

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

As of August 31, 2023 (With Comparative Data as of August 31, 2022)

|   | <b>Pension and Other Post-Employment Benefit<br/>(OPEB) Trust Funds</b> |                         |
|---|---|-------------------------|
|   | <b>Pension Trust Fund</b>   | <b>TRS-Care</b>         |
| <b>Assets</b>                                 |   |                         |
| <b>Cash</b>                                   |   |                         |
| Cash in State Treasury                        | \$ 388,079,675  | \$ 3,661,961,810        |
| Cash in Bank (Note 3B)                        | 89,799,630  |                         |
| Cash on Hand (Note 3B)                        | 3,504,732   |                         |
| <b>Total Cash</b>                             | <b>\$ 481,384,037</b>   | <b>\$ 3,661,961,810</b> |
| <b>Receivables</b>                            |   |                         |
| Sale of Investments                           | \$ 2,836,619,259  | \$                      |
| Interest and Dividends                        | 403,955,307   | 14,918,871              |
| Member and Retiree                            | 2,367,570   |                         |
| Service Credit Purchase                       | 15,398,332  | 4,537                   |
| Due from Employers                            | 549,943,258   | 41,155,584              |
| Due from State's General Fund                 | 14,091,571  | 42,255,663              |
| Due from Employees Retirement System of Texas | 2,729,453   |                         |
| Prepaid Expenses and Deposits                 | 344,488   |                         |
| Other Receivables                             | 3,449,461   | 333,977,584             |
| <b>Total Receivables</b>                      | <b>\$ 3,828,898,699</b>   | <b>\$ 432,312,239</b>   |
| <b>Investments (Note 1F and 3)</b>            |   |                         |
| Short-Term Investments                        | \$ 9,681,597,696  | \$                      |
| Equity Investments                            | 45,778,659,456  |                         |
| Fixed Income Investments                      | 27,444,070,364  |                         |
| Alternative Investments                       | 103,361,824,061   |                         |
| Derivative Investments                        | 247,309,645   |                         |
| Pooled Investments                            | 16,782,940,493  |                         |
| <b>Total Investments</b>                      | <b>\$ 203,296,401,715</b>   | <b>\$ —</b>             |
| <b>Invested Securities Lending Collateral</b> | <b>\$ 5,675,098,936</b>   | <b>\$ —</b>             |
| <b>Capital Assets (Note 2)</b>                |   |                         |
| Intangible Assets                             | \$ 65,910,412   | \$ 13,028,366           |
| Right to Use Assets                           | 28,975,264  |                         |
| Less Accumulated Amortization                 | (69,261,390)  |                         |
| Depreciable Assets                            | 19,810,590  |                         |
| Less Accumulated Depreciation                 | (16,693,699)  |                         |
| Non-Depreciable Assets                        | 162,001,141   |                         |
| <b>Total Capital Assets</b>                   | <b>\$ 190,742,318</b>   | <b>\$ 7,599,880</b>     |
| <b>Total Assets</b>                           | <b>\$ 213,472,525,705</b>   | <b>\$ 4,101,873,929</b> |

(Continued)

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds |                           | Custodial Funds                   |              |
|--|---------------------------|-----------------------------------|--------------|
| 2023   | 2022                      | Child Support Employee Deductions |              |
| \$ 4,050,041,485   | \$ 3,377,863,699          |                                   | 7,418        |
| 89,799,630   | 514,875,806               |                                   |              |
| 3,504,732  | 4,594,376                 |                                   |              |
| <b>\$ 4,143,345,847</b>  | <b>\$ 3,897,333,881</b>   |                                   | <b>7,418</b> |
| \$ 2,836,619,259   | \$ 3,519,302,816          |                                   |              |
| 418,874,178  | 319,371,132               |                                   |              |
| 2,367,570  | 3,225,679                 |                                   |              |
| 15,402,869   | 15,288,447                |                                   |              |
| 591,098,842  | 558,651,485               |                                   |              |
| 56,347,234   | 35,459,434                |                                   |              |
| 2,729,453  | 2,622,347                 |                                   |              |
| 344,488  | 1,746,692                 |                                   |              |
| 337,427,045  | 293,164,745               |                                   |              |
| <b>\$ 4,261,210,938</b>  | <b>\$ 4,748,832,777</b>   |                                   | <b>—</b>     |
| \$ 9,681,597,696   | \$ 9,060,213,238          |                                   |              |
| 45,778,659,456   | 44,037,446,699            |                                   |              |
| 27,444,070,364   | 27,799,209,308            |                                   |              |
| 103,361,824,061  | 98,399,389,968            |                                   |              |
| 247,309,645  | (194,917,088)             |                                   |              |
| 16,782,940,493   | 16,056,005,430            |                                   |              |
| <b>\$ 203,296,401,715</b>  | <b>\$ 195,157,347,555</b> |                                   | <b>—</b>     |
| <b>\$ 5,675,098,936</b>  | <b>\$ 6,957,897,984</b>   |                                   | <b>—</b>     |
| \$ 78,938,778  | \$ 71,815,320             |                                   |              |
| 28,975,264   | 10,946,845                |                                   |              |
| (74,689,876)   | (63,753,921)              |                                   |              |
| 19,810,590   | 62,853,766                |                                   |              |
| (16,693,699)   | (44,564,467)              |                                   |              |
| 162,001,141  | 131,579,013               |                                   |              |
| <b>\$ 198,342,198</b>  | <b>\$ 168,876,556</b>     |                                   | <b>—</b>     |
| <b>\$ 217,574,399,634</b>  | <b>\$ 210,930,288,753</b> |                                   | <b>7,418</b> |

