

No. of Shares	Description	Fair Value
2,065,659	APPLE INC	473,035,911
3,942,906	NVIDIA CORP	470,664,689
951,205	MICROSOFT CORP	396,785,654
1,813,160	AMAZON.COM INC	323,649,060
1,582,876	ALPHABET INC	261,348,656
1,475,585	INVESCO S&P 500 EQUAL WEIGHT	259,511,134
419,457	META PLATFORMS INC	218,667,129
7,051,624	TAIWAN SEMICONDUCTOR MANUFACTU	208,087,938
205,652	ELI LILLY & CO	197,430,033
774,370	JPMORGAN CHASE & CO	174,078,376

Ten Largest Fixed Income Security Holdings

Par Value	Description	Fair Value
35,000,000	U S TREASURY NOTE 1.375% 11/15/2031 DD 11/15/21 AA+	29,629,688
30,172,000	US TREAS-CPI INFLAT 1.375% 11/15/2031 DD 11/15/21 AA+	27,389,340
30,000,000	U S TREASURY NOTE 1.625% 05/15/2031 DD 05/15/21 AA+	26,146,875
25,000,000	U S TREASURY NOTE 4.500% 05/31/2029 DD 05/31/24 AA+	25,826,172
25,000,000	U S TREASURY NOTE 4.250% 06/30/2031 DD 06/30/24 AA+	25,660,156
25,000,000	U S TREASURY NOTE 4.000% 07/31/2029 DD 07/31/24 AA+	25,296,875
25,000,000	U S TREASURY NOTE 4.375% 07/31/2026 DD 07/31/24 AA+	25,188,477
25,000,000	U S TREASURY NOTE 2.250% 08/15/2027 DD 08/15/17 AA+	23,927,735
23,033,766	HAWAIIAN BRAND INTELLECTU 144A 11.000% 04/15/2029 DD 07/26/24	23,430,178
24,253,000	JEFFERIES FINANCE LLC / J 144A 5.000% 08/15/2028 DD 08/03/21 BB-	23,042,048

Note A: The investment portfolio listing is available for review at the System's office or the listing will be mailed upon request.

Basis of Presentation: System's financial records

Investment Summary at Fair Value

August 31, 2024

	Pooled Trust Funds (Note A)			Investment Pool	
	Fund 0955	Fund 0977	Fund 0993	Fair Value	% Total
Type of Investment	\$	\$	\$		
Public Equities:					
Domestic Equities	6,905,283,802	367,140,439	139,517,931	7,411,942,172	18.60%
Foreign Equities	4,745,183,800	252,292,145	95,874,152	5,093,350,097	12.78%
Exchange Traded Funds	660,647,649	35,125,344	13,348,067	709,121,060	1.78%
Real Estate Investment Trust	912,902,429	48,537,237	18,444,754	979,884,420	2.46%
Total Public Equities	13,224,017,680	703,095,165	267,184,904	14,194,297,749	35.62%
Fixed Income:					
U.S. Treasury Securities	2,113,977,353	112,396,043	42,711,894	2,269,085,290	5.69%
U.S. Government Agency Obligations	1,155,053,340	61,411,928	23,337,296	1,239,802,564	3.11%
Corporate Obligations	2,062,466,310	109,657,302	41,671,138	2,213,794,750	5.55%
Corporate Asset and Mortgage Backed Securities	43,166,105	2,295,057	872,150	46,333,312	0.12%
Real Estate Investment Trust	6,438,103	342,301	130,079	6,910,483	0.02%
Foreign Obligations	506,440,385	26,926,445	10,232,384	543,599,214	1.36%
Total Fixed Income	5,887,541,596	313,029,076	118,954,941	6,319,525,613	15.85%
Alternative Investments	16,260,240,289	864,525,185	328,530,318	17,453,295,792	43.78%
Other Investments	126,195,257	6,709,555	2,549,714	135,454,527	0.34%
Short-term Investments:					
Investment in Pool Cash	6,969,110	258,979	122,515	7,350,604	0.02%
Other Short-term Investment	1,629,401,497	86,632,092	32,921,271	1,748,954,860	4.39%
Total Short-term Investments	1,636,370,607	86,891,071	33,043,786	1,756,305,464	4.41%
Total Before Securities Lending Collateral (Notes B & C)	37,134,365,430	1,974,250,052	750,263,663	39,858,879,145	100.00%
Securities Lending Collateral	363,963,945	19,328,633	7,350,592	390,643,170	
Total Pension Investment Pool Trust Fund (0888)	37,498,329,375	1,993,578,685	757,614,255	40,249,522,315	
Cash Equivalents:					
Cash in State Treasury	45,967,265	2,673,186	1,676,430		
Total Investments	37,544,296,640	1,996,251,871	759,290,685		

Note A: The Investment Pool Trust Fund (Fund 0888) includes the Employees Retirement Fund (Fund 0955), the Law Enforcement and Custodial Officer Supplemental Retirement Fund (Fund 0977), the Judicial Retirement System Plan Two Fund (Fund 0993).

Note B: Fair value of investments adjusted to comply with the CFA Institute Standards:

	Fair Value				
	Fund 0955	Fund 0977	Fund 0993	Fund 0973	Total
	\$	\$	\$	\$	\$
Total Fair Value of Investments Before Securities Lending Collateral, as above	37,134,365,430	1,974,250,052	750,263,663		39,858,879,145
Unsettled Sales-Investment Receivables	76,522,262	4,068,539	1,546,095		82,136,896
Unsettled Purchases-Investment Payables	(89,410,162)	(4,753,763)	(1,806,489)		(95,970,414)
Accrued Interest and Dividends/Tax Reclaims Receivable/Prepaid Fees	122,952,781	6,537,159	2,484,202		131,974,142
Securities Lending Fees Payables/Miscellaneous Payables	(3,008,538)	(159,958)	(60,786)		(3,229,282)
Total Fair Value of Investments, Adjusted to Comply with the CFA Institute Standards	\$37,241,421,773	\$1,979,942,029	\$752,426,685	\$—	\$39,973,790,487

Note C: The investment portfolio listing is available for review at the System's office or the listing will be mailed upon request.

Basis of Presentation: System's financial records in accordance with the CFA Institute Standards.

Gain Share Interest Rate (GSIR) Calculation

August 31, 2024

Gain Share Interest Rate (GSIR) Calculation

In 2021, the 87th Texas Legislature enacted Senate Bill 321 in an effort to return the ERS Pension Trust to long-term financial solvency and to initiate structural changes to mitigate future financial liability risk.

The legislation established an annual Legacy payment to retire the Trust’s unfunded liabilities by 2054, coupled with a new cash balance benefit for employees. The cash balance benefit, known as Group 4, applies to employees who begin state service on or after September 1, 2022, who do not already have a retirement account with ERS.

As part of the plan design for the cash balance benefit structure, the Legislature included a gain-sharing provision for Group 4 members and annuitants to share in the investment returns generated by the ERS Trust. A gain-sharing adjustment is made to Group 4 member account balances and annuity payments when the average annual net return of Trust fund investments over the preceding five-year matched performance period ending August 31 exceeds 4%. The five-year matched performance figure is calculated using the Global Investment Performance Standards methodology, net of all internal and external investment expenses.

The gain-sharing adjustment to Group 4 members and annuitants is determined solely by the five-year matched performance for the period ending each August 31. Per statute, the ERS Trust and Group 4 population split the returns in excess of 4%. If the five-year matched performance number exceeds 10%, then the gain sharing adjustment to the Group 4 population is capped at 3%. If the five-year matched performance figure is equal to or below 4%, then no gain sharing adjustment is made.

The five-year matched performance number for the period ending August 31, 2024 is 9.48%. This results in a Gain Sharing Interest Rate (GSIR) of 2.74%, rounded to the nearest basis point, to be applied to Group 4 member accounts and annuity payments.

GSIR Calculation	
GSIR =	$(5\text{-year matched performance} - 4\%) \div 2$
GSIR =	$(9.4788\% - 4\%) \div 2$
GSIR =	$5.4788\% \div 2$
GSIR =	2.7394% rounded up to the nearest basis point 2.74%

The gain sharing adjustments will be applied in December 2024. For Group 4 members, the gain sharing adjustment will be applied to their account balance as of August 31. For Group 4 annuitants, the gain sharing adjustment will be applied to their monthly payment amount beginning with their December 31, 2024 payment.

Comparison of Actual versus Assumed Investment Performance

Texas Government Code Chapter 802 requires the System to provide a biennial report comparing actual to assumed rate of returns, and estimates of asset values if the assumed rates of return had been met for 1-year, 5-year, 10-year, and 20-year periods compared to the book value of ERS assets.

	Annualized Return	Weighted Average Assumed Return	Actual Trust Balance	Hypothetical Trust Balance	Accumulated Excess/ (Shortfall)
1 Year	12.51	7.02%	\$39,929,324,638	\$37,950,068,092	\$1,979,256,546
5 Year	9.63	7.01%	39,929,324,638	35,397,536,940	4,531,787,697
10 Year	7.79	7.36%	39,929,324,638	39,767,286,493	162,038,145
20 Year	7.53	7.68%	39,929,324,638	48,825,209,534	(8,895,884,897)

ACTUARIAL SECTION



Pension Plans:

Actuary's Certification Letter
Actuarial Balance Sheets
Summary of Actuarial Methods and Assumptions
Active Member Valuation Data
Retirees and Beneficiaries Added to and Removed from the Annuity Payrolls
Schedule of Funding Progress — Defined Benefit Plans
Solvency Test
Analysis of Financial Experience

State Retirees Health Plan:

Actuary's Certification Letter
Actuarial Valuation Results
Summary of Actuarial Methods and Assumptions
Active Member Valuation Data
Retirees and Nominees Added to and Removed
Schedule of Funding Progress — State Retiree Health Plan



Actuary's Certification Letter – Pension Plans



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November 22, 2024

Board of Trustees
Employees Retirement System of Texas
200 East 18th Street
Austin, TX 78701

Subject: Actuarial Certification for Funded Programs as of August 31, 2024

Members of the Board,

At the request of the Employees Retirement System of Texas (ERS), Gabriel Roeder Smith & Company (GRS) has performed the actuarial valuations of the Employees Retirement Fund (ERF), including separate actuarial valuations of the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF) and the Judicial Retirement System of Texas Plan Two (JRS-2). The information in the Actuarial Section is based on our annual actuarial valuation reports for the three programs, with the most recent valuations conducted as of August 31, 2024, and is intended to be used in conjunction with the full reports.

This letter and the schedules listed below represent GRS' certification of the funded status as required for the financial report for the fiscal year ended August 31, 2024 for ERF, LECOSRF and JRS-2. GRS prepared the *Actuarial Balance Sheets* and the supporting schedules in the Actuarial Section for the Defined Benefit Plans. GRS prepared the *Schedule of Changes in Net Pension Liability and Related Ratios – Defined Benefit Plans* and the *Schedule of Employer Contributions – Defined Benefit Plans* of the Required Supplementary Information and the *Notes to the Required Supplementary Information* for the Defined Benefit Plans presented in the Financial Section of this report. GRS also prepared the *Retired Members by Type of Benefit* schedule in the Statistical Section. Full actuarial valuation reports have also been provided to ERS.

Data

The valuation was based upon information as of August 31, 2024, furnished by ERS staff, concerning system benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by ERS staff.

Actuarial Assumptions and Methods

The assumptions and methods applied in this actuarial valuation were adopted by the Board of Trustees on March 20, 2024 based on the experience investigation that covered the period ending August 31, 2023. We believe the assumptions are internally consistent and are reasonable, based on the actual experience of ERF, LECOSRF and JRS-2, and meet the parameters set by Actuarial Standards of Practice issued by the Actuarial Standards Board.

5605 North MacArthur Boulevard | Suite 870 | Irving, Texas 75038-2631

Actuary's Certification Letter – Pension Plans (Continued)

Board of Trustees
November 22, 2024
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The actuarial assumptions and methods used to develop the *Schedules of Changes in the Employers' Net Pension Liability and Related Ratios* and the *Schedule of Employer Contributions*, noted above, meet the parameters set forth in the disclosures presented in the Financial Section by Government Accounting Standards Board Statement No. 67.

For financial reporting purposes, a blended discount rate, calculated under the methods prescribed by GASB Statement No. 67, was used to determine the actuarial present value of projected benefit payments. The fiduciary net position and future contributions were sufficient to finance all projected future benefit payments of current plan members for all three plans (ERF, LECOSRF and JRS-2). As a result, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. All actuarial methods and assumptions are the same for both funding and financial reporting purposes.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. A review of the impact of a different set of assumptions on the funded status of ERF, LECOSRF and JRS-2 is outside the scope of this actuarial valuation.

The current actuarial assumptions are outlined in the section titled "Summary of Actuarial Methods and Assumptions – Pension Plans."

Benefits

There were no material changes to the plan provisions of ERF and LECOSRF during the past year. A cash balance structure was adopted for judges who take office on or after September 1, 2024. The current benefit provisions are outlined in the section titled "Summary of Plan Provisions."

Board Funding Policy

The ERS Board of Trustees approved the Pension Funding Priorities and Guidelines on May 23, 2018 and adopted updates in August, 2020. For the Board, adoption of this policy is intended to:

- enhance communications and provide transparency to the Legislature and plan members and retirees regarding Board of Trustees' positions on plan funding strategy;
- provide policy guidance to current and future Boards;
- ensure that legislators, elected officials and other stakeholders have clear and accurate information about the Trust's funding goals and the needs of the Board in supporting sound fiduciary investment decisions in accordance with Texas Government Code Section 815.106; and
- identify a recommended plan for the state of Texas, as the plan sponsor, to achieve a 100% funded ratio while following funding best practices and sound actuarial principles, in accordance with Texas Government Code Section 802.2011.

The policy states that the main objective of ERS' retirement programs is to fully fund the long-term cost of benefits provided by statute, through disciplined and timely accumulation of contributions and prudent



Actuary's Certification Letter – Pension Plans (Continued)

Board of Trustees
November 22, 2024
Page 3

investment of assets to deliver earned benefits on a continuing basis. In support of this objective, the policy laid out a multi-level funding period goal to gradually achieve funding on sound actuarial principles:

1. Fund normal costs,
2. Avoid trust fund depletion of the pre-funded plans,
3. Meet current statutory standard of a less than 31-year funding period for unfunded liabilities, per Texas Government Code Sections 811.006 and 840.106, and
4. Match funding period to the average years of service at retirement once a 31-year funding period is achieved, and closed.

Funding Policy and Objectives – Employees Retirement Fund

Senate Bill 321, enacted during the 2021 Regular Legislative Session, introduced a new level dollar contribution structure in Texas Government Code Section 815.407, called Legacy Payments. These amounts are budgeted for each biennium to fully amortize the Unfunded Actuarial Accrued Liability (UAAL) as required before the end of fiscal year 2054. The 2023 Legislature appropriated \$510 million per year for fiscal years 2024 and 2025. We recommended a continued appropriation of \$510 million which is still expected to eliminate the UAAL before the end of fiscal year 2054. The target date of 2054 produces an amortization period of 30 years as of this 2024 valuation.