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

As of August 31, 2023 (With Comparative Data as of August 31, 2022)

|  | <b>Pension and Other Post-Employment Benefit (OPEB) Trust Funds</b> |                         |
|--|---|-------------------------|
|  | <b>Pension Trust Fund</b>   | <b>TRS-Care</b>         |
| <b>Deferred Outflow of Resources</b>   |   |                         |
| Related to Participation in ERS' OPEB Plan                                     | \$ 50,173,422   | \$ —                    |
| <b>Total Deferred Outflow of Resources</b>                                     | <b>\$ 50,173,422</b>  | <b>\$ —</b>             |
| <b>Liabilities (Note 1F)</b>   |   |                         |
| Accounts Payable   | \$ 78,923,794   | \$ 470,437              |
| Payroll Payable  | 22,792,861  | 2,489,787               |
| Investment Fees Payable  | 33,567,038  |                         |
| Benefits Payable   | 317,818,243   |                         |
| Health Care Claims Payable   |   | 178,457,357             |
| Fees Payable   |   | 8,123,056               |
| Net Other Post-Employment Benefit Liability                                    | 104,206,608   |                         |
| Investment Purchased Payable   | 751,039,668   |                         |
| Securities Sold Short  | 2,614,427,700   |                         |
| Obligations Under Reverse Repurchase Agreements                                | 16,475,945,908  |                         |
| Collateral Obligations   | 5,786,408,584   |                         |
| Due to State's General Fund  | 9,361,039   | 21,127,831              |
| Due to Employees Retirement System of Texas                                    | 41,109,093  |                         |
| Due to Office of Governor  |   |                         |
| Employee Compensable Absences Payable (Note 4)                                 | 17,664,412  | 1,440,258               |
| Right to Use Lease Obligations (Note 5)  | 9,560,241   |                         |
| Other Liabilities  | 157,110   |                         |
| Funds Held for Others  | (67,300)  |                         |
| <b>Total Liabilities</b>   | <b>\$ 26,262,914,999</b>  | <b>\$ 212,108,726</b>   |
| <b>Deferred Inflow of Resources</b>  |   |                         |
| Related to Participation in ERS' OPEB Plan                                     | \$ 34,218,126   | \$ —                    |
| Gain on Sale - Red River   | 55,030,444  |                         |
| <b>Total Deferred Inflow of Resources</b>                                      | <b>\$ 89,248,570</b>  | <b>\$ —</b>             |
| <b>Net Position</b>  |   |                         |
| Net Investment in Capital Assets   | \$ 181,182,077  | \$ 7,599,880            |
| Restricted for Pensions  | 186,989,353,481   |                         |
| Restricted for Other Post Employment Benefits                                  |   | 3,546,165,323           |
| Restricted for OPEB - 60 Day Contingency                                       |   | 336,000,000             |
| <b>Net Position Restricted for Pensions and Other Post-Employment Benefits</b> | <b>\$ 187,170,535,558</b>   | <b>\$ 3,889,765,203</b> |

See accompanying Notes to the Financial Statements.

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds |                           | Custodial Funds                   |          |
|--|---------------------------|-----------------------------------|----------|
| 2023   | 2022                      | Child Support Employee Deductions |          |
| \$ 50,173,422  | \$ 51,448,955             |                                   |          |
| <b>\$ 50,173,422</b>   | <b>\$ 51,448,955</b>      |                                   | <b>—</b> |
| \$ 79,394,231  | \$ 81,649,229             |                                   |          |
| 25,282,648   | 9,459,543                 |                                   |          |
| 33,567,038   | 28,723,884                |                                   |          |
| 317,818,243  | 273,747,454               |                                   |          |
| 178,457,357  | 172,422,729               |                                   |          |
| 8,123,056  | 8,119,399                 |                                   |          |
| 104,206,608  | 124,038,376               |                                   |          |
| 751,039,668  | 3,146,183,242             |                                   |          |
| 2,614,427,700  | 805,579,869               |                                   |          |
| 16,475,945,908   | 11,969,837,625            |                                   |          |
| 5,786,408,584  | 6,963,787,316             |                                   |          |
| 30,488,870   | 49,657,388                |                                   |          |
| 41,109,093   | 10,186,062                |                                   |          |
|  | 121,315                   |                                   |          |
| 19,104,670   | 15,711,775                |                                   |          |
| 9,560,241  | 4,454,479                 |                                   |          |
| 157,110  | 142,517                   |                                   |          |
| (67,300)   |                           | 7,418                             |          |
| <b>\$ 26,475,023,725</b>   | <b>\$ 23,663,822,202</b>  | <b>\$ 7,418</b>                   |          |
| \$ 34,218,126  | \$ 14,361,092             |                                   |          |
| 55,030,444   |                           |                                   |          |
| <b>\$ 89,248,570</b>   | <b>\$ 14,361,092</b>      |                                   | <b>—</b> |
| \$ 188,781,957   | \$ 164,422,077            |                                   |          |
| 186,989,353,481  | 184,031,400,672           |                                   |          |
| 3,546,165,323  | 2,807,731,665             |                                   |          |
| 336,000,000  | 300,000,000               |                                   |          |
| <b>\$ 191,060,300,761</b>  | <b>\$ 187,303,554,414</b> |                                   |          |