For transparency, based on the results of this actuarial valuation, the minimum annual Legacy Payment beginning in FY2025 that would be expected to eliminate the UAAL by 2054 in accordance with Section 815.407 is \$312 million. However, we recommend the actual contributions remain at the \$510 million shown in the original legislative analysis. This will not only accelerate the pace the UAAL is eliminated, but will significantly reduce the volatility experienced in the Legacy Payments from biennium to biennium.

The unfunded actuarial accrued liability (UAAL) decreased from \$14.0 billion as of August 31, 2023 to \$13.9 billion as of August 31, 2024. **Combined with the new Legacy Payment contribution structure, and assuming all other assumptions are met, it is likely the UAAL will decrease slowly for the next few years and then start to more meaningfully decline year over year going forward.**

The funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 70.8% to 72.0% as of August 31, 2024. This increase in the funded ratio was primarily due to gains on the actuarial value of assets, updated actuarial assumptions, and expected improvement based on the funding policy. The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

With the Legacy Payment structure, every objective of this policy should eventually be met. This valuation finds ERF now meets the first, second, and third levels of the policy. In addition, since the new policy has a closed amortization structure, actuarial projections indicate the fourth level will be met within the next decade.



Actuary's Certification Letter – Pension Plans (Continued)

Board of Trustees
November 22, 2024
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Funding Policy and Objectives – Law Enforcement and Custodial Officer Supplemental Retirement Fund

The member contribution rates are established by State statute and the State contribution rate is set by State statute and legislative appropriation. Member contributions are 0.50% of compensation for all members hired before September 1, 2022 and 2.00% for members hired on or after September 1, 2022, resulting in a blended rate of 0.82% as of September 1, 2024. For the fiscal year beginning September 1, 2023, House Bill 1 increased State contributions from 0.50% to 1.25% of payroll. LECOSRF also receives a portion of the court fees collected under Section 133.102 of the Local Government Code. The contribution from this source is expected to be approximately \$12.0 million for fiscal year 2025 and all subsequent years. It should be noted that level dollar contributions from court fees in future years will result in total contributions that are not expected to remain level as a percent of payroll over time. For fiscal year 2025, the contribution from court fees is expected to be approximately 0.61% of payroll. The total expected contribution for fiscal year 2025, as a rate of pay, is 3.18%.

The surplus of LECOSRF increased from \$0.1 million as of August 31, 2023 to a surplus of \$27.8 million as of August 31, 2024. Additionally, the LECOSRF funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 100.0% to 101.5%, as of August 31, 2024.

The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

There is no unfunded liability and all Board objectives are currently being met. The total contribution rate for the current fiscal exceeds the normal cost of 2.20% of pay, and is sufficient to fund the ongoing costs of the plan.

Funding Policy and Objectives – Judicial Retirement System Plan Two

The member contribution rates are established by State statute and the State contribution rate is set by State statute and legislative appropriation. For the fiscal year beginning September 1, 2024, members who took office before September 1, 2024 and are accruing benefits contribute 9.50% of pay. Since some active JRS-2 members have elected to cease contributing to the plan as well as cease accruing additional benefits, the effective member contribution rate of members who took office before September 1, 2024 for the fiscal year beginning September 1, 2024 is 9.36% of payroll. Members taking office on or after September 1, 2024 contribute 6.00% of pay. For the fiscal year beginning September 1, 2023, House Bill 1 increased State contributions from 15.663% to 19.25% of payroll. The total expected contribution for fiscal year 2025, as a rate of pay, is 28.61%.

The unfunded actuarial accrued liability (UAAL) of JRS-2 increased from a surplus of \$7.8 million as of August 31, 2023 to a UAAL of \$5.3 million as of August 31, 2024. Additionally, the JRS-2 funded ratio—actuarial value of assets divided by the actuarial accrued liability—decreased from 101.2% to 99.3%, as of August 31, 2024. This decrease in the funded ratio was primarily due to the impact of updated actuarial assumptions.



Actuary's Certification Letter – Pension Plans (Concluded)

Board of Trustees
November 22, 2024
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The funded status is one of many metrics used to show trends and develop future expectations about the health of a retirement system. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

The total contribution rate for the current fiscal year falls short of the total normal cost. However, due to the new benefit structure, it is expected in future years for the total contribution rate to exceed the total normal cost and become sufficient to fund the ongoing costs of the plan. It is anticipated that the total contribution rate will exceed the normal cost starting in fiscal year 2026. Given current contribution rates and plan provisions, the plan is expected to return to full funding in six years projecting off the smoothed or actuarial value of assets.

Certification

All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. Actuarial valuations are performed on an annual basis. In our opinion, our calculations also comply with the requirements of, where applicable, the Governmental Accounting Standards Board, the Internal Revenue Code and ERISA.

The signing actuaries are independent of the plan sponsor. Mr. Newton and Ms. Woolfrey are Enrolled Actuaries and Fellows of the Society of Actuaries, and all of the undersigned are Members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries. Finally, each of the undersigned are experienced in performing valuations for large public retirement systems.

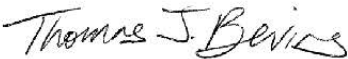
Respectfully submitted,
Gabriel, Roeder, Smith & Company



Dana Woolfrey, FSA, EA, MAAA
Senior Consultant & Actuary



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



Thomas J. Bevins, ASA, MAAA
Consultant & Actuary



Actuarial Balance Sheet –

Employees Retirement Fund

August 31, 2024 (With Comparative Totals at August 31, 2023)

ACTUARIAL BALANCE SHEET	August 31, 2024	August 31, 2023
Assets:		
Actuarial Value Assets	\$35,838,357,056	\$33,976,699,535
Present Value of Future Normal Cost		
Member	6,317,595,198	5,692,606,062
Employer	2,532,837,484	2,319,556,692
Total	8,850,432,682	8,012,162,754
Total	\$44,688,789,738	\$41,988,862,289
Liabilities:		
Present Value of Benefits		
Active Members		
– service retirement	\$24,978,836,388	\$23,037,112,089
– disability	185,443,160	210,393,714
– death before retirement	227,600,902	203,245,511
– termination	2,258,048,874	2,081,409,177
Total	27,649,929,324	25,532,160,491
Inactive Members	2,337,486,965	2,272,889,683
Annuitants	28,631,028,820	28,199,563,604
Total	\$58,618,445,109	\$56,004,613,778
Unfunded Accrued Liability (UAL)	\$13,929,655,371	\$14,015,751,489
SUMMARY OF ACTUARIAL VALUATION RESULTS		
Total Contribution Rate	18.8%	19.1%
Annual Legacy Contribution	510,000,000	510,000,000
Normal Cost		
– dollars	\$1,258,289,928	\$1,155,896,644
– percent of payroll	13.15%	13.52%
Contribution Available to Amortize UAL	5.65%	5.56%
Accrued Liability	\$49,768,012,427	\$47,992,451,024
Amortization Period in Years	30 years	31 years
Funded Ratio	72.0%	70.8%
Valuation Payroll	\$9,568,744,703	\$8,549,531,392
Active Members	144,049	139,958

Actuarial Balance Sheet –

Law Enforcement and Custodial Officers Supplemental Retirement Fund

August 31, 2024 (With Comparative Totals at August 31, 2023)

ACTUARIAL BALANCE SHEET	August 31, 2024	August 31, 2023
Assets:		
Actuarial Value Assets	\$1,898,238,611	\$1,799,822,260
Present Value of Future Normal Cost		
Member	103,451,465	82,073,780
Employer	173,284,946	172,009,171
Total	276,736,411	254,082,951
Total	\$2,174,975,022	\$2,053,905,211
Liabilities:		
Present Value of Benefits		
Active Members		
– service retirement	\$994,995,864	\$951,747,974
– disability	3,507,137	4,971,920
– death before retirement	4,803,682	4,843,259
– termination	33,108,029	23,228,957
Total	1,036,414,712	984,792,110
Inactive Members	18,677,923	16,931,716
Annuitants	1,092,046,518	1,052,070,258
Total	\$2,147,139,153	\$2,053,794,084
Unfunded Accrued Liability (UAL)	(\$27,835,869)	(\$111,127)
SUMMARY OF ACTUARIAL VALUATION RESULTS		
Total Contribution Rate	2.57%	2.43%
Estimated Contribution from Court Fees	\$12,000,000	\$15,000,000
Normal Cost		
– dollars	\$43,256,361	\$37,915,290
– percent of payroll	2.20%	2.11%
Contribution Available to Amortize UAL	0.37%	0.32%
Accrued Liability	\$1,870,402,742	\$1,799,711,133
Funded Ratio	101.50%	100.00%
Valuation Payroll	\$1,966,198,220	\$1,796,933,176
Active Members	32,143	31,744

Actuarial Balance Sheet –

Judicial Retirement System of Texas Plan Two Fund

August 31, 2024 (With Comparative Totals at August 31, 2023)

ACTUARIAL BALANCE SHEET	August 31, 2024	August 31, 2023
Assets:		
Actuarial Value Assets	\$719,189,544	\$679,356,349
Present Value of Future Normal Cost		
Member	62,207,161	58,863,794
Employer	112,565,383	101,851,850
Total	174,772,544	160,715,644
Total	\$893,962,088	\$840,071,993
Liabilities:		
Present Value of Benefits		
Active Members		
– service retirement	\$415,488,696	\$351,676,948
– disability	17,648,554	15,985,074
– death before retirement	5,656,238	5,319,800
– termination	21,884,003	32,231,757
Total	460,677,491	405,213,579
Inactive Members	18,604,260	21,526,506
Annuitants	420,016,111	405,563,937
Total	\$899,297,862	\$832,304,022
Unfunded Accrued Liability (UAL)	\$5,335,774	(\$7,767,971)
SUMMARY OF ACTUARIAL VALUATION RESULTS		
Total Contribution Rate	28.610%	28.610%
Normal Cost		
– dollars	\$29,537,379	\$26,549,914
– percent of payroll	30.090%	28.240%
Contribution Available to Amortize UAL	(1.480)%	0.370%
Accrued Liability	\$724,525,318	\$671,588,378
Funded Ratio	99.300%	101.200%
Valuation Payroll	\$98,163,440	\$94,015,277
Active Members	658	623

Summary of Actuarial Methods and Assumptions – Pension Plans

In August 2024, the Board of Trustees of the System adopted the actuarial methods and assumptions for the Employees Retirement System (ERS), the Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOSRF), and the Judicial Retirement Plan II Fund (JRS II) with assistance from the System's actuary and based on the actuarial experience study that covered the fiscal years from 2019 to 2023. No plan provision change took place in fiscal year 2024. This actuarial valuation also incorporates the most significant across-the-board pay increases budgeted by the State Legislature when they are granted for the current biennium.

The System relies on the services of qualified actuaries to perform periodic valuations of the assets and liabilities of the pension funds. Gabriel, Roeder, Smith and Company has been the pension actuary for the System since June 2013. The actuarial methods used for the three funds are summarized in Figure 1.

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method was used for the actuarial valuation. Actuarial gains and losses resulting from differences between actual and assumed experience are recognized as they occur each year. These gains or losses increase or decrease the unfunded actuarial accrued liability.

The normal cost rate is based on the benefits payable to each individual member. As a result, the normal cost is expected to change over time as the number of members eligible for the newest benefit provisions increases over time. For LECOSRF and JRS II, a fixed contribution rate is set by statute and an open group projection is used to project the amount available to amortize the unfunded liability and to determine the years required to amortize the unfunded actuarial accrued liability (or, funding period). For ERS, an open group projection is used to calculate the most appropriate Legacy Payment in accordance with Section 815.407.

Actuarial Valuation of Assets

The actuarial value of assets is based on the fair value of assets with a five-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original time frame. Expected investment income is determined using the assumed investment return rate and the fair value of assets (adjusted for receipts and disbursements during the year). The returns are computed net of investment-related expenses.

For actuarial assumptions, the members of the System are segregated into four groups – Regular State Employees, Law Enforcement and Custodial Officer (LECO) Members, Elected Class, and Judicial Class. The economic assumptions for these groups are summarized in Figure 1.

Pension Liability for GASB Statement 67 Reporting

The calculation of the liability associated with the benefits to satisfy the reporting requirements of GASB Statement No. 67 is not applicable for purposes of funding the plan. A calculation of the plan's liability for other purposes may produce significantly different results. The Schedule of Employer Contribution in the Required Supplementary Information section provides a comparison of the actuarial determined contribution to actual contribution.

Summary of Actuarial Methods and Assumptions – Pension Plans (Continued)

**Figure 1
Economic Assumptions for Employee Classes**

	Regular State Employees and LECO Members	Elected Class	Judicial Class
Investment Rate of Return	7.0% per year, compounded annually.		
Administrative Expenses (As a percentage of payroll per year, compounded annually)	ERS Fund: 0.40% LECOSRF: 0.12%	0.40%	0.33%
Inflation	2.30%	Legislators: 0.00% Others: 2.30%	2.30%
Salary Increase:	<ul style="list-style-type: none"> Includes 2.3% annual increase for inflation plus increases for merit, promotion and longevity. See Table 1 for rates of salary increase for sample ages. 	<ul style="list-style-type: none"> No real wage growth No increase in merit, promotion, and longevity except for District Attorneys. See Table 2 below for the salary structure for District Attorneys. 	<ul style="list-style-type: none"> No real wage growth See Table 2 below for the salary structure for judges.
Payroll Growth per Year, Compounded Annually	2.70% per year, compounded annually		2.30% per year, compounded annually
Post-retirement Increase	N/A	2.30% per year, compounded annually	N/A

**Table 1
Economic Assumption –
Rates of Merit, Promotion and Longevity Salary Increases
For Regular State Employees and LECO Members, Male and Female (Note A)**

Age	Years of Service – Non-CPO/CO							Years of Service – CPO/CO					
	0	1	2-4	5-9	10-14	15-19	20+	0	1	2-4	5-8	9-17	18+
20	6.50%	4.95%	4.45%	4.00%				6.45%	4.45%	2.95%	1.95%	1.70%	1.45%
30	5.60	4.95	4.45	2.70	2.20%	1.70%		6.45	4.45	2.95	1.95	1.70	1.45
40	4.60	4.45	3.70	2.70	2.20	1.60	1.50%	6.45	4.45	2.95	1.95	1.70	1.45
50	3.60	3.40	2.90	2.40	1.90	1.40	1.30	6.45	4.45	2.95	1.95	1.70	1.45
60+	2.60	2.40	2.00	1.70	1.30	1.10	1.00	6.45	4.45	2.95	1.95	1.70	1.45

Note A: No salary increases are assumed where no rates are shown.

**Table 2
Economic Assumption –
Rates of Merit, Promotion and Longevity Salary Increases
For District Attorneys in the Elected Class and Judges, Male and Female**

Age	Years of Eligibility Service		
	Less than 4	4 or more, but less than 8	8 or more
All	State base salary	110% of State base salary	120% of State base salary

Summary of Actuarial Methods and Assumptions – Pension Plans (Continued)

The demographic assumptions are summarized in Tables 3 to 9.