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

|  | Pension and Other Post-Employment Benefit<br>(OPEB) Trust Funds |                         |
|--|---|-------------------------|
|  | Pension Trust Fund  | TRS-Care                |
| <b>Additions</b>   |   |                         |
| <b>Contributions</b>   |   |                         |
| Member   | \$ 4,492,518,277  | \$ 277,468,284          |
| Non-Employer Contributing Entity - State<br>Employer (Notes 9, 11)                             | 2,279,408,927   | 474,356,993             |
| Employer   | 1,934,704,999   | 320,154,894             |
| State - Higher Education   | 267,636,271   |                         |
| Employer - Paid at State Rate  |   | 59,248,095              |
| Employer Surcharges (Notes 9, 11)  |   |                         |
| Employment after Retirement - Employee Rate  | 23,555,279  |                         |
| Employment after Retirement - Employer Rate  | 23,555,279  | 14,548,344              |
| Public Education Employers   | 610,418,144   |                         |
| Service Credit Purchase - Refundable   | 28,578,706  |                         |
| Service Credit Purchase - Non-Refundable   | 25,351,789  |                         |
| State Contributions for 415 Excess Benefit Arrangement<br>Employees Retirement System of Texas | 4,703,369   |                         |
| Service Contributions  | 32,274,517  |                         |
| 415 Excess Benefit Arrangement   | 46,533  |                         |
| <b>Total Contributions</b>   | <b>\$ 9,722,752,090</b>   | <b>\$ 1,145,776,610</b> |
| <b>Net Investment Income</b>   |   |                         |
| Investment Income (Loss)   | \$ 7,706,585,429  | \$ 130,069,098          |
| Less: Investing Activity Expenses (Schedule 1)   | (843,963,417)   |                         |
| <b>Total Investment Income (Loss)</b>  | <b>\$ 6,862,622,012</b>   | <b>\$ 130,069,098</b>   |
| Securities Lending Income (Loss)   | \$ 324,996,043  | \$                      |
| Less: Securities Lending Expenses  | (301,655,066)   |                         |
| <b>Total Securities Income (Loss)</b>  | <b>\$ 23,340,977</b>  | <b>\$ —</b>             |
| <b>Total Net Investment Income</b>   | <b>\$ 6,885,962,989</b>   | <b>\$ 130,069,098</b>   |
| <b>Other Additions</b>   |   |                         |
| Federal Revenue (Note 6)   | \$  | \$ 188,172,734          |
| Rebate and Discount Income   |   | 578,020,367             |
| Supplemental Funding - Appropriations  |   | 21,285,114              |
| Miscellaneous Revenue  | 971,611   | 40,306,480              |
| Gain on Capital Assets   | 46,564,222  |                         |
| Funds Received for Others  |   |                         |
| <b>Total Other Additions</b>   | <b>\$ 47,535,833</b>  | <b>\$ 827,784,695</b>   |
| <b>Total Additions</b>   | <b>\$ 16,656,250,912</b>  | <b>\$ 2,103,630,403</b> |

(Continued)

| Total Pension and Other Post-Employment<br>Benefit (OPEB) Trust Funds |                            | Custodial Funds                   |
|---|----------------------------|-----------------------------------|
| 2023  | 2022                       | Child Support Employee Deductions |
| \$ 4,769,986,561  | \$ 4,476,950,322           | \$                                |
| 2,753,765,920   | 2,604,824,302              |                                   |
| 2,254,859,893   | 1,980,862,722              |                                   |
| 267,636,271   | 234,702,946                |                                   |
| 59,248,095  | 55,047,334                 |                                   |
| 23,555,279  | 18,211,193                 |                                   |
| 38,103,623  | 29,491,618                 |                                   |
| 610,418,144   | 556,589,918                |                                   |
| 28,578,706  | 18,586,693                 |                                   |
| 25,351,789  | 32,679,308                 |                                   |
| 4,703,369   | 4,876,548                  |                                   |
| 32,274,517  | 30,824,009                 |                                   |
| 46,533  | 91,878                     |                                   |
| <b>\$ 10,868,528,700</b>  | <b>\$ 10,043,738,791</b>   | <b>\$ —</b>                       |
| \$ 7,836,654,527  | \$ (13,140,969,389)        | \$                                |
| (843,963,417)   | (252,990,936)              |                                   |
| <b>\$ 6,992,691,110</b>   | <b>\$ (13,393,960,325)</b> | <b>\$ —</b>                       |
| \$ 324,996,043  | \$ 74,414,095              | \$                                |
| (301,655,066)   | (50,666,779)               |                                   |
| <b>\$ 23,340,977</b>  | <b>\$ 23,747,316</b>       | <b>\$ —</b>                       |
| <b>\$ 7,016,032,087</b>   | <b>\$ (13,370,213,009)</b> | <b>\$ —</b>                       |
| \$ 188,172,734  | \$ 141,003,332             | \$                                |
| 578,020,367   | 508,931,631                |                                   |
| 21,285,114  | 784,100,535                |                                   |
| 41,278,091  | 34,313,189                 |                                   |
| 46,564,222  |                            |                                   |
|   |                            | 77,951                            |
| <b>\$ 875,320,528</b>   | <b>\$ 1,468,348,687</b>    | <b>\$ 77,951</b>                  |
| <b>\$ 18,759,881,315</b>  | <b>\$ (1,858,125,531)</b>  | <b>\$ 77,951</b>                  |

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

|   | <b>Pension and Other Post-Employment Benefit (OPEB) Trust Funds</b> |                         |
|---|---|-------------------------|
|   | <b>Pension Trust Fund</b>   | <b>TRS-Care</b>         |
| <b>Deductions</b>   |   |                         |
| Benefits  | \$ 12,740,413,069   | \$                      |
| Refunds of Contributions - Active   | 696,523,162   |                         |
| Refunds of Contributions - Death  | 11,293,669  |                         |
| 415 Excess Benefit Arrangement  | 4,503,031   |                         |
| Benefits Paid to Employees Retirement System of Texas                                 |   |                         |
| Service Contributions   | 121,685,000   |                         |
| 415 Excess Benefit Arrangement  | 246,871   |                         |
| Other Post Employment Benefit Expense   | 12,241,646  |                         |
| Health Care Claims  |   | 1,781,336,522           |
| Less: Health Care Premiums Paid by Retirees (Note 1)                                  |   | (502,154,458)           |
| Health Care Claims Processing   |   | 29,614,524              |
| Insurance Premium Payments  |   | 5,051                   |
| Affordable Care Act Fees  |   | 201,264                 |
| Funds Paid to Others  |   |                         |
| Administrative Expenses, Excluding Investing Activity Expenses                        |   |                         |
| Salaries and Wages  | 50,784,651  | 10,404,046              |
| Payroll Related Costs   | 2,802,880   | 1,453,725               |
| Professional Fees and Services  | 3,121,804   | 3,157,458               |
| Travel  | 242,936   | 79,884                  |
| Materials and Supplies  | 3,908,040   | 1,919,798               |
| Communications and Utilities  | 687,120   | 77,852                  |
| Repairs and Maintenance   | 5,440,355   | 625,393                 |
| Rentals and Leases  | 2,001,081   | 216,062                 |
| Printing and Reproduction   | 182,645   | 35,108                  |
| Depreciation Expense  | 1,128,943   |                         |
| Amortization Expense  | 8,395,552   | 2,605,673               |
| Other Expenses  | 6,491,732   | 2,224,516               |
| <b>Total Deductions</b>   | <b>\$ 13,672,094,187</b>  | <b>\$ 1,331,802,418</b> |
| <b>Net Increase (Decrease) in Net Position</b>  | <b>\$ 2,984,156,725</b>   | <b>\$ 771,827,985</b>   |
| Beginning Net Position Restricted for Pensions and Other Post-Employment Benefits     | \$ 184,185,617,196  | \$ 3,117,937,218        |
| Prior Period Adjustments (Note 15)  | 761,637   |                         |
| Beginning Net Position, as Restated   | \$ 184,186,378,833  | \$ 3,117,937,218        |
| <b>Ending Net Position Restricted for Pensions and Other Post-Employment Benefits</b> | <b>\$ 187,170,535,558</b>   | <b>\$ 3,889,765,203</b> |

See accompanying Notes to the Financial Statements.