Table 3
Demographic Assumption –
Annual Rates of Termination from Active Employment before Retirement (Note B)

Eligibility Service	Male and Female Regular State Employees		Male and Female LECO Members		Male and Female State Judges	
	Entry age 35 or younger	Entry age over 35	Eligibility Service	All entry ages	Eligibility Service	All entry ages
0	25.25%	18.65%	0	27.77%	0	5.00%
5	10.86	7.75	5	10.64	5	4.00
10	5.67	4.85	10	5.99	10	3.00
15	3.64	3.13	15	3.51	12+	2.00
20	1.92	0.95	19+	0.00		
25+	0.85	0.95				

Elected Class: 4 per 100 members not eligible for service retirement

Note B: Entry age is the determined as a member's current age minus their current years of State service, which is generally the age at which the member was hired with the State.

Table 4
Demographic Assumption –
Mortality Rates for Active Members (Notes C & D)

Age	Regular State Employees		LECO Members	
	Females	Males	Females	Males
20	0.0130%	0.0370%	0.0160%	0.0410%
30	0.0150	0.0360	0.0270	0.0410
40	0.0360	0.0660	0.0490	0.0590
50	0.0830	0.1490	0.0910	0.1200
60	0.1860	0.3190	0.1680	0.2640
65	0.2960	0.4680	0.2280	0.4100

Note C: It is assumed that 1.0% of Regular State Employee and LECO Member deaths are occupational. It is also assumed that there are no occupational deaths of members in the Elected and Judicial Classes.

Note D: The base rates indicated above are based on the Pub-2010 Active Member Mortality Tables, General for Non-LECO and Public Safety for LECO. Additionally, generational mortality improvements are projected from the year 2010 based on the Ultimate MP scale.

Table 5
Demographic Assumption –
Mortality Rates for Service Retirees and Beneficiaries (Note E)

Age	Females (All)	Males (Non-LECO)	Males (LECO)
50	0.1179%	0.1771%	0.1975%
55	0.2086	0.3052	0.3403
60	0.3691	0.5260	0.5865
65	0.6530	0.9066	1.0109
70	1.1554	1.5627	1.7424
75	2.0443	2.6933	3.0031
80	3.6170	4.6421	5.1761

Summary of Actuarial Methods and Assumptions – Pension Plans (Continued)

Table 6
Demographic Assumption –
Mortality Rates for Disability Retirees (Note F)

Age	Females	Males
50	2.5000%	3.0000%
55	2.5000	3.0000
60	2.5000	3.0000
65	2.5000	3.0000
70	2.5000	3.0000
75	2.8789	3.7337
80	5.0937	6.4353

Note E: The base rates indicated above are based on the 2020 State Retirees of Texas Mortality Tables. Rates shown for male LECO Members are based on the same base rates with ages set forward one year. Additionally, generational mortality improvements are projected from the year 2020 based on the Ultimate MP scale.

Note F: The base rates indicated above are based on the 2020 State Retirees of Texas Mortality Tables, with ages set forward three years, subject to minimum rates of 3.0% and 2.5% for males and females, respectively. Additionally, generational mortality improvements are projected from the year 2020 based on the Ultimate MP scale.

Table 7
Demographic Assumption –
Disability Retirement Rates (Note G)

Age	Regular State Employees, Elected Class and Judicial Class		LECO Members
	Females	Males	Females & Males
	30	0.0108%	0.0220%
40	0.0717	0.0599	0.0391
50	0.1657	0.1187	0.1183
60	0.4466	0.2992	0.2100

Note G: It is assumed that 99% of Regular State Employee disability retirements are non-occupational and 1% of Regular State Employee disability retirements are occupational. Similarly, it is assumed that 95% of LECO Member disability retirements are non-occupational, 4.5% of LECO Member disability retirements are non-total occupational, and 0.5% of LECO Member disability retirements are total occupational. It is also assumed that there are no occupational disability retirements in the Elected and Judicial Classes. The rates do not apply before the member is eligible for the benefit.

Table 8
Demographic Assumption –
Percentage of Members Electing Various Benefit Options (Notes H & I)

	Option Selection Percentage		
	Standard	Option 1	Option 4
Male Member			
Disability	50%	50%	0%
Service Retirement			
Non-LECO Members	100%	0%	0%
LECO Members	60%	40%	0%
Death Benefit Plan	0%	85%	15%
Female Member			
Disability	75%	25%	0%
Service Retirement	100%	0%	0%
Death Benefit Plan	0%	70%	30%

Note H: Descriptions of Options 1 and 4 are presented in the Summary of Plan Provisions in the Introductory Section.

Note I: Male member is assumed to be two years older than female beneficiary; and female member is assumed to be two years younger than male beneficiary.

Summary of Actuarial Methods and Assumptions – Pension Plans (Concluded)

Table 9
Demographic Assumption –
Service Retirement Rate (Note J and K)
Regular State Employees – Males & Females

Age	Eligibility A Rule of 80	Eligibility B Other Age / Service
<50	25%	
50	25	
51	25	
52	25	
53	25	
54	24	
55	23	
56	22	
57	21	
58	20	
59	20	
60	20	18%
61	20	12
62	30	20
63-64	25	18
65-74	30	27
75	100	100

LECO Members
Males & Females (Note J and K)

Age	Eligibility C 20 yrs CPO/CO	Age	Eligibility D Age 55 & 10 yrs CPO/CO
<48	3%		
48	5		
49	5		
50	50	55-61	20%
51-59	28	62-64	30
60-74	50	65-74	40
75	100	75	100

Elected Class

Age	Male & Female
50-61	15%
62-74	15
75	100

Judicial Class (Note L)

Age	Male & Female	
	Unreduced	Reduced
50-64	20%	10%
65-69	20	N/A
70-74	25	N/A
75	100	N/A

Note J: No service retirements are assumed where no rates are shown.

Note K: Service retirement rates are determined by the first set of eligibility requirements satisfied. Adjustments are made to individuals depending on their age of first eligibility or reduced retirement benefits, based on date of hire.

Eligibility A: Age plus eligibility service is greater than or equal to 80 ("Rule of 80")

Eligibility B: Regular State Employee retirement eligibility other than Rule of 80

Eligibility C: 20 years of CPO/CO service

Eligibility D: Age 55 and 10 years of CPO/CO service

Note L: Judicial Class members are assumed to retire when they have accrued a standard retirement annuity of 90% of salary.

Active Member Valuation Data

Valuation Year August 31	Number (Note A)	Actual Annual Payroll	Average Pay (Note B)	Change in Average Pay
		\$	\$	%
Employees Retirement Fund:				
2015	142,409	6,150,194,660	44,990	1.4
2016	146,390	6,742,143,036	46,495	3.3
2017	141,629	6,859,706,582	47,986	3.2
2018	141,535	6,811,925,525	48,581	1.2
2019	141,865	6,947,624,737	49,220	1.3
2020	142,062	7,158,435,103	50,834	3.3
2021	136,726	7,188,367,590	51,910	2.1
2022	133,751	7,205,607,848	55,856	7.6
2023	139,958	7,856,401,438	61,086	9.4
2024	144,049	8,744,407,894	62,516	2.3
Law Enforcement and Custodial Officer Supplemental Retirement Fund:				
2015	38,526	1,506,027,764	41,957	0.9
2016	39,066	1,725,879,688	44,634	6.4
2017	38,206	1,746,349,412	45,029	0.9
2018	37,167	1,689,590,272	45,321	0.6
2019	36,296	1,682,633,066	45,305	0.0
2020	35,230	1,662,147,480	46,250	2.1
2021	32,498	1,586,537,362	46,768	1.1
2022	31,075	1,581,949,840	53,682	14.8
2023	31,744	1,704,482,394	56,607	5.4
2024	32,143	1,845,546,173	57,607	1.8
Judicial Retirement Plan Two Fund:				
2015	563	77,500,736	142,721	(0.1)
2016	548	78,260,550	142,770	0.0
2017	557	78,189,668	142,424	(0.2)
2018	561	78,772,445	142,731	0.2
2019	573	79,710,813	142,600	(0.1)
2020	570	88,578,603	157,563	10.5
2021	584	89,582,518	155,597	(1.2)
2022	583	90,027,734	155,929	0.2
2023	623	91,665,033	150,907	(3.2)
2024	658	94,801,206	149,185	(1.1)

Note A: Number of active contributing members as of August 31, excluding those who retired August 31 because they were included as retirees in the actuarial valuation.

Note B: The average rate of salary is based on the salary for the month of August.

Retirees and Beneficiaries Added to and Removed from the Annuity Payrolls

Valuation Year August, 31	Added to Rolls		Removed from Rolls		Other Beneficiaries		Rolls end of Year		Increase Average	
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	Annual Benefits	Annual Benefit
	\$		\$		\$		\$		%	\$
Employees Retirement Fund:										
2015	6,042	134,725,212	2,506	40,066,764	627	10,129,440	100,003	1,940,308,200	5.7	19,402
2016	5,668	132,332,424	2,555	42,411,504	642	10,458,660	103,758	2,040,687,780	5.2	19,668
2017	5,967	141,001,272	2,869	48,060,288	674	11,351,772	107,530	2,144,980,536	5.1	19,948
2018	6,029	151,352,376	2,912	49,203,420	714	11,816,892	111,361	2,258,946,384	5.3	20,285
2019	6,034	155,789,472	2,910	49,004,268	670	11,670,672	115,155	2,377,402,260	5.2	20,645
2020	5,264	136,837,956	3,104	53,016,372	681	11,670,036	117,996	2,472,893,880	4.0	20,957
2021	5,418	137,951,364	3,943	62,890,008	823	13,298,124	120,294	2,561,253,360	3.6	21,292
2022	5,543	149,841,072	3,781	63,698,916	664	11,906,352	122,720	2,659,301,868	3.8	21,670
2023	4,490	123,789,624	3,580	60,919,476	874	15,012,948	124,504	2,737,184,964	2.9	21,985
2024	4,107	116,687,748	3,568	62,781,120	789	13,088,316	125,832	2,804,179,908	2.4	22,285
Law Enforcement and Custodial Officer Supplemental Retirement Fund:										
2015	959	4,989,900	197	1,336,440	59	332,088	10,845	57,383,916	7.5	5,291
2016	803	4,540,728	205	1,149,108	72	305,328	11,515	61,080,864	6.4	5,304
2017	876	5,132,832	214	1,106,412	71	310,464	12,248	65,417,748	7.1	5,341
2018	966	6,151,404	205	1,094,460	71	287,868	13,080	70,762,560	8.2	5,410
2019	1,020	6,720,840	179	981,720	60	284,784	13,981	76,786,464	8.5	5,492
2020	873	5,648,916	230	1,150,728	73	346,260	14,697	81,630,912	6.3	5,554
2021	847	5,608,728	282	1,349,016	81	347,100	15,343	86,237,724	5.6	5,621
2022	812	5,203,620	301	1,222,752	69	459,288	15,923	90,677,880	5.1	5,695
2023	616	4,436,964	264	1,094,676	93	199,272	16,368	94,219,440	3.9	5,756
2024	624	5,118,324	305	1,515,996	114	467,628	16,801	98,289,396	4.3	5,850
Judicial Retirement Plan Two Fund:										
2015	57	4,365,012	9	467,832	7	403,020	322	20,478,840	26.6	63,599
2016	10	555,060	5	319,908	4	289,548	331	21,003,540	2.6	63,455
2017	48	3,177,144	8	448,908	7	383,532	378	24,115,308	14.8	63,797
2018	16	1,032,864	6	481,368	5	309,336	393	24,976,140	3.6	63,553
2019	83	6,458,064	6	424,044	2	122,124	472	31,132,284	24.6	65,958
2020	18	1,399,572	7	527,352	1	29,868	484	32,034,372	2.9	66,187
2021	51	4,633,020	12	643,452	5	295,224	528	36,319,164	13.4	68,786
2022	15	1,264,092	10	627,228	3	142,608	536	37,098,636	2.1	69,214
2023	50	4,095,768	12	726,420	5	434,856	579	40,902,840	10.3	70,644
2024	11	866,004	13	818,976	8	467,424	585	41,417,292	1.3	70,799

Schedule of Funding Progress – Defined Benefit Plans

Actuarial Valuation Date August 31	(a) Actuarial Value of Assets	[Note A] (b) Actuarial Accrued Liability (AAL)	(c) (Overfunded) Unfunded AAL (UAAL) (b) - (a)	(b) Funded Ratio (a) / (b)	[Note B] (e) Covered Payroll	(f) UAAL As A Percentage Of Covered Payroll (c) / (e)
	(000's)	(000's)	(000's)	%	(000's)	%
Employees Retirement Fund:						
2015	25,850,542	33,868,360	8,017,818	76.3	6,659,647	120.4
2016	26,557,130	35,303,165	8,746,035	75.2	6,806,457	128.5
2017	26,371,827	37,629,785	11,257,958	70.1	6,796,226	165.7
2018	27,359,943	38,989,263	11,629,320	70.2	6,875,887	169.1
2019	28,060,120	39,801,359	11,741,239	70.5	6,984,577	168.1
2020	28,543,208	43,258,312	14,715,104	66.0	7,221,559	203.8
2021	30,065,356	44,183,687	14,118,331	68.0	7,144,623	197.6
2022	31,615,915	45,862,486	14,246,571	68.9	7,470,848	190.7
2023	33,976,700	47,992,451	14,015,751	70.8	8,549,531	163.9
2024	35,838,357	49,768,012	13,929,655	72.0	9,568,745	145.6
Law Enforcement and Custodial Officer Supplemental Retirement Fund:						
2015	909,249	1,262,311	353,062	72.0	1,750,709	20.2
2016	933,534	1,312,392	378,858	71.1	1,743,679	21.7
2017	923,990	1,399,877	475,887	66.0	1,720,362	27.7
2018	953,054	1,452,658	499,604	65.6	1,684,458	29.7
2019	968,130	1,482,635	514,505	65.3	1,644,392	31.3
2020	968,063	1,609,587	641,524	60.1	1,629,387	39.4
2021	997,652	1,650,353	652,701	60.5	1,585,644	41.2
2022	1,014,062	1,729,355	715,293	58.6	1,668,172	42.9
2023	1,799,822	1,799,711	(111)	100.0	1,796,933	0.0
2024	1,898,239	1,870,403	(27,836)	101.5	1,966,198	(1.4)
Judicial Retirement System Plan Two Fund:						
2015	372,615	404,011	31,396	92.2	80,352	39.1
2016	395,457	425,865	30,408	92.9	78,238	38.9
2017	420,850	463,604	42,754	90.8	79,330	53.9
2018	447,078	487,772	40,694	91.7	80,072	50.8
2019	467,787	534,564	66,777	87.5	91,027	73.4
2020	486,802	591,230	104,428	82.3	89,811	116.3
2021	523,026	618,047	95,021	84.6	90,869	104.6
2022	553,371	642,307	88,936	86.2	90,906	97.8
2023	679,356	671,588	(7,768)	101.2	94,015	(8.3)
2024	719,190	724,526	5,336	99.3	98,163	5.4

Note A: For ERS, LECOS and JRSII, the actuarial accrued liability along with funded ratio are based on a total liability, which is based on the benefit provisions in effect for each active member and a normal cost rate that is based on the benefits in effect for new members after plan changes in August 31, 2009, August 31, 2013 and August 31, 2022.

Note B: Covered payroll is the expected payroll for the fiscal year following the valuation date.

Note C: A history of contributions by Fund, the ADC compared to the actual contributions paid, including the deficiency or (excess), for each of the last 10 years, is shown in the Schedule of Employer Contributions, found on page 99 in the Required Supplementary Information (RSI) in the Financial Section

Solvency Test

Funding Objective

The System's funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will pay all promised benefits when due – the ultimate test of financial soundness.

Evaluation of Funding Objective

A short-term solvency test is one way of evaluating a system's progress under its funding program. In a short-term solvency test, the plan's present assets are compared with:

1. Active member contributions on deposit;
2. The liabilities for future benefits to present retirees; and
3. The liabilities for service already rendered by active members.

In a system that has been following the level contribution rate of payroll financing principle, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retirees (liability 2) will be fully covered by present assets except in rare circumstances.

In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. Generally, if the system has been using level contribution rate financing, the funded portion of liability 3 will increase over time.

Solvency Test (Concluded)

Following is a summary of the solvency test:

Valuation Year August 31,	Aggregate Accrued Liabilities For			Valuation Assets	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Member (Employer Financed Portion)		(1)	(2)	(3)
	\$	\$	\$	\$	%	%	%
Employees Retirement Fund (Note A):							
2015	5,235,063,313	18,080,000,823	10,553,295,814	25,850,542,024	100.0	100.0	24.0
2016	5,509,428,282	19,017,977,910	10,775,759,170	26,557,130,705	100.0	100.0	18.8
2017	5,709,094,713	21,378,759,742	10,541,930,919	26,371,827,298	100.0	96.7	0.0
2018	5,897,455,633	22,527,977,524	10,563,830,405	27,359,943,116	100.0	95.3	0.0
2019	6,044,422,496	23,686,007,554	10,070,928,628	28,060,120,223	100.0	92.9	0.0
2020	6,278,991,035	25,604,780,179	11,374,540,859	28,543,207,745	100.0	87.0	0.0
2021	6,524,147,307	26,547,208,800	11,112,331,059	30,065,356,135	100.0	88.7	0.0
2022	6,691,282,397	27,520,483,591	11,650,720,103	31,615,914,625	100.0	90.6	0.0
2023	7,019,857,575	28,199,563,604	12,773,029,845	33,976,699,535	100.0	95.6	0.0
2024	7,414,146,567	28,631,028,820	13,722,837,040	35,838,347,948	100.0	99.3	0.0
Law Enforcement and Custodial Officer Supplemental Retirement Fund (Note A):							
2015	34,455,599	578,926,025	648,929,765	909,249,614	100.0	100.0	45.6
2016	41,480,394	618,987,770	651,924,337	933,534,062	100.0	100.0	41.9
2017	47,025,982	702,926,185	649,924,490	923,989,580	100.0	100.0	26.8
2018	51,536,313	762,668,410	638,453,074	953,054,283	100.0	100.0	21.7
2019	54,737,312	829,115,833	598,782,057	968,129,751	100.0	100.0	14.1
2020	58,423,646	920,353,836	630,809,578	968,062,761	100.0	98.8	0.0
2021	61,910,663	970,572,535	617,869,803	997,651,850	100.0	96.4	0.0
2022	64,465,378	1,016,336,633	648,552,957	1,014,061,586	100.0	93.4	0.0
2023	70,297,895	1,052,070,258	677,342,980	1,799,822,260	100.0	100.0	100.0
2024	79,960,329	1,092,046,518	698,395,895	1,898,238,611	100.0	100.0	100.0
Judicial Retirement Plan Two Fund (Note A):							
2015	67,427,634	194,524,402	142,058,536	372,615,005	100.0	100.0	77.9
2016	73,450,388	196,779,287	155,635,632	395,457,335	100.0	100.0	80.5
2017	72,977,421	241,314,049	149,312,220	420,850,181	100.0	100.0	71.4
2018	78,282,916	246,496,810	162,991,820	447,077,710	100.0	100.0	75.0
2019	70,242,531	308,068,547	156,252,668	467,787,034	100.0	100.0	57.3
2020	79,308,832	324,704,726	187,216,568	486,802,031	100.0	100.0	44.2
2021	82,231,905	366,259,992	169,555,598	523,026,487	100.0	100.0	44.0
2022	89,229,671	369,345,293	183,732,253	553,371,109	100.0	100.0	51.6
2023	90,460,332	405,563,937	175,564,109	679,356,349	100.0	100.0	100.0
2024	99,057,086	420,016,111	205,452,121	719,189,544	100.0	100.0	97.4

Note A: For 2016 and prior, the actuarial accrued liability for ERS and LECOS is based on a total liability which is based on the benefit provisions in effect for each active member and a normal cost rate which is based on the benefits in effect for members hired after August 31, 2013.

Analysis of Financial Experience

Actual financial experience will not coincide exactly with assumed financial experience because the future cannot be predicted with 100 percent precision. The assumed experience should be changed to reflect observed reality when an actuarial investigation reveals that the difference between actual and assumed experience in the various risk areas to be material and persistent.

If the differences between actual and assumed experience is financially favorable or unfavorable, such differences are called actuarial gains or losses. In the actuarial valuation of the System, actuarial gains and losses are recognized immediately, with actuarial gains decreasing the unfunded actuarial accrued liability and actuarial losses increasing the unfunded actuarial accrued liability. A general description of actuarial gains and losses for age and service retirements, disability retirements, death-in-service benefits, and withdrawal from employment is summarized as follows:

Age and Service Retirement:

If members retire at younger (older) ages or with final average pay that is higher (lower) than assumed, there is a loss (gain).

Disability Retirement:

If disability claims are more (less) than assumed, there is a loss (gain).

Death-in-Service Benefit:

If survivor claims are more (less) more than assumed, there is a loss (gain).

Withdrawal from Employment:

If withdrawals are less (more) than assumed, there is a loss (gain).

The gains and losses in actuarial accrued liabilities resulting from differences between assumed experience and actual experience are summarized as follows:

Type of Activity	Increase/(Decrease) in Unfunded Accrued Liability for Year (in Millions)					
	ERS		LECOS		JRS II	
	2024	2023	2024	2023	2024	2023
Contribution Income and Interest on Unfunded Actuarial Accrued Liability						
If contributions are received in excess of both the normal cost and interest on the unfunded actuarial accrued liability, there is a decrease. If less, an increase.	(108.5)	(925.8)	(19.6)	(723.6)	1.7	(91.7)
Components of (Gain)/Loss						
<u>Investment Income</u> If there is greater investment income than assumed on the actuarial value of assets, there is a gain. If less income, a loss.	(323.6)	(152.1)	(23.9)	(11.4)	(7.3)	(5.8)
<u>Active Member Demographics</u> Combined (gain)/loss from age and service retirements, disability retirements, death-in-service benefits, and withdrawal from employment.	61.9	20.5	6.3	2.6	(6.1)	3.9
<u>Pay Increases</u> If there are smaller pay increases than assumed, there is a gain. If greater increases occur, a loss.	676.2	869.1	22.2	15.9	(5.5)	(3.8)
<u>Death After Retirement</u> If retirees live longer than assumed, there is a loss. If not as long, a gain.	(55.9)	(28.3)	(1.3)	(0.5)	0.5	1.5
<u>Other</u> Miscellaneous (gains)/losses resulting from data adjustments, timing of financial transactions, valuation methods, etc.	(37.4)	(14.2)	(1.6)	1.6	1.7	(0.8)
Increase/(Decrease) in Unfunded Accrued Liability During Year from Financial Experience	212.7	(230.8)	(17.9)	(715.4)	(15.0)	(96.7)
Non-Recurring Items						
Adjustments for plan amendments, changes in actuarial assumptions, increase in Service Retirement Formula, legislative action, etc.	(298.8)	0.0	(9.8)	0.0	28.1	0.0
Composite Increase/(Decrease) During Year	(86.1)	(230.8)	(27.7)	(715.4)	13.1	(96.7)

Actuary's Certification Letter - State Retiree Health Plan



EMPLOYEES RETIREMENT SYSTEM OF TEXAS
GROUP BENEFITS PROGRAM
FY24 GASB No. 74 ACTUARIAL VALUATION

Section I - Certification of GASB No. 74 Actuarial Valuation

At the request of the Employees Retirement System of Texas (ERS), we have performed an actuarial valuation of the Other Post-Employment Benefits provided under the Texas Employees Group Benefits Program (GBP) for the twelve-month period ending August 31, 2024 (GBP OPEB). The purpose of this report is to present the results of our valuation and provide the information necessary to determine financial statement entries consistent with the Governmental Accounting Standards Board Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (GASB No. 74).

Actuarial computations under GASB No. 74 are for purposes of fulfilling governmental plan financial accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of GASB No. 74 and the GBP. The information presented in this report is solely for purposes of compliance with GASB No. 74. This report does not provide any advice with respect to the manner in which the benefits are funded (i.e., pay-as-you go funding as opposed to prefunding the benefits).

We have based our valuation on current and former employee data as of August 31, 2024 provided by ERS, former employee data as of August 31, 2024 provided by the Teachers Retirement System (TRS) and plan provisions provided by ERS. We have used the actuarial methods and assumptions described in Section VIII of this report. The actuarial valuation has been performed on the basis of the plan benefits described in Section IX.

To the best of our knowledge, all current active and retired employees eligible to participate in the plan as of the valuation date and all other individuals who have a vested benefit under the plan have been included in the valuation. Furthermore, to the best of our knowledge and belief, all plan benefits have been considered in the development of costs.

ERS and TRS remain solely responsible for the accuracy and comprehensiveness of the respective data provided. However, to the best of our knowledge, no material biases exist with respect to any imperfections in the data provided by these sources. To the extent that any imperfections exist in the data records, we have relied on best estimates provided by ERS and TRS. We have not audited the data provided, but have reviewed it for reasonableness and consistency relative to previously provided information. We have utilized ProVal, a software licensed from Winklevoss Technologies, LLC, in the development of the liabilities summarized in the report. We have independently confirmed the model developed by Winklevoss and have sufficiently tested it to ensure the model provides an accurate representation of the plan's liabilities.

To the best of our knowledge, the actuarial information supplied in this report is complete and accurate. In our opinion, each of the assumptions used is reasonably related to the experience of the plan and to reasonable expectations and represents our best estimate of anticipated experience under the plan solely with respect to that individual assumption. All of our work conforms to generally accepted actuarial principles and practices and to the Actuarial Standards of Practice issued by the Actuarial Standards Board. We are neither aware of any material inconsistencies among the assumptions, nor are we aware of any unreasonable results caused by the aggregation of the assumptions.

Rudd and Wisdom, Inc. prepared the following schedules in the Actuarial Section of the ERS ACFR for the State Retiree Health Plan: (a) Active Member Valuation Data, (b) Retirees and Nominees Added and Removed and (c) Schedule of Funding Progress.

The undersigned individuals are members of the American Academy of Actuaries who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Mitchell L. Bilbe, F.S.A.
Member of American Academy of Actuaries

Philip S. Dial, F.S.A.
Member of American Academy of Actuaries

Christopher S. Johnson, F.S.A.
Member of American Academy of Actuaries

Khiem D. Ngo, F.S.A.
Member of American Academy of Actuaries

Actuarial Valuation Results



EMPLOYEES RETIREMENT SYSTEM OF TEXAS
GROUP BENEFITS PROGRAM
FY24 GASB No. 74 ACTUARIAL VALUATION

Summary of Results for FY2024

Actuarial Valuation Results as of August 31, 2024		
	(\$ thousands)	As a % of Payroll
1. Number of Members (actual count, not in thousands)		
a. Actives	236,923	
b. Deferred Vested	16,545	
c. Retirees and Nominees	141,420	
d. Total Number of Members	394,888	
2. Payroll of Active Members for FY2024	\$15,356,459	
3. Actuarial Present Value of Projected Benefit Payments		
a. Actives	\$26,641,702	
b. Deferred Vested	2,113,601	
c. Retirees and Nominees	13,099,958	
d. Total	\$41,855,261	272.6%
4. Total OPEB Liability		
a. Actives	\$14,231,558	
b. Deferred Vested	2,113,601	
c. Retirees and Nominees	13,099,958	
d. Total	\$29,445,117	191.7%
5. Fiduciary Net Position	\$139,527	0.9%
6. Net OPEB Liability [4.d - 5]	\$29,305,590	190.8%
7. Actuarially Determined Contribution for FYE August 31, 2024		
a. Normal Cost	\$1,064,494	6.9%
b. Amortization of Net OPEB Liability	1,145,722	7.5%
c. Total ADC for FYE August 31, 2024	\$2,210,216	14.4%

Summary of Actuarial Methods and Assumptions – State Retiree Health Plan

Consistency with Assumptions Used for Retirement Plan Valuations

Most of the employees and retirees covered by the Group Benefits Program are also covered by either the System or Teacher Retirement System (TRS) retirement plans that are subject to periodic actuarial valuations. Where appropriate, assumptions were utilized that were previously adopted by the System and TRS Boards for use in performing the retirement plan valuations. However, certain aspects of the OPEB valuation process require the use of assumptions that are unique to OPEB; for example, the discount rate assumption and the health benefit cost trend assumption as discussed below.

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method was used for the actuarial valuation. Actuarial gains and losses resulting from differences between actual and assumed experience are recognized as they occur each year. These gains or losses increase or decrease the unfunded actuarial accrued liability. Unfunded net OPEB liability is amortized over 30 years as a level percentage of projected payroll.

Changes in Actuarial Assumptions

Since the last valuation was prepared for this plan, demographic assumptions (including the mortality projection scale for all State Agency members; base mortality for Judges; assumed rates of retirement for certain members who are Regular Class, Elected Class or Certified Peace Officers/Custodial Officers (CPO/CO); assumed rates of termination for certain members who are Regular Class, Judges or Certified Peace Officers/Custodial Officers (CPO/CO); and assumed rates of disability for all State Agency members) have been updated to reflect assumptions recently adopted by the ERS Trustees.

These new assumptions were adopted to reflect an experience study on the ERS retirement plan performed by the ERS retirement plan actuary.

In addition, assumed Per Capita Health Benefit Costs and assumed Health Benefit Cost and Retiree Contribution trends have been updated to reflect recent experience and its effects on our short-term expectations. In addition, (a) the percentage of future retirees assumed to be married and electing coverage for their spouse, (b) the proportion of future retirees assumed to elect health coverage at retirement and the proportion of future retirees expected to receive the Opt-Out Credit at retirement, and (c) the Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends.

Lastly, the discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Discount Rate Assumptions

In accordance with Paragraph No. 48 of GASB No. 74, the discount rate should be the single rate that reflects the following:

- (a) the long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (i) the OPEB plan's fiduciary net position (i.e., plan assets) is projected to be sufficient to make projected benefit payments and (ii) OPEB plan assets are expected to be invested using a strategy to achieve that return, and
- (b) the municipal bond rate which is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions in (a) are not met.

Summary of Actuarial Methods and Assumptions – State Retiree Health Plan (Continued)

For each future period, if the amount of the OPEB plan's fiduciary net position is projected to be greater than or equal to the benefit payments that are projected to be made in that period and OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, the actuarial present value of benefit payments projected to be made in the period should be determined using the long-term expected rate of return on those investments. Per Paragraph No. 52 of GASB No. 74, the long-term expected rate of return should be based on the nature and mix of current and expected OPEB plan investments over a period representative of the expected length of time between (1) the point at which a plan member begins to provide service to the employer and (2) the point at which all benefits to the plan member have been paid. For this purpose, the long-term expected rate of return should be determined net of OPEB plan investment expense but without reduction for OPEB plan administrative expense. The municipal bond rate discussed in (b) above should be used to calculate the actuarial present value of all other benefit payments. The discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined using the long-term rate of return and the municipal bond rate applied to the appropriate periods as described above.