| Total Pension and Other Post-Employment Benefit (OPEB) Trust Funds |                            | Custodial Funds                   |
|--|----------------------------|-----------------------------------|
| 2023   | 2022                       | Child Support Employee Deductions |
| \$ 12,740,413,069  | \$ 13,125,893,718          | \$                                |
| 696,523,162  | 564,468,143                |                                   |
| 11,293,669   | 14,993,742                 |                                   |
| 4,503,031  | 4,680,058                  |                                   |
| 121,685,000  | 117,530,565                | —                                 |
| 246,871  | 288,368                    | —                                 |
| 12,241,646   | 12,595,488                 | —                                 |
| 1,781,336,522  | 1,635,849,839              | —                                 |
| (502,154,458)  | (399,788,260)              | —                                 |
| 29,614,524   | 26,847,878                 | —                                 |
| 5,051  | 5,998                      | —                                 |
| 201,264  | 161,906                    | —                                 |
| —  | —                          | 77,951                            |
| 61,188,697   | 37,632,518                 | —                                 |
| 4,256,605  | 2,375,622                  | —                                 |
| 6,279,262  | 4,280,425                  | —                                 |
| 322,820  | 119,751                    | —                                 |
| 5,827,838  | 5,398,230                  | —                                 |
| 764,972  | 573,300                    | —                                 |
| 6,065,748  | 5,081,235                  | —                                 |
| 2,217,143  | 491,136                    | —                                 |
| 217,753  | 312,900                    | —                                 |
| 1,128,943  | 2,070,345                  | —                                 |
| 11,001,225   | 13,673,267                 | —                                 |
| 8,716,248  | 8,509,653                  | —                                 |
| <b>\$ 15,003,896,605</b>   | <b>\$ 15,184,045,825</b>   | <b>\$ 77,951</b>                  |
| <b>\$ 3,755,984,710</b>  | <b>\$ (17,042,171,356)</b> | <b>\$ —</b>                       |
| \$ 187,303,554,414   | \$ 204,346,244,966         | \$ —                              |
| 761,637  | (519,196)                  | —                                 |
| 187,304,316,051  | 204,345,725,770            | —                                 |
| <b>\$ 191,060,300,761</b>  | <b>\$ 187,303,554,414</b>  | <b>\$</b>                         |



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

As of August 31, 2023 (With Comparative Data as of August 31, 2022)

|  | Enterprise Funds-Major |                       |
|--|------------------------|-----------------------|
|  | TRS-ActiveCare         |                       |
|  | 2023                   | 2022                  |
| <b>Assets</b>                                  |                        |                       |
| <b>Current Assets</b>                          |                        |                       |
| <b>Cash</b>                                    |                        |                       |
| Cash In State Treasury                         | \$ 474,316,944         | \$ 744,870,637        |
| <b>Total Cash</b>                              | <b>\$ 474,316,944</b>  | <b>\$ 744,870,637</b> |
| <b>Receivables</b>                             |                        |                       |
| Interest                                       | \$ 2,225,082           | \$ 1,049,754          |
| Rebate and Discount Income                     | 123,489,390            | 84,394,663            |
| <b>Total Receivables</b>                       | <b>\$ 125,714,472</b>  | <b>\$ 85,444,417</b>  |
| <b>Total Assets</b>                            | <b>\$ 600,031,416</b>  | <b>\$ 830,315,054</b> |
| <b>Liabilities (Note 1F)</b>                   |                        |                       |
| <b>Current Liabilities</b>                     |                        |                       |
| Accounts Payable                               | \$ 683,441             | \$ 288,944            |
| Payroll Payable                                | 431,558                | 208,838               |
| Fees Payable                                   | 1,210,996              | 1,124,500             |
| Health Care Claims Payable                     | 313,322,761            | 280,408,186           |
| Employee Compensable Absences Payable (Note 4) | 160,195                | 156,522               |
| <b>Total Current Liabilities</b>               | <b>\$ 315,808,951</b>  | <b>\$ 282,186,990</b> |
| <b>Non-Current Liabilities</b>                 |                        |                       |
| Employee Compensable Absences Payable (Note 4) | \$ 103,672             | \$ 80,310             |
| <b>Total Non-Current Liabilities</b>           | <b>\$ 103,672</b>      | <b>\$ 80,310</b>      |
| <b>Total Liabilities</b>                       | <b>\$ 315,912,623</b>  | <b>\$ 282,267,300</b> |
| <b>Deferred Inflow of Resources</b>            |                        |                       |
| Deferred Revenue - School Districts            | \$ 281,828             | \$ 507,779            |
| <b>Total Deferred Inflow of Resources</b>      | <b>\$ 281,828</b>      | <b>\$ 507,779</b>     |
| <b>Net Position</b>                            |                        |                       |
| Restricted for Health Care Programs            | \$ 283,836,965         | \$ 547,539,975        |
| <b>Total Net Position</b>                      | <b>\$ 283,836,965</b>  | <b>\$ 547,539,975</b> |

See accompanying Notes to the Financial Statements.