For this plan, the amount that the participating employers contribute to the OPEB plan each year is limited to the anticipated cost of providing benefits incurred during that year. As a result, the GBP is not expected to accumulate funds. (Although there are some accumulated funds as of August 31, 2024, such funds provide less than a full year's benefit payments and are expected to be depleted shortly.) Since no plan assets are expected to accumulate, the discount rate must be based solely on the municipal bond rate discussed in (b) above. The discount rate for the fiscal year ending August 31, 2024 is 3.87% based upon the Bond Buyer Index of general obligation bonds with 20 years to maturity with an average credit quality that is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA rating.

Health Benefit Cost Trend

For purposes of this valuation, the health benefit cost trend represents the expected annual rate of increase in health benefit costs, excluding the effects of changes in demographics and changes in plan provisions.

The health benefit cost trend has exceeded the rate of price increases in the general economy, as measured by changes in the Consumer Price Index (CPI), for many decades. Although this pattern is expected to continue for the foreseeable future, many economists anticipate that the degree to which the health benefit cost trend exceeds general inflation will eventually abate. These economists believe that the health benefit cost trend will reach an ultimate level that still exceeds general inflation, but not by as wide a margin as in past decades.

The health benefit cost trend assumption used in this report begins with our short term expectations of expected health benefit cost increases in the next year and gradually declines to a rate that exceeds the assumed rate of general price inflation by 2.0%.

Changes in Plan Provisions

Under Q/A #4.107 of GASB's Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, any plan changes that have been announced to plan members by the plan's fiscal year-end must be included in the valuation even if such plan changes do not affect plan benefits until a future period. Accordingly, this valuation reflects the minor benefit changes that became effective September 1, 2024, since these changes were announced to plan members in advance of August 31, 2024. These minor benefit changes, which are not expected to have a significant impact on plan costs for FY2025, are provided for in the FY2025 Assumed Per Capita Health Benefit Costs.

Medicare Part D

The Medicare Prescription Drug Improvement and Modernization Act of 2003 introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy, the Retiree Drug Subsidy (RDS), to sponsors of retiree healthcare benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to the basic coverage provided under Medicare Part D.

Summary of Actuarial Methods and Assumptions – State Retiree Health Plan (Continued)

For purposes of GASB No. 74, the valuation of future OPEB may not reflect the anticipated receipt of future RDS payments as required under GASB Technical Bulletin No. 2006-1. The Bulletin requires that the RDS payments to an employer be reported by the employer as revenue, rather than being netted against the employer's OPEB cost for prescription drug coverage.

ERS implemented an Employer Group Waiver Plan plus Commercial Wrap (EGWP plus Wrap) on January 1, 2013 in order to provide the plan with the benefit of increased subsidies and discounts available under such an arrangement. ERS is no longer eligible for the RDS for retirees enrolled in the EGWP plus Wrap. As a result, the RDS has been significantly reduced.

Variability in Future Actuarial Measurement

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in economic or demographic assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- Changes in plan provisions, applicable law or applicable accounting standards.

Retiree group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements.

Economic Assumptions

Administrative Expenses

The expenses directly related to the payment of GBP health benefits are \$185.64 for medical for HealthSelect plus \$36.00 for prescription drugs for HealthSelect and HealthSelect Medicare Advantage per year per covered member for FY2025. The expenses per covered member are the same regardless of whether the member covers dependents.

Affordable Care Act (ACA) Fees

The assumed Patient-Centered Outcomes Research Institute (PCORI) fee payable under the ACA (per year per covered member) is \$4.29 for FY2025. Under current law, the PCORI fee will be applicable to the GBP for members enrolled in the self-funded HealthSelect Plan through August 31, 2029; i.e., through FY2029. During that period, the fee is projected to increase at a rate of 5% per year.

Stop-loss Reinsurance

Stop-loss reinsurance is not purchased for the Group Benefits Program.

Discount Rate

Equal to the municipal bond rate of 3.87%.

The source of the municipal bond rate is the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In describing their index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Summary of Actuarial Methods and Assumptions – State Retiree Health Plan (Concluded)

Health Benefit Cost Trend

The Annual Rate of Increase in Per Capita Health Benefit Cost assumptions are shown below.

Fiscal Year	Annual Rate of Increase	
	HealthSelect	HealthSelect Medicare
	%	%
2026	5.60	36.00
2027	5.60	8.00
2028	5.25	5.25
2029	5.00	5.00
2030	4.75	4.75
2031	4.50	4.50
2032	4.40	4.40
2033 and beyond	4.30	4.30

Trend Rate for Retiree Contributions

The portions of retiree contributions attributable to non-life insurance benefits for both HealthSelect and HealthSelect Medicare Advantage Plan are assumed to increase from their amounts in fiscal year 2025 at the rates shown below.

Fiscal Year	Annual Rate of Increase	
	HealthSelect	HealthSelect Medicare
	%	%
2026	8.00	15.45
2027	8.00	10.50
2028	7.05	9.25
2029	6.30	7.95
2030	5.60	6.65
2031	5.05	5.75
2032	4.65	4.90
2033 and beyond	4.30	4.30

Expense Trend Rate

The expenses directly related to the payment of GBP Health benefits are assumed to increase 2.30% per annum.

Trend Rate for the Opt-Out Credit and Additional Contribution for Tobacco Users

The monthly opt-out benefit of \$60 and additional monthly contribution of \$30 paid by tobacco users in fiscal year 2025 is not assumed to increase in the future.

Health Coverage by Governmental Plans There has been no consideration of anticipated changes in laws concerning health costs covered by governmental programs. However, presently enacted changes in the law that take effect in future periods that will affect future benefit coverages are considered. The proportion of health benefits which are currently covered by governmental programs has been assumed to remain constant in the future.

Active Member Valuation Data – State Retiree Health Plan

Valuation Year August 31,	Number of Members (Note A)			Actual Annual Payroll Note			Average Pay			% Change in Average Pay (Note B)		
	Not Medicare Eligible	Medicare Eligible	Total	Not Medicare Eligible	Medicare Eligible	Total	Not Medicare Eligible	Medicare Eligible	Overall	Not Medicare Eligible	Medicare Eligible	Overall
			\$	\$	\$	\$	\$	\$	\$	%	%	%
2015			230,023			11,176,584,000			48,589			1.4
2016			235,108			11,786,869,000			50,134			3.2
2017	218,237	11,962	230,199	10,940,126,454	805,183,603	11,786,869,000	50,130	67,312	51,203			2.1
2018	219,333	12,578	231,911	11,201,279,203	845,887,455	12,047,166,658	51,070	67,251	51,947	1.9	(0.1)	1.5
2019	220,937	12,950	233,887	11,440,052,736	879,975,428	12,320,028,164	51,780	67,952	52,675	1.4	1.0	1.4
2020	219,474	12,893	232,367	11,752,663,149	902,583,538	12,655,246,687	53,549	70,006	54,462	3.4	3.0	3.4
2021	212,114	12,790	224,904	11,682,386,853	904,003,280	12,586,390,133	55,076	70,680	55,963	2.9	1.0	2.8
2022	208,778	12,626	221,404	11,826,633,702	907,496,230	12,734,129,932	56,647	71,875	57,515	2.9	1.7	2.8
2023	215,982	13,137	229,119	12,797,739,903	967,411,202	13,765,151,105	59,254	73,640	60,079	4.6	2.5	4.5
2024	222,949	13,974	236,923	14,266,824,557	1,089,634,188	15,356,458,745	63,991	77,976	64,816	8.0	5.9	7.9

Note A: Includes return-to-work retirees and employees who have not yet satisfied the 90-day waiting period. Active members are reported by the eligibility of Medicare since the implementation of GASB Statement 74 in Fiscal year 2017.

Retirees and Nominees Added and Removed– State Retiree Health Plan

Valuation Year August 31,	Added to Rolls		Removed from Rolls		Rolls End of Year		Increase/ (Decrease) Annual Benefits	Average Annual Benefit
	No.	Annual Benefits	No.	Annual Benefits	No. (Note A)	Annual Benefits		
		\$		\$		\$	%	\$
2015	7,880	86,944,401	3,339	36,841,035	109,311	863,926,547	6.2	7,903
2016	7,431	88,326,138	3,312	39,366,999	113,430	912,885,686	5.7	8,048
2017	8,046	149,945,106	3,596	67,014,989	117,880	995,815,803	9.1	8,448
2018	8,228	(104,727,144)	3,758	(47,832,354)	122,350	938,921,013	(5.7)	7,674
2019	8,435	179,098,524	3,741	79,431,841	127,044	1,038,587,696	10.6	8,175
2020	7,806	77,337,422	3,940	39,035,286	130,910	1,076,889,832	3.7	8,226
2021	8,255	(22,869,993)	4,648	(12,877,011)	134,517	1,066,896,850	(0.9)	7,931
2022	8,352	(129,163,245)	4,516	(69,839,705)	138,353	1,007,573,310	(5.6)	7,283
2023	6,621	680,200,693	5,333	547,879,519	139,641	1,139,894,484	13.1	8,163
2024	6,223	258,985,431	4,444	184,947,976	141,420	1,213,931,939	6.5	8,584

Note A: Includes retirees who receive the Opt-Out Credit in lieu of health benefits.

Schedule of Funding Progress – State Retiree Health Plan

Actuarial Valuation Date August 31	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) (Overfunded) Unfunded AAL (UAAL) (b) - (a)	(b) Funded Ratio (a)/(b)
	(000's)	(000's)	(000's)	%
2015	—	25,740,698	25,740,698	0.00
2016	—	27,091,372	27,091,372	0.00
2017	709,783	34,782,794	34,073,011	2.04
2018	380,430	30,018,172	29,637,742	1.27
2019	59,936	34,622,611	34,562,675	0.17
2020	104,947	33,149,579	33,044,632	0.32
2021	135,653	36,011,160	35,875,507	0.38
2022	162,575	28,649,540	28,486,965	0.57
2023	169,980	26,887,510	26,717,530	0.63
2024	139,527	29,445,117	29,305,590	0.47

Note A: A history of contributions by State Retiree Health Plan, the ADC compared to the actual contributions paid, including the deficiency or (excess), for each of the last 10 years, is shown in the Schedule of Contributions from Employers and Non-employer Contributing Entities, found on page 101 in the Required Supplementary Information in the Financial Section.

STATISTICAL SECTION



Summary of Statistical Section

Governmental Activities:

Net Position

Changes in Net Position

Governmental Funds:

Fund Balances

Changes in Fund Balances

Changes in Net Position:

Proprietary Fund

Defined Benefit Plans

Deferred Compensation Plan and Cafeteria Plan

Benefit and Refund Payments — Defined Benefit Plans

Average Benefit Payments — Employee Class

Retired Members by Type of Benefit

Contribution Rates

Other Statistical Information:

Defined Benefit Plans

Other Programs

List of Participating Reporting Entities for State Retiree Health Plan



This section contains additional historical perspective, context, and detail to assist financial statement users in understanding the System's economic condition and benefit offerings.

Financial Trends

The following statistical information provides trends to assist in understanding changes over time in financial performance of the benefit offerings:

- Net Position – Governmental Activities
- Changes in Net Position – Governmental Activities
- Fund Balances – Governmental Funds
- Changes in Fund Balances – Governmental Funds
- Changes in Net Position – Proprietary Fund
- Changes in Net Position – Defined Benefit Plans
- Changes in Net Position – Deferred Compensation Plans and Cafeteria Plan

Operating Information

The following statistical information provides benefit and member data to assist in understanding of the System's operations and benefit offerings:

- Benefit and Refund Payments – Defined Benefit Plans
- Average Benefit Payments – Employee Class
- Retired Members by Type of Benefit
- Contribution Rates
- Other Information: Defined Benefit Plans
- Other Information: Other Programs
- List of Participating Reporting Entities for State Retiree Health Plan

Net Position – Governmental Activities

Last Ten Fiscal Years (in 000's)
(Accrual Basis of Accounting)

This schedule provides ten year trend information for restricted and unrestricted assets. The information source of this schedule is Exhibit I.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental Activities:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted	440,466	498,874	87,945	1,060,687	2,033,429	2,591,955	2,967,760	3,129,543	3,431,614	3,572,880
Unrestricted	17	22	4	25	4	1	6	4	—	—
Total Governmental Activities	440,483	498,896	87,949	1,060,712	2,033,433	2,591,956	2,967,766	3,129,547	3,431,614	3,572,880

Changes in Net Position – Governmental Activities

Last Ten Fiscal Years (in 000's)
(Accrual Basis of Accounting)

This schedule provides trend information for the last ten fiscal years for expenses, program revenues, general revenues, and net revenues. The information source of this schedule is Exhibits II and VI.

	Fiscal Year (Note A)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Expenses	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governmental Activities:										
Social Security Administration	178	139	152	85	94	117	94	84	74	164
Judicial Retirement System Plan I						19,941	18,712	17,768	16,876	15,858
Death Benefits:										
Peace Officers, Firemen, etc. and Victims of Crime	3,162	9,281	12,326	14,337	9,831	11,339	29,103	29,013	21,784	25,569
Retiree \$5,000 Lump Sum	9,286	10,080	10,893	10,167	9,811	9,696	11,891	9,574	13,235	11,896
Employees Life, Accident and Health Insurance and Benefits	2,278,887	2,474,420	2,449,674	2,177,769	2,225,963	2,315,145	2,512,943	2,475,292	2,507,397	2,917,425
Total Expenses	2,291,513	2,493,920	2,473,045	2,202,358	2,245,699	2,356,238	2,572,743	2,531,731	2,559,366	2,970,912
Program Revenues										
Governmental Activities:										
Charges for Services:										
Administration Fees	71	71	70	70	73	66	72	81	73	239
Appropriations:										
Judicial Retirement System Plan I							18,712	17,768	16,876	15,858
Death Benefits:										
Peace Officers, Firemen, etc. and Victims of Crime	3,162	9,281	12,326	14,337	9,831	11,339	29,103	29,013	21,784	25,567
Retiree \$5,000 Lump Sum	9,289	10,075	10,893	10,167	9,811	9,696	11,891	9,574	13,280	11,851
Insurance Contributions:										
Employer	1,834,956	1,992,220	1,963,388	2,582,653	2,529,624	2,219,782	2,190,022	2,211,812	2,130,270	2,200,357
Member	495,723	521,361	562,140	559,111	562,373	545,585	577,654	563,124	585,612	604,297
Other	121	120	125	135	141	142	165	165	143	120
Operating Grants and Contributions:										
Investment Income	6,298	19,492	13,569	5,631	91,752	95,789	108,192	(138,226)	92,454	249,806
Other	2,945	1,386	1,782	2,981	14,815	12,374	12,715	200	940	4,083
Total Program Revenues	2,355,727	2,563,287	2,576,619	3,189,422	3,228,251	2,926,053	2,977,629	2,722,524	2,883,216	3,112,178
General Revenues										
Transfers	90	115	(1,673)	64	37	—	48	27	—	—
Total General Revenues	90	115	(1,673)	64	37	—	48	27	—	—
Net Revenue Governmental Activities	64,304	69,482	101,901	987,128	982,589	569,815	404,933	190,820	323,850	141,266

Note A: Because of the implementation of GASB Statement 84 Fiduciary Activities, Judicial Retirement System Plan I is reclassified from an Agency Fund to a General Fund beginning in Fiscal Year 2020.

Fund Balances – Governmental Funds

Last Ten Fiscal Years (in 000's)
(Modified Accrual Basis of Accounting)

This schedule provides information on the modified accrual basis of accounting for the last ten fiscal years for committed Social Security Administration Funds and Total Governmental Funds. The information source of this schedule is Exhibit III. Please see Note 1.E for the System's descriptions for modified accrual basis of accounting.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Governmental Funds:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Restricted:										
Social Security Administration Fund	17	22	4	25	4	1	6	4	3	78
Death Benefits Retiree	—	—	—	—	—	—	—	—	45	—
Total Governmental Funds	17	22	4	25	4	1	6	4	48	78

Changes in Fund Balances – Governmental Funds

Last Ten Fiscal Years (in 000's)
(Modified Accrual Basis of Accounting)

This schedule provides trend information on the modified accrual basis of accounting for Revenues, Expenditures, and net change in Fund Balances. This information is obtained from Exhibit IV. Please see Note 1.E for the System's descriptions for modified accrual basis of accounting.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Appropriations for (Note A):										
Judicial Retirement System Plan I (Note B)	—	—	—	—	—	19,941	18,712	17,768	16,876	15,858
Death Benefits:										
Public Employee Survivors and Victims of Crime	3,162	9,281	12,326	14,336	9,831	7,286	27,244	29,013	21,784	25,567
Retiree \$5,000 Lump Sum	9,289	10,075	10,893	10,167	9,810	13,750	13,750	9,575	13,280	11,851
Administration Fees	71	71	70	70	74	66	72	81	73	239
License Plate Donations	—	—	—	—	—	—	—	—	—	1
Total Revenues	12,522	19,427	23,289	24,573	19,715	41,043	59,778	56,437	52,013	53,516
Expenditures										
Judicial Retirement System Plan I (Note B)	—	—	—	—	—	19,941	18,712	17,768	16,876	15,858
Death Benefits:										
Public Employee Survivors and Victims of Crime	3,162	9,281	12,326	14,336	9,831	11,340	29,103	29,013	21,784	25,569
Retiree \$5,000 Lump Sum	9,286	10,080	10,893	10,167	9,810	9,696	11,891	9,575	13,235	11,896
Administrative Expenditures	178	139	152	86	95	117	94	84	74	164
Total Expenditures	12,626	19,500	23,371	24,589	19,736	41,094	59,800	56,440	51,969	53,487
Excess of Revenues Over (Under) Expenditures	(104)	(73)	(82)	(16)	(21)	(51)	(22)	(3)	44	29
Other Financing Sources (Uses)										
Transfers In - Retirement Membership Fees	115	77	64	36	—	48	27	—	—	—
Net Change in Fund Balances	11	4	(18)	20	(20)	(3)	5	(3)	44	29

Note A: Include lapsed appropriations

Note A: Because of the implementation of GASB Statement 84 Fiduciary Activities, Judicial Retirement System Plan I is reclassified from an Agency Fund to a General Fund beginning in Fiscal Year 2020.



Changes in Net Position – Proprietary Fund

Last Ten Fiscal Years (in 000's)

This schedule provides trend information on Operating Revenues, Operating Expenses and the resulting Operating Income or Loss. It also provides non-operating revenue and expense information and the resulting change in net position. The information source of this schedule is Exhibit VI.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating Revenues	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Insurance Contributions:										
Employer	1,834,956	1,992,220	1,963,388	2,582,653	2,529,624	2,219,782	2,190,022	2,211,812	2,130,270	2,200,357
Member	495,723	521,360	562,140	559,111	562,373	545,585	577,654	563,124	585,612	598,300
Other	1,856	1,480	1,905	3,116	14,956	12,066	12,880	366	1,083	10,199
Total Operating Revenues	2,332,535	2,515,060	2,527,433	3,144,880	3,106,953	2,777,433	2,780,556	2,775,302	2,716,965	2,808,855
Operating Expenses										
Benefit Payments:										
Employee	2,213,193	2,428,066	2,408,452	2,141,516	2,186,649	2,269,293	2,467,114	2,428,327	2,462,357	2,872,750
COBRA	29,003	26,963	25,972	21,817	25,282	27,664	27,306	31,211	26,776	25,252
Health Savings Account	—	—	273	525	874	1,138	1,563	1,765	2,120	2,583
SmartShoppERS Reward	—	—	—	—	—	—	—	148	125	111
Administrative and Other Expenses	36,692	19,390	15,060	13,880	13,066	17,148	17,091	13,841	16,019	12,409
Total Operating Expenses	2,278,888	2,474,419	2,449,757	2,177,738	2,225,871	2,315,243	2,513,074	2,475,292	2,507,397	2,913,105
Operating Income	53,647	40,641	77,676	967,142	881,082	462,190	267,482	300,011	209,569	(104,250)
Non-Operating Revenues (Expenses)										
Net Appreciation (Depreciation) in Fair Value of Investments	(3,195)	7,771	(830)	(15,417)	33,360	32,731	49,799	(206,656)	(35,578)	71,895
Less: Investment Expense	—	—	—	—	—	—	—	—	—	(4,319)
Investment Income	9,493	11,721	14,482	21,017	58,300	63,156	58,389	68,200	127,667	177,607
Other	1,210	25	1	—	—	—	135	228	365	304
Total Non-Operating Revenues (Expenses)	7,508	19,517	13,653	5,600	91,660	95,887	108,323	(138,228)	92,454	245,487
Transfer Out	—	(1,750)	—	—	—	—	—	—	—	—
Change in Net Position	\$61,155	\$58,408	\$91,329	\$972,742	\$972,742	\$558,076	\$375,805	\$161,783	\$302,022	\$141,237

Changes in Net Position – Defined Benefit Plans

Last Ten Fiscal Years (in 000's)

This schedule provides summarized trend information on additions and deductions for each of the defined benefit plans. This information source of this schedule is Exhibit IX.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Employees Retirement Fund (ERS)										
Additions										
Member Contributions	462,160	674,678	685,462	683,933	694,788	713,985	718,357	721,520	758,060	805,558
Employer Contributions	500,510	686,841	700,142	697,226	712,648	735,903	739,600	743,017	811,125	902,936
Legacy Payment and One-Time Additional Funding	—	—	—	—	—	—	—	516,867	1,393,971	519,001
Investment Income (Net of Expenses)	56,905	1,273,373	2,832,594	2,430,255	758,868	1,791,017	6,937,166	(728,083)	2,061,390	4,239,024
Other Additions	84,203	89,035	93,506	97,318	103,006	108,033	112,713	127,831	112,848	127,778
Total Additions	1,103,778	2,723,927	4,311,704	3,908,732	2,269,310	3,348,938	8,507,836	1,381,152	5,137,394	6,594,297
Deductions										
Retirement Benefits	2,041,389	2,146,522	2,257,219	2,374,013	2,496,771	2,602,286	2,689,845	2,798,885	2,850,662	2,953,257
Death Benefits	4,730	5,082	3,664	5,132	3,444	4,793	6,169	6,216	8,236	5,484
Refunds	87,167	84,445	120,944	123,948	142,303	121,569	127,059	165,564	139,435	159,564
Administrative and Other Expenses	22,127	20,779	23,630	24,132	28,903	25,308	22,725	32,640	75,423	46,672
Total Deductions	2,155,413	2,256,828	2,405,457	2,527,225	2,671,421	2,753,956	2,845,798	3,003,305	3,073,756	3,164,977
Change in Net Position	(1,051,635)	467,099	1,906,247	1,381,507	(402,111)	594,982	5,662,038	(1,622,153)	2,063,638	3,429,320
Law Enforcement and Custodial Officer Supplemental Retirement Fund (LECOS)										
Additions										
Member Contributions	8,377	9,539	9,583	9,275	9,098	8,950	9,078	8,729	10,902	15,022
Employer Contributions	26,728	27,497	26,583	26,110	25,864	22,293	20,294	20,905	24,800	42,753
Legacy Payment and One-Time Additional Funding	—	—	—	—	—	—	—	—	—	772,000
Investment Income (Net of Expenses)	1,919	44,831	99,341	84,937	26,250	61,097	232,796	(5,020)	64,704	223,049
Other Additions	4	4	1	5	3	9	14	523	12	3
Total Additions	37,028	81,871	135,508	120,327	61,215	92,349	262,182	25,137	100,418	1,052,827
Deductions										
Retirement Benefits	59,211	62,698	66,800	72,228	78,470	83,198	88,097	92,670	96,071	100,251
Death Benefits	9	22	18	18	15	29	26	170	41	47
Refunds	2,128	1,826	2,938	3,392	3,768	3,487	3,560	4,363	3,419	3,619
Administrative and Other Expenses	1,412	1,421	1,811	1,851	2,167	1,933	1,782	1,680	2,481	3,622
Total Deductions	62,760	65,967	71,567	77,489	84,420	88,647	93,465	98,883	102,012	107,539
Change in Net Position	(25,732)	15,904	63,941	42,838	(23,205)	3,702	168,717	(73,746)	(1,594)	945,288
Judicial Retirement System of Texas Plan Two (JRS II)										
Additions										
Member Contributions	5,465	5,754	6,017	5,940	6,463	8,634	8,759	8,576	8,830	8,992
Employer Contributions	12,457	12,374	12,495	12,560	13,100	14,186	14,322	14,385	14,686	18,371
Legacy Payment and One-Time Additional Funding	—	—	—	—	—	—	—	—	—	99,000
Investment Income (Net of Expenses)	820	19,862	44,875	39,191	12,832	30,633	120,145	(4,269)	36,047	85,620
Other Additions	2	—	—	—	1	—	—	—	4	—
Total Additions	18,744	37,990	63,387	57,691	32,396	53,453	143,226	18,692	59,567	211,983
Deductions										
Retirement Benefits	19,158	20,825	22,988	24,706	28,980	31,902	34,929	36,805	39,903	41,178
Death Benefits	26	31	—	—	27	11	14	—	—	—
Refunds	56	299	374	159	213	128	199	302	311	284
Administrative and Other Expenses	284	226	294	296	363	273	235	322	244	432
Total Deductions	19,524	21,381	23,656	25,161	29,583	32,314	35,377	37,429	40,458	41,894
Change in Net Position	(0.78)	16,609	39,731	32.53	2.813	21.139	(35,233.774)	(18,737)	19,109	170,089

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Changes in Net Position – Defined Benefit Plans (Concluded)

Last Ten Fiscal Years (in 000's)

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Excess Benefit Arrangement	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Additions										
Other Additions	493	457	540	746	817	953	1,324	1,077	1,069	717
Total Additions	457	540	746	817	953	1,324	1,077	1,286	1,069	717
Deductions										
Retirement Benefits	392	448	668	753	797	988	1,222	1,194	1,022	690
Administrative and Other Expenses	65	92	78	64	156	90	101	92	47	27
Total Deductions	457	540	746	817	953	1,078	1,323	1,286	1,069	717
Change in Net Position	—	—	—	—	—	246	(246)	—	—	—
State Retiree Health Plan										
Additions										
Member Contributions	169,075	183,284	195,806							
Employer Contributions	612,769	663,986	890,735	307,028	401,285	748,369	766,689	699,999	801,019	800,582
Non-Employer Contributing Entity Contributions (Note A)	N/A	N/A	44,433	16,585	20,183	37,737	39,189	36,751	42,251	43,071
Federal Revenues	86,054	69,186	73,120	74,493	89,389	111,099	107,612	113,121	123,528	147,699
Early Retirees Reinsurance Program										0
Investment Income (Net of Expenses)	324	1,137	4,517	10,907	3,324	1,336	234	738	6,464	8,507
Other Additions	3,969	5,961	357	3,249	85	24	59	—	—	4,407
Total Additions	872,191	923,554	1,208,968	412,262	514,266	898,565	913,783	850,609	973,262	1,004,267
Deductions										
Healthcare Benefits	863,926	912,886	995,815	938,921	1,038,588	1,076,890	1,066,897	1,007,573	1,139,895	1,213,931
Less: Payments from Members (Note B)	N/A	N/A	N/A	(203,123)	(209,837)	(230,151)	(192,427)	(190,660)	(181,952)	(187,289)
Administrative and Other Expenses	8,265	10,668	5,629	5,817	6,008	6,815	8,607	6,774	7,913	8,076
Total Deductions	872,191	923,554	1,001,444	741,615	834,759	853,554	883,077	823,687	965,856	1,034,719
Change in Net Position	—	—	207,524	(329,353)	(320,493)	45,011	30,706	26,922	7,406	(30,452)

Note A: To comply with the reporting requirements under GASB Statement 74, the System begins report the contributions from non-employer contributing entity in Fiscal Year 2017. These contributions are the portion of the insurance premiums that the State of Texas pays for the retirees from the junior and community colleges and were reported as part of the employer contributions before Fiscal Year 2017.

Note B: Beginning from fiscal year 2018, contributions from members are reported as payments from members to be in compliance with the reporting requirements under GASB Statement 74.