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

|                                       | Enterprise Funds-Major<br>TRS-ActiveCare |                         |
|---------------------------------------|--|-------------------------|
|                                       | 2023                                     | 2022                    |
| <b>Operating Revenues</b>             |  |                         |
| Health Care Premiums                  | \$ 1,830,920,436                         | \$ 2,044,855,892        |
| Rebate and Discount Income            | 227,883,761                              | 174,729,133             |
| <b>Total Operating Revenues</b>       | <b>\$ 2,058,804,197</b>                  | <b>\$ 2,219,585,025</b> |
| <b>Operating Expenses</b>             |  |                         |
| Health Care Claims                    | \$ 2,192,774,626                         | \$ 2,151,584,283        |
| Health Care Claims Processing         | 67,402,400                               | 64,914,013              |
| Premium Payments to HMOs              | 83,782,801                               | 146,752,232             |
| Affordable Care Act Fees              | 1,112,036                                | 1,043,018               |
| Administrative Expenses               |  |                         |
| Salaries and Wages                    | 2,287,348                                | 1,835,309               |
| Payroll Related Costs                 | 242,939                                  | 191,451                 |
| Professional Fees and Services        | 2,183,352                                | 1,490,358               |
| Travel                                | 38,841                                   | 26,232                  |
| Materials and Supplies                | 32,680                                   | 32,139                  |
| Communications and Utilities          | 33,133                                   | 27,101                  |
| Repairs and Maintenance               | 131,766                                  | 161,136                 |
| Rentals and Leases                    | 844                                      | 1,803                   |
| Other Expenses                        | 223,762                                  | 222,785                 |
| <b>Total Operating Expenses</b>       | <b>\$ 2,350,246,528</b>                  | <b>\$ 2,368,281,860</b> |
| <b>Operating Income (Loss)</b>        | <b>\$ (291,442,331)</b>                  | <b>\$ (148,696,835)</b> |
| <b>Non-Operating Revenues</b>         |  |                         |
| Supplemental Funding - Appropriations | \$                                       | \$ 638,337,761          |
| Investment Income                     | 27,739,321                               | 1,656,096               |
| <b>Total Non-Operating Revenues</b>   | <b>\$ 27,739,321</b>                     | <b>\$ 639,993,857</b>   |
| <b>Change in Net Position</b>         | <b>\$ (263,703,010)</b>                  | <b>\$ 491,297,022</b>   |
| <b>Beginning Net Position</b>         | <b>\$ 547,539,975</b>                    | <b>\$ 56,242,953</b>    |
| <b>Ending Net Position</b>            | <b>\$ 283,836,965</b>                    | <b>\$ 547,539,975</b>   |

See accompanying Notes to the Financial Statements.

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

For the Fiscal Year Ended August 31, 2023 (With Comparative Data for August 31, 2022)

|   | Enterprise Funds-Major<br>TRS-ActiveCare |                         |
|---|--|-------------------------|
|   | 2023                                     | 2022                    |
| <b>Cash Flows from Operating Activities</b>   |  |                         |
| Receipts from Health Care Premiums  | \$ 1,830,694,485                         | \$ 2,045,552,751        |
| Receipts from Rebate and Discount Income  | 188,789,034                              | 143,799,262             |
| Payments for Administrative Expenses  | (4,530,413)                              | (29,912,048)            |
| Payments for Health Care Claims   | (2,159,860,051)                          | (2,155,466,019)         |
| Payments for Health Care Claims Processing  | (67,402,400)                             | (64,914,013)            |
| Payments for HMO Premiums   | (83,782,801)                             | (146,752,232)           |
| Payments for Affordable Care Act Fees   | (1,025,540)                              | (1,012,010)             |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ (297,117,686)</b>                  | <b>\$ (208,704,309)</b> |
| <b>Cash Flows from Non-Capital Financing Activities</b>   |  |                         |
| Proceeds from Other Non-Operating Revenues  | \$                                       | \$ 638,337,761          |
| <b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>   | <b>\$ —</b>                              | <b>\$ 638,337,761</b>   |
| <b>Cash Flows from Investing Activities</b>   |  |                         |
| Interest Received   | \$ 26,563,993                            | \$ 2,273,541            |
| <b>Net Cash Provided (Used) by Investing Activities</b>   | <b>\$ 26,563,993</b>                     | <b>\$ 2,273,541</b>     |
| <b>Net Increase (Decrease) in Cash</b>  | <b>\$ (270,553,693)</b>                  | <b>\$ 431,906,993</b>   |
| Beginning Cash and Cash Equivalents   | \$ 744,870,637                           | \$ 312,963,644          |
| <b>Ending Cash and Cash Equivalents</b>   | <b>\$ 474,316,944</b>                    | <b>\$ 744,870,637</b>   |
| <b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>        |  |                         |
| <b>Operating Income (Loss)</b>  | <b>\$ (291,442,331)</b>                  | <b>\$ (148,696,835)</b> |
| <b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b> |  |                         |
| <b>Changes in Assets &amp; Liabilities</b>  |  |                         |
| (Increase) Decrease in Health Care Premium Receivables  | \$ (225,951)                             | \$ 696,859              |
| (Increase) Decrease in Rebate and Discount Income   | (39,094,727)                             | (30,929,871)            |
| Increase (Decrease) in Health Care Claims Payable   | 32,914,575                               | (3,881,736)             |
| Increase (Decrease) in Affordable Care Act Fees Payable   | 86,496                                   | 31,008                  |
| Increase (Decrease) in Accounts Payable   | 394,497                                  | (25,977,574)            |
| Increase (Decrease) in Payroll Payable  | 222,720                                  | 60,512                  |
| Increase (Decrease) in Employee Compensable Absences Payable  | 27,035                                   | (6,672)                 |
| <b>Total Adjustments</b>  | <b>\$ (5,675,355)</b>                    | <b>\$ (60,007,474)</b>  |
| <b>Net Cash Provided (Used) by Operating Activities</b>   | <b>\$ (297,117,686)</b>                  | <b>\$ (208,704,309)</b> |

See accompanying Notes to the Financial Statements.

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

As of August 31, 2023

| Asset Class                                | Returns (A)   |               |             |             |
|--|---------------|---------------|-------------|-------------|
|  | 1 Year %      | 3 Years %     | 5 Years %   | 10 Years %  |
| <b>Global Equity</b>                       |               |               |             |             |
| USA  | 13.99         | 11.26         | 9.22        | 10.90       |
| Non-US Developed                           | 16.55         | 5.61          | 4.04        | 5.32        |
| Emerging Markets                           | 2.34          | (0.37)        | 2.18        | 3.84        |
| Private Equity                             | 5.02          | 18.43         | 13.29       | 13.80       |
| <b>Total Global Equity</b>                 | <b>9.88</b>   | <b>10.11</b>  | <b>8.04</b> | <b>8.89</b> |
| <b>Stable Value</b>                        |               |               |             |             |
| Government Bonds                           | (11.89)       | (14.48)       | (2.38)      | 1.57        |
| Absolute Return                            | 11.17         | 8.99          | 7.41        | 9.56        |
| Stable Value Hedge Funds                   | 4.12          | 8.70          | 6.33        | 5.95        |
| <b>Total Stable Value</b>                  | <b>(5.26)</b> | <b>(6.30)</b> | <b>0.93</b> | <b>3.56</b> |
| <b>Real Return</b>                         |               |               |             |             |
| Real Estate                                | (4.31)        | 11.84         | 9.12        | 10.69       |
| Energy, Natural Resources & Infrastructure | 8.63          | 14.97         | 7.40        |             |
| Commodities                                | 3.36          | 5.36          | (0.78)      | (4.66)      |
| <b>Total Real Return</b>                   | <b>(0.84)</b> | <b>12.63</b>  | <b>8.54</b> | <b>8.66</b> |
| <b>Total Risk Parity</b>                   | <b>(0.47)</b> | <b>0.13</b>   | <b>1.66</b> | <b>4.10</b> |
| <b>Investment Exposure</b>                 | <b>3.51</b>   | <b>6.18</b>   |             |             |
| <b>Asset Allocation Leverage</b>           |               |               |             |             |
| Asset Allocation Leverage                  | N/A           | N/A           | N/A         | N/A         |
| Cash                                       | 5.54          | 2.26          | 2.10        | 2.30        |
| <b>Total Net Asset Allocation Leverage</b> | <b>N/A</b>    | <b>N/A</b>    | <b>N/A</b>  | <b>N/A</b>  |
| <b>Total Fund</b>                          | <b>3.85</b>   | <b>6.58</b>   | <b>6.42</b> | <b>7.62</b> |

(A) All returns were calculated by the Custodian and are net of fees. Any blanks in the table are due to a new asset class that was not established over the entire timeframe.

(B) The rate of return for other TRS funds is 4.03%.



November 22, 2022

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

**Subject: Actuary's Certification of the Actuarial Valuation as of August 31, 2022**

We certify that the information included herein and contained in the 2022 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) Pension Fund (Fund) as of August 31, 2022. This report was prepared at the request of the Board and is intended for use by the TRS staff and those designated or approved by the Board. This report may be provided to parties other than TRS staff only in its entirety and only with the permission of the Board.

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

#### **ACTUARIAL VALUATIONS**

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

#### **FINANCING OBJECTIVE OF THE PLAN**

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

assessment of the current contribution rates performed in this actuarial valuation are intended to ensure they provide for the normal cost plus fully amortizing the unfunded actuarial accrued liability over a reasonable time. Please see Appendix 2 for more discussion of these determinations.

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

#### **PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVE**

Based on this actuarial valuation as of August 31, 2022, the Fund’s unfunded actuarial accrued liability (UAAL) has increased to \$51.7 billion compared to \$47.6 billion as of August 31, 2021. The primary reason for the increase was investment performance for fiscal year 2022 which produced a loss on the actuarial value of assets of \$2.4 billion. In addition, there was a loss on the liability side associated with higher than expected salary increases for continuing active employees, which appear to be primarily driven from federal grants provided for various COVID relief efforts. Based on the contribution schedule put in place in 2019, the UAAL was anticipated to grow in nominal dollars through 2028 before beginning to decline annually after that. As of 2022, the UAAL is \$1.6 billion less than originally projected in the impact statement and currently expected to peak in 2027. In addition, the investment return assumption was lowered from 7.25% to 7.00% with this valuation. Thus, the amortization schedule of the UAAL has been slightly accelerated, even on a more conservative assumption set.