Changes in Net Position – Deferred Compensation Plans and Cafeteria Plan

Last Ten Fiscal Years (in 000's)

This schedule provides summarized trend information on additions and deductions for the TexSaver 401(k) and 457 plans, and the state employees' cafeteria plan (TexFlex). The information source of this schedule is Exhibit IX.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TexaSaver 401(k) Plan										
Additions										
Investment Income (Net of Expenses)	7	18	(7)	59	71	11	(30)	(61)	67	98
Other Additions	188	50	565	390	486	1,210	1,008	96	124	246
Total Additions	195	68	558	449	557	1,221	978	35	191	344
Deductions										
Administrative and Other Expenses	529	433	479	482	490	260	251	494	579	350
Total Deductions	529	433	479	482	490	260	251	494	579	350
Change in Net Position	(334)	(365)	79	(33)	67	961	727	(459)	(388)	(7)
TexaSaver 457 Plan										
Additions										
Investment Income (Net of Expenses)	6	17	18	52	75	23	(43)	10	140	169
Other Additions	581	587	719	763	896	570	427	68	126	246
Total Additions	587	604	737	815	971	593	384	79	266	415
Deductions										
Administrative and Other Expenses	265	233	269	512	523	165	137	402	105	53
Total Deductions	265	233	269	512	523	165	137	402	105	53
Change in Net Position	322	371	468	303	448	428	247	(323)	161	362
Additions										
Contributions		73	129	141	140	127	41	—	—	—
Investment Income (Net of Expenses)		1	4	7	12	8	2	2	—	—
Other Additions				6				—	—	—
Transfers In		1,750	—	—				—	—	—
Total Additions	—	1,824	133	154	152	135	43	2	—	—
Deductions										
Reimbursement Account Claims		43	114	116	115	79	30	—	—	—
Administrative and Other Expenses		1,276	72	19	4	12	15	3	546	—
Total Deductions	—	1,319	186	135	119	91	45	3	546	—
Change in Net Position	—	505	(53)	19	33	44	(2)	(1)	(546)	—
State Employees Cafeteria Plan (TexFlex)										
Additions										
Contributions	83,092	80,953	79,559	76,656	73,406	73,290	61,956	59,291	68,173	62,699
Investment Income (Net of Expenses)	20	34	72	193	336	184	17	114	1,112	1,507
Other Additions	398	194	92	101	—	—	158	39	193	131
Total Additions	83,510	81,181	79,723	76,950	73,742	73,474	62,131	59,444	69,478	64,337
Deductions										
Reimbursement Account Claims	77,744	81,179	69,697	73,729	71,301	65,837	60,101	48,740	67,463	63,406
Administrative and Other Expenses	3,662	1,815	1,619	1,526	1,452	1,391	1,308	1,081	1,168	1,132
Total Deductions	81,406	82,994	71,316	75,255	72,753	67,228	61,409	49,821	68,631	64,538
Change in Net Position	2,104	(1,813)	8,407	1,695	989	6,246	722	9,623	847	(201)

Benefit and Refund Payments - Defined Benefit Plans

Last Ten Years (in 000's)

This schedule provides trend information on benefit and refund payments by types from the defined benefit plans. This information is obtained from the System's detailed records for refunds and benefit payments.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Employees Retirement Fund:										
Type of Benefit										
Retirement Benefits:										
Service:										
Retirees	1,906,043	2,013,347	2,120,153	2,232,174	2,351,834	2,461,583	2,548,194	2,651,880	2,726,055	2,774,061
Survivors	21,835	21,396	21,493	21,686	21,232	21,075	21,099	21,049	21,035	20,289
Disability	26,797	26,148	25,640	25,166	24,654	24,078	23,304	22,887	22,174	21,493
Partial Lump Sum Option	62,438	58,351	59,262	61,250	62,846	56,401	55,586	57,650	33,028	53,243
Proportional	24,276	27,280	30,671	33,737	36,205	39,149	41,662	45,419	48,371	50,886
Total Retirement Benefits	2,041,389	2,146,522	2,257,219	2,374,013	2,496,771	2,602,286	2,689,845	2,798,885	2,850,663	2,919,971
Death Benefits:										
Active Members:										
Occupational	116	132	43	209	51	129	547	341	495	180
Non-Occupational	2,909	3,317	2,053	3,401	1,858	2,786	3,743	3,795	4,878	4,013
Retiree	1,705	1,633	1,568	1,522	1,535	1,877	1,878	2,080	2,863	1,291
Total Death Benefits	4,730	5,082	3,664	5,132	3,444	4,792	6,168	6,216	8,236	5,484
Refunds:										
Resignation	80,876	78,206	115,416	117,908	137,749	115,652	119,913	157,315	129,653	150,455
Death	6,291	6,239	5,528	6,040	4,554	5,917	7,145	8,249	9,781	9,108
Total Refunds	87,167	84,445	120,944	123,948	142,303	121,569	127,058	165,564	139,434	159,564
Law Enforcement and Custodial Officer Supplemental Retirement Fund:										
Type of Benefit										
Retirement Benefits:										
Service										
Disability	1,022	1,008	990	922	883	858	800	1,107	1,031	917
Partial Lump Sum Option	3,442	3,247	3,239	3,484	3,955	3,511	3,703	3,193	3,105	3,373
Total Retirement Benefits	59,211	62,699	66,800	72,228	78,470	83,199	88,097	92,670	96,071	100,251
Death Benefits:										
Active Members:										
Non-Occupational	9	21	18	18	15	28	26	163	41	39
Annuity Death Refund						1	—	7	—	8
Total Death Benefits	9	21	18	18	15	29	26	170	41	47
Refunds:										
Resignation	2,097	1,772	2,892	3,355	3,732	162	3,509	4,209	3,323	3,521
Death	31	54	46	37	36		52	154	97	98
Total Refunds	2,128	1,826	2,938	3,392	3,768	162	3,561	4,363	3,420	3,619

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Benefit and Refund Payments - Defined Benefit Plans (Concluded)

Last Ten Years (in 000's)

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Judicial Retirement System of Texas Plan Two:										
Type of Benefit										
Retirement Benefits:										
Service and Disability	15,389	16,841	18,550	19,947	23,753	26,172	29,097	30,841	33,609	34,841.4966
Disability	358	395	442	422	358	512	414	431	431	430.81128
Proportional	3,411	3,589	3,996	4,338	4,869	5,218	5,418	5,533	5,826	5,905.96136
Total Retirement Benefits	19,158	20,825	22,988	24,707	28,980	31,902	34,929	36,805	39,866	41,178.26924
Death Benefits:										
Active Members:										
Non-Occupational		5			27	11	14	—	37	—
Annuity Death Refund	27	26								—
Total Death Benefits	27	31	—	—	27	11	14	—	37	—
Refunds:										
Resignation	56	224	215	159	138	75	141	302	192	140.1498
Death		75	159		76	53	58	—	118	143.81455
Total Refunds	56	299	374	159	214	128	199	302	310	283.96435
Excess Benefit Arrangement:										
Type of Benefit										
Retirement Benefits:										
Service	392	448	668	753	797	988	1,223	1,194	1,022	690
Total Retirement Benefits	392	448	668	753	797	988	1,223	1,194	1,022	690
State Retiree Health Plan:										
Type of Benefit										
Insurance Benefits:										
Accrued Claims	9,848	(5,601)	20,769	(27,916)	4,781	6,762	2,615	(3,007)	(13,482)	21,476
Life Claims	45,740	46,994	55,347	54,426	58,278	60,363	76,494	78,383	73,873	77,682
Prescriptions Drugs	253,591	279,144	255,976	289,856	308,940	355,589	352,935	405,163	472,783	509,919
Administrative Fees	18,721	19,338	20,744	19,802	19,776	20,405	21,514	22,486	22,072	23,633
HMO Payments	139,696	156,418	188,633	179,537	201,752	195,654	147,134	(9,547)	48,246	38,375
Health	373,469	391,327	426,911	393,907	411,988	409,119	431,006	476,243	313,630	498,950
Dental	22,861	25,266	27,436	29,309	33,073	28,998	35,199	37,852	40,820	43,897
Total Insurance Benefits	863,926	912,886	995,816	938,921	1,038,588	1,076,890	1,066,897	1,007,573	957,942	1,213,932

Average Benefit Payments – Employee Class

Last Ten Fiscal Years

This schedule provides ten years of information for service retirements. It shows the average monthly benefit, the average final salary and the number of retired members. The information source of this schedule is the System's member records.

Retirement Effective Dates (Note A)	Years of Credited Service					
September 30, 2014 to August 31, 2024	5-10	10-15	15-20	20-25	25-30	30+
- Period 9/30/14 to 8/31/15:						
Average Monthly Benefit	\$ 577.38	957.97	1,445.30	1,990.67	2,945.28	4,054.58
Average Final Average Salary	\$ 3,733.42	3,711.48	3,796.61	4,220.22	4,912.99	5,642.34
Number of Retired Members	242	576	668	966	856	599
- Period 9/30/15 to 8/31/16:						
Average Monthly Benefit	\$ 561.19	97.93	1,464.62	2,057.81	3,094.32	4,326.63
Average Final Average Salary	\$ 3,510.28	3,671.53	3,864.95	4,300.91	5,162.42	5,915.71
Number of Retired Members	196	574	614	870	879	597
- Period 9/30/16 to 8/31/17:						
Average Monthly Benefit	\$ 596.61	961.15	1,515.03	2,100.63	3,130.79	4,347.76
Average Final Average Salary	\$ 3,681.72	3,784.49	4,002.34	4,331.29	5,167.71	6,057.47
Number of Retired Members	239	694	669	881	834	602
- Period 9/30/17 to 8/31/18:						
Average Monthly Benefit	\$ 606.12	987.43	1,622.46	2,239.78	3,225.87	4,564.07
Average Final Average Salary	\$ 3,559.64	3,843.96	422.44	4,641.86	5,335.54	6,240.14
Number of Retired Members	138	651	598	791	780	626
- Period 9/30/18 to 8/31/19:						
Average Monthly Benefit	\$ 583.81	1,031.83	1,690.66	2,395.91	3,250.52	4,660.49
Average Final Average Salary	\$ 3,690.88	3,979.89	4,418.00	4,894.60	5,342.43	6,328.98
Number of Retired Members	127	708	568	798	809	590
- Period 9/30/19 to 8/31/20:						
Average Monthly Benefit	\$ 661.74	1,024.95	1,685.86	2,256.01	3,379.82	4,656.66
Average Final Average Salary	\$ 4,105.90	3,900.84	4,362.17	4,634.40	5,577.94	6,334.97
Number of Retired Members	93	619	489	700	723	513
- Period 9/30/20 to 8/31/21:						
Average Monthly Benefit	\$ 567.73	1,101.63	1,703.24	2,364.59	3,406.44	4,664.89
Average Final Average Salary	\$ 3,476.88	4,120.97	4,455.97	4,824.18	5,596.83	6,361.62
Number of Retired Members	103	640	533	779	759	611
- Period 9/30/21 to 8/31/22:						
Average Monthly Benefit	\$ 685.82	1,092.40	1,762.94	2,375.14	3,423.42	4,688.54
Average Final Average Salary	\$ 4,231.87	4,144.38	4,582.91	4,851.50	5,660.89	6,369.32
Number of Retired Members	78	593	573	685	717	532
- Period 9/30/22 to 8/31/23:						
Average Monthly Benefit	\$ 667.83	1,117.24	1,858.35	2,564.45	3,539.52	5,092.87
Average Final Average Salary	\$ 4,142.68	4,232.56	4,858.80	523.27	5,794.16	6,934.31
Number of Retired Members	80	510	424	514	581	380
- Period 9/30/23 to 8/31/24:						
Average Monthly Benefit	\$ 529.90	1,132.39	1,899.22	2,719.17	3,822.80	5,353.82
Average Final Average Salary	\$ 3,487.44	4,366.22	4,978.71	5,626.09	6,295.62	7,167.08
Number of Retired Members	89	519	446	485	520	363
Five Year Average -						
Period 9/30/19 to 8/31/24:						
Average Monthly Benefit	\$ 622.60	1,093.72	1,781.92	2,455.87	3,514.40	4,891.36
Average Final Average Salary	\$ 3,888.95	4,152.99	4,647.71	4,091.89	5,785.09	6,633.46
Average Number of Retired Members	89	576	493	633	660	480
Ten Year Average -						
Period 9/30/14 to 8/31/24:						
Average Monthly Benefit	\$ 603.81	950.49	1,664.77	2,306.42	3,321.88	4,641.03
Average Final Average Salary	\$ 3,762.07	3,975.63	3,974.29	4,284.83	5,484.65	6,335.19
Average Number of Retired Members	139	608	558	747	746	541

Note A: This schedule includes service retirements of the employee class as of November 2, 2020. It does not include disability retirements or the elected state official class. This schedule does not include Partial Lump Sum (PLSO) payments.

Retired Members by Type of Benefit

August 31, 2024

This schedule provides the average amount of monthly benefit, the number of retirees and the type of retirement for ERS, LECOS, and JRS2. The information source of this schedule is the System's pension actuary.

Average Amount of Monthly Benefit	Number of Retirees	Type of Retirement		Option Selected (Note B)					
		Service	Disability	Life	Option 1	Option 2	Option 3	Option 4	Option 5
Employees Retirement Fund (Note A)									
\$									
0-300	7,214	6,992	222	4,612	1,523	493	132	234	220
301-600	12,310	11,799	511	8,678	2,166	601	179	292	394
601-900	14,278	13,754	524	10,145	2,425	783	200	240	485
901-1,200	13,784	13,498	286	9,525	2,431	920	188	251	469
1,201-1,500	13,645	13,507	138	9,185	2,392	1,053	190	189	636
1,501-2,000	19,662	19,565	97	12,876	3,364	1,858	253	322	989
2,001-2,500	14,520	14,488	32	9,057	2,608	1,626	173	271	785
2,501-3,000	9,815	9,807	8	5,814	1,862	1,177	136	217	609
3,001-4,000	11,080	11,073	7	6,421	2,226	1,271	122	226	814
4,001-10,999	9,524	9,521	3	4,763	2,528	1,134	79	170	850
Total	125,832	124,004	1,828	81,076	23,525	10,916	1,652	2,412	6,251
Law Enforcement And Custodial Officer Supplemental Retirement Fund (Not e A)									
\$									
0-200	443	443	—	330	80	18	3	4	8
201-400	7,276	7,245	31	4,122	1,777	764	73	84	456
401-600	5,700	5,687	13	3,181	1,246	716	46	92	419
601-800	1,588	1,585	3	728	436	217	16	31	160
801-1,000	926	925	1	368	310	129	7	11	101
1,001-1,200	491	491	—	163	195	68	—	5	60
1,201-1,400	211	211	—	67	89	25	1	5	24
1,401-1,600	74	73	1	23	31	7	—	1	12
1,601-1,800	26	26	—	12	8	3	—	1	2
1,801-9,999	66	50	16	20	26	6	—	1	13
Total	16,801	16,736	65	9,014	4,198	1,953	146	235	1,255
Judicial Retirement Plan Two Fund (Note A)									
\$									
0-2,000	37	37	—	18	16	1	1	—	1
2,001-2,500	16	16	—	7	9	—	—	—	—
2,501-3,000	9	9	—	2	3	1	1	—	2
3,001-3,500	9	9	—	4	2	2	—	—	1
3,501-4,000	20	20	—	7	10	2	—	1	—
4,001-4,500	39	39	—	15	17	5	—	1	1
4,501-5,000	45	45	—	22	17	2	—	3	1
5,001-5,500	67	67	—	24	26	4	1	—	12
5,501-6,000	57	57	—	25	24	4	—	1	3
6,001-6,500	59	58	1	28	25	3	—	—	3
6,501-7,000	47	47	—	14	22	6	—	2	3
7,001-9,999	180	178	2	88	51	22	—	6	13
Total	585	582	3	254	222	52	3	14	40

Note A: These calculations are based on actuarial estimates.

Note B: Life - standard annuity.

Option 1 - a reduced annuity for the lifetime of the member, then pays the same amount throughout the life of the nominee.

Option 2 - a reduced annuity for the lifetime of the member, then pays one-half of that amount throughout the life of the nominee.

Option 3 - a reduced annuity to the member or the nominee for a guaranteed period of 5 years, and for the lifetime of the member.

Option 4 - a reduced annuity to the member or the nominee for a guaranteed period of 10 years, and for the lifetime of the member.

Option 5 - a reduced annuity for the lifetime of the member, then pays three-fourths of that amount throughout the life of the nominee.

Contribution Rates

Last Ten Fiscal Years

This schedule provides the amounts contributed by the employer for the defined benefit plans including ERS, LECOS, JRS2 and the State Retiree Health Plan. The rates are determined by the General Appropriations Act. Employer contribution rates are also listed for the Group Benefits Program. Those rates are set by the System's Board of Trustees and incorporated into the system's records.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Defined Benefit Plans	%	%	%	%	%	%	%	%	%	%
Employees Retirement Fund										
Employee Class:										
Employee	6.90	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Employee (hired on/after 9/1/22)									6.00	6.00
Employer	8.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Elected Class:										
Legislators	8.00	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Legislators (took office on/after 9/1/22)									6.00	6.00
Employer	8.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Other Elected Class	6.90	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Other Elected Class (took office on/after 9/1/22)									6.00	6.00
Employer	8.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Law Enforcement and Custodial Officer Supplemental Retirement Fund (Note A)										
Employee	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Employee (hired on/after 9/1/22)									2.00	2.00
Employer	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	1.75
Judicial Retirement System Plan Two Fund										
Employee	6.90	7.20	7.50	7.50	7.50	7.50	7.50	9.50	9.50	9.50
Employer	15.66	15.66	15.66	15.66	15.66	15.66	15.66	15.66	15.66	19.25
State Retire Health Plan (Note B)										
Group Benefits Program										
Employee Only:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
State Contribution Monthly Rate	537.66	576.54	617.30	621.90	624.82	624.82	624.82	624.82	624.82	624.82
HealthSelect Monthly Premium	537.66	576.54	617.30	621.90	624.82	624.82	624.82	624.82	624.82	624.82
Employee & Children:										
State Contribution Monthly Rate	743.80	797.66	854.10	860.48	864.52	864.52	864.20	864.20	864.52	864.52
HealthSelect Monthly Premium	949.94	1,018.78	1,090.90	1,099.06	1,104.22	1,104.22	1,103.58	1,103.58	1,104.22	1,104.22
Employee & Spouse:										
State Contribution Monthly Rate	845.54	906.78	970.98	978.22	982.82	982.82	982.36	982.36	982.82	982.82
HealthSelect Monthly Premium	1,153.42	1,237.02	1,324.66	1,334.54	1,340.82	1,340.82	1,339.90	1,339.90	1,340.82	1,340.82
Employee & Family:										
State Contribution Monthly Rate	1,051.68	1,127.90	1,207.78	1,216.80	1,222.52	1,222.52	1,222.52	1,222.52	1,222.52	1,222.52
HealthSelect Monthly Premium	1,565.70	1,679.26	1,798.26	1,811.70	1,820.22	1,820.22	1,820.22	1,820.22	1,820.22	1,820.22

Note A: Beginning in Fiscal Year 2018, an additional amount is contributed by employer from dedicated court fees. It was \$8.78 million in fiscal year 2024.

Note B: The State Retiree Health Plan is a pay-as-you-go plan. The monthly rates toward eligible health and basic life premium as shown above are the same for active and retired members of the Group Benefits Program

Statistical Information – Defined Benefit Plans

(All items expressed as numbers unless otherwise indicated)

This schedule provides member census information for active, non-contributing, and various retirement for ERS, LECOS, and JRS2 and the State Retiree Health Plan. The member records for retiree and actives are from the System's actuarial records and the refunds are obtained from the System's records.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employees Retirement Fund										
Active Contributing Members	142,409	146,390	141,629	141,535	141,865	142,490	136,726	133,751	139,958	144,049
Non-Contributing Members	101,122	108,873	112,192	119,736	125,935	134,909	145,050	155,148	164,112	167,858
Retirees and Beneficiaries	100,003	103,758	107,530	111,361	115,155	117,996	120,294	122,720	124,504	125,832
Service and Disability Retirements	6,042	5,668	5,966	6,029	6,034	5,264	5,418	5,543	4,490	4,107
Law Enforcement and Custodial Officer Supplemental Retirement Fund (Note B)										
Active Contributing Members	38,526	39,066	38,206	37,167	36,296	35,230	32,498	31,075	31,744	32,143
Non-Contributing Members	12,962	15,203	17,100	19,842	22,207	25,511	29,626	32,371	35,082	36,497
Retirees and Beneficiaries	10,845	11,515	12,248	13,080	13,981	14,697	15,343	15,923	16,368	16,801
Service and Disability Retirements	959	803	876	966	1,020	873	847	812	616	624
Judicial Retirement System of Texas Plan Two (Note C)										
Active Contributing Members	563	548	557	561	573	570	584	583	623	658
Non-Contributing Members	148	166	158	153	187	187	192	192	185	152
Retirees and Beneficiaries	322	331	378	393	472	484	528	536	579	585
Service and Disability Retirements	57	10	48	16	83	18	51	15	50	11
State Retiree Health Plan										
Retirees	109,311	113,430	117,880	122,350	127,044	130,910	135,517	138,353	139,641	141,420
Dependents	38,130	38,910	39,880	41,061	42,024	42,855	43,189	43,823	43,315	42,618

Note A: The source of the retirement systems and State Retiree Health Plan membership is the System's actuaries. The System's actuaries include members who retired on August 31 and received their first annuity in September as retirees in the actuarial valuation.

Note B: The members of the LECOS are also members of the ERS.

Note C: For privacy purposes, when the number of retirements is below 10, the system reports <10 for publications.

Statistical Information – Other Programs

(All items expressed as numbers unless otherwise indicated)

This schedule provides ten year historical trend information for members of the TexaSaver 457 and 401(k) deferred compensation plans, the Commuter Spending Accounts, the cafeteria plan, and the Group Benefits Program. It also provides death benefit program information. Participant counts, current fair values, and death benefit payments are from the System's records. Group Benefit Program member counts are from the System's insurance actuary.

	Fiscal Year									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
457 Deferred Compensation Plan (Note A)										
TexaSaver 457 Plan (Note A):										
Total Participants	29,129	31,515	33,131	34,023	34,102	33,456	33,660	33,683	33,665	34,305
Participants Currently Deferring	16,685	17,052	19,803	18,591	18,281	17,886	17,806	17,229	16,934	17,548
Current Fair Value of Plan Assets (in millions)	603.7	669.7	759	869	896.2	1,053.0	1,322.0	1,161.0	1,300.0	1,571.0
Original 457 Plan (Notes A & B):										
Total Participants	513	468	440	424	401	388	375	352	324	288
Participants Currently Deferring	22	17	15	14	12	10	8	5	3	1
TexaSaver 401(k) Deferred Compensation Plan										
Total Participants	165,513	181,249	195,737	206,617	220,430	213,974	220,946	225,635	237,415	247,026
Participants Currently Deferring	82,851	92,527	95,813	95,392	99,909	103,190	102,249	99,267	107,654	114,160
Current Fair Value of Plan Assets (in millions)	1,836.2	1,984.7	2,193.6	2,449	2,478.1	2,876.0	3,558.0	3,041.0	3,357.0	4,019.0
Deferrals (in millions)	160.3	182.3	159.3	135.1	141.9	148.2	158.2	172.1	176.7	200.4
Commuter Spending Account (CSA)										
Reimbursement Accounts:										
Parking		14	26	26	29	32	24			
Transit		127	120	134	129	72	45			
Participant Contributions (Note C)										
Cafeteria Plan										
Reimbursement Accounts:										
Health Care	46,609	48,010	47,799	46,337	44,584	43,134	40,261	37,586	36,551	36,795
Dependent Care	3,880	3,825	3,713	3,636	3,574	3,117	2,336	2,531	2,458	2,523
Total Redirected (in millions)	78.5	80.3	78.7	75.8	73	69.9	62.2	54.3	52.3	59.7
Premium Conversion:										
Participants	222,789	226,864	223,026	223,233	224,699	224,626	216,339	211,898	219,950	227,136
Premiums Redirected (in millions)	522.1	548.3	504.5	505.8	509.7	506.4	505.1	449.2	449.9	506.4
Tax Savings (in millions):										
Employees	118.3	124.2	132.1	131.7	132.0	130.5	128.5	114.0	113.7	128.2
State of Texas	39.9	41.9	44.6	44.5	44.6	44.1	43.4	38.5	38.4	43.3
Group Benefits Program (Note D)										
Membership:										
Active	230,023	235,108	230,199	231,911	233,887	232,367	224,904	221,404	229,119	236,923
Dependents	166,772	168,161	166,266	164,685	163,172	162,180	156,935	150,118	148,911	156,766
COBRA (Note E)	1,167	984	723	1,104	1,137	1,199	1,512	1,289	1,089	974
Total Membership	397,962	404,253	397,188	397,700	398,196	395,746	383,351	372,811	379,119	394,663
Death Benefit Programs										
Lump Sum Payments	8	14	21	17	13	14	48	40	40	56
Monthly Payments to Guardians	114	114	111	122	116	139	144	165	176	174
Victims of Violent Crime	4	4	7	10	4	7	7	7	7	5

Note A: In fiscal year 2001, a new TexaSaver 457 Plan was established with different investment options. The original 457 Plan only offers life insurance products.

Note B: Data for the original 457 Plan is as of June 30, 2024.

Note C: The System implemented the Commuter Spending Accounts on January 1, 2016. During fiscal year 2018, the participant contributions to the reimbursement accounts were immaterial for reporting in this schedule. The plan was discontinued as of August 31, 2021.

Note D: In fiscal year 2007, the Group Benefits Program was separated into two funds (Active and Retiree) due to the implementation of GASB 43. Retired members and their dependents were moved to a fiduciary fund named the State Retiree Health Plan. The source of the membership is the System's actuary.

Listing of Participating Reporting Entities for State Retiree Health Plan

This schedule provides a list of state agencies, universities, junior and community colleges, and other entities participating in the plan. The source of the data is from the System's records.

State Agencies

Attorney General
Behavioral Health Executive Co
Board of Law Examiners
Bond Review Board
Cancer Prevention and Research Institute of Texas
Commission on Jail Standards
Commission on State Emergency Communications
Comptroller – Judiciary Section
Comptroller – State Energy Conservation Office
Comptroller – Texas Broadband Development Office
Comptroller of Public Accounts
Court of Appeals - First Court of Appeals District
Court of Appeals - Second Court of Appeals District
Court of Appeals - Third Court of Appeals District
Court of Appeals - Fourth Court of Appeals District
Court of Appeals - Fifth Court of Appeals District
Court of Appeals - Sixth Court of Appeals District
Court of Appeals - Seventh Court of Appeals District
Court of Appeals - Eighth Court of Appeals District
Court of Appeals - Ninth Court of Appeals District
Court of Appeals - Tenth Court of Appeals District
Court of Appeals - Eleventh Court of Appeals District
Court of Appeals - Twelfth Court of Appeals District
Court of Appeals - Thirteenth Court of Appeals District
Court of Appeals - Fourteenth Court of Appeals District
Court of Criminal Appeals
Credit Union Department
Department of Agriculture
Department of Family and Protective Services
Department of Information Resources
Department of Public Safety
Department of Savings and Mortgage Lending
Department of State Health Services
Employees Retirement System of Texas
Executive Council of Physical and Occupational Therapy Examiners
General Land Office
Governor - Executive
Governor - Fiscal
Health and Human Services Commission
Health Professions Council
House of Representatives
Legislative Budget Board
Legislative Reference Library
Office of Capital and Forensic Writs
Office of Consumer Credit Commissioner
Office of Court Administration
Office of Injured Employee Counsel
Office of Public Insurance Counsel
Office of Public Utility Counsel
Parks and Wildlife Department
Public Utility Commission of Texas
Railroad Commission of Texas
Secretary of State
Senate
Soil and Water Conservation Board
State Auditor
State Bar of Texas
State Board of Dental Examiners
State Board of Veterinary Medical Examiners
State Commission on Judicial Conduct
State Law Library
State Office of Administrative Hearings
State Office of Risk Management
State Pension Review Board
State Preservation Board
State Prosecuting Attorney
State Securities Board
Sunset Advisory Commission
Supreme Court
Teacher Retirement System of Texas
Texas Alcoholic Beverage Commission
Texas Animal Health Commission
Texas Board of Architectural Examiners
Texas Board of Chiropractic Examiners
Texas Board of Nursing
Texas Board of Professional Engineers and Land Surveyors
Texas Board of Professional Geoscientists
Texas Commission on Environmental Quality
Texas Commission on Fire Protection
Texas Commission on Law Enforcement
Texas Commission on the Arts
Texas Department of Banking
Texas Department of Criminal Justice
Texas Department of Housing and Community Affairs
Texas Department of Insurance
Texas Department of Licensing and Regulation
Texas Department of Motor Vehicles
Texas Department of Transportation
Texas Education Agency
Texas Emergency Services Retirement System
Texas Ethics Commission
Texas Facilities Commission
Texas Funeral Service Commission
Texas Higher Education Coordinating Board
Texas Historical Commission
Texas Juvenile Justice Department
Texas Legislative Council
Texas Lottery Commission
Texas Medical Board
Texas Military Department
Texas Optometry Board
Texas Permanent School Fund Corporation
Texas Public Finance Authority
Texas Racing Commission
Texas Real Estate Commission
Texas School for the Blind and Visually Impaired
Texas School for the Deaf
Texas Space Commission
Texas State Board of Examiners of Psychologists

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Listing of Participating Reporting Entities for State Retiree Health Plan (Concluded)

Texas State Board of Pharmacy
Texas State Board of Plumbing Examiners
Texas State Board of Public Accountancy
Texas State Library and Archives Commission
Texas Treasury Safekeeping Trust Company
Texas Veterans Commission
Texas Water Development Board
Texas Workforce Commission

Universities

Angelo State University
Lamar Institute of Technology
Lamar State College - Orange
Lamar State College - Port Arthur
Lamar University
Midwestern State University
Sam Houston State University
Sul Ross State University
Texas Southern University
Texas State Technical College System
Texas State University
Texas State University System
Texas Tech University
Texas Tech University Health Sciences Center
Texas Tech University Health Sciences Center - El Paso
Texas Tech University System
Texas Woman's University
University of Houston
University of Houston - Clear Lake
University of Houston - Downtown
University of Houston - Victoria
University of Houston System
University of North Texas
University of North Texas at Dallas
University of North Texas Health Science Center at Fort Worth
University of North Texas System

Junior and Community Colleges

Alamo Community College
Alvin Community College
Amarillo College
Angelina College
Austin Community College
Blinn College
Brazosport College
Central Texas College
Cisco Junior College
Clarendon College
Coastal Bend College
College of the Mainland

Collin County Community College District
Cooke County College
Dallas County Community College
Del Mar College
El Paso Community College
Frank Phillips College
Galveston College
Grayson County College
Hill College
Houston Community College
Howard College and Southwest Collegiate Institute for the Deaf
Kilgore College
Laredo Junior College
Lee College
Lone Star College
McLennan Community College
Midland College
Navarro College
Northeast Texas Community College
Odessa College
Panola College
Paris Junior College
Ranger Junior College
San Jacinto College
South Plains College
South Texas Community College
Southwest Texas Counties Junior College
Tarrant County College District
Temple College
Texarkana College
Texas Southmost College
Trinity Valley Community College
Tyler Junior College
Vernon Regional Junior College
Victoria College
Weatherford College
Western Texas College
Wharton County Junior College

Other Entities

Community Supervision & Corrections Departments
Texas Cooperative Inspection Program
Texas County District Retirement System
Texas Municipal Retirement System
Texas Turnpike Authority
University of Texas Medical Branch at Galveston
University of Texas Mental Sciences Institute
Windham School District

The principal participating employer is the state of Texas. State agencies and universities employ 191,253 which is 80.7% of the employees covered by the State Retiree Health Plan.

ERS offers competitive benefits to enhance the lives of its members.



200 E. 18th Street
P.O. Box 13207
Austin, Texas 78711-3207
www.ers.texas.gov