The 2019 Legislature increased contribution rates for the State, employers, and the members in a phase-in schedule that will end in Fiscal Year 2025. The State’s base rate of 6.80% in Fiscal Year 2019 increased to 7.50% in Fiscal Year 2020 and will phase-in to 8.25% by Fiscal Year 2024. In addition, covered public education employers began contributing 1.50% of salary (capped at the minimum salary schedule) in Fiscal Year 2015. Beginning in Fiscal Year 2020, all public education employers began paying this surcharge and the amount will gradually increase from 1.60% in Fiscal Year 2021 to 2.00% in Fiscal Year 2025. These supplemental contributions are assumed to be approximately 1.24% of total payroll at the end of the phase-in. Combined, these contributions are ultimately assumed to approximate 9.49% of total payroll. Over the same time period, the member contribution rate has increased from 7.70% to the current 8.00% and will increase to 8.25% in Fiscal Year 2024. In addition to these contributions, there are contributions made on behalf of members who are receiving a pension but who have also returned to work. These contributions are assumed to be approximately 0.07% of total payroll. As a result, for FY2025 and thereafter, the Fund is expected to receive a total contribution rate of 17.81% of pay. All funding calculations in this report assume the rate will remain at that level thereafter.

This valuation shows a normal cost equal to 12.09% of pay plus 0.14% of pay to cover the annual cost of administrative expenses. The total contribution rate pattern discussed above is sufficient to pay this normal cost and amortize the current unfunded actuarial accrued liabilities of the Fund over a period of 26 years based on the smoothed asset value as of the valuation date. Therefore, the financing objectives of the Statute are expected to be met (assuming all assumptions are realized).

The actuarial valuation report as of August 31, 2022 reveals that the funded ratio (the ratio of actuarial assets to actuarial accrued liability) is 79.0%, slightly decreasing from 79.1% last year. The funded status is one of many metrics used to show trends and develop future expectations about the health of the Fund. The funded status measure itself is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligations or assessing the need for or the amount of future contributions since it does not reflect normal cost contributions, the timing of amortization payments, or future experience other than expected.

The Fund's investments earned less than the assumed rate of return during fiscal year 2022 (-6.7% on market value compared to a previously assumed 7.25%). However, the Fund was deferring meaningful investment gains from the prior year, and the market value loss was largely offset through the smoothing resulting in only a modest change to this year's smoothed results. However, due to the outstanding shortfall from this year's loss the Fund is now deferring an investment shortfall of \$9.7 billion and the funded status using the market value of assets is 75.0%. If there are no significant investment gains or other actuarial gains over the next several years, the funded status of the Fund would be expected to either decrease towards this number or remain stagnant until all those losses are recognized.

Based on the actuarial (smoothed) value of assets, the number of years needed to amortize the UAAL will decrease annually if all assumptions are met. Please note that this annual decrease in the funding period will only occur if the currently scheduled contribution levels remain in place over the funding period. Any decrease in the contribution rates will result in longer funding periods.

Due to the current funding policy which utilizes level percentage of payroll amortization, the amortization payments will not be sufficient to cover all of the interest charges on the UAAL until the funding period reaches approximately 20 years. Table 5b provides a projection of the financing of the UAAL, and that projection shows the UAAL is expected to increase slightly to \$53.6 billion in 2027 before beginning to decline. The projection shows the UAAL is expected to be fully amortized 21 years after that in 2048 (assuming all assumptions are exactly met including a 7.00% annual return on assets).

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

**PLAN PROVISIONS**

The plan provisions used in the actuarial valuation are described in Appendix 1 of the valuation report. There have been no changes to the ongoing benefit provisions of the Fund since the prior valuation.

**DISCLOSURE OF PENSION INFORMATION**

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

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

**ACTUARIAL METHODS AND ASSUMPTIONS**

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

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

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

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



**Data**

Member data for retired, active and inactive members was supplied as of August 31, 2022 by the TRS staff. The staff also supplied asset information as of August 31, 2022. While GRS did not audit this data, we did apply a number of tests to the data and concluded that it was reasonable and consistent with the prior year's data. It is also our understanding that TRS's auditor has attested to this information. GRS is not responsible for the accuracy or completeness of the information provided to us by TRS.

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

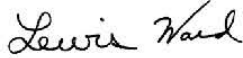
- Actuarial Present Value of Future Benefits
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Post-Retirement Mortality
- Rates of Retirement
- Probability of Decrement due to Withdrawal
- Active Mortality

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

This document and the PowerPoint presentation of the actuarial valuation results presented to the TRS Board in December 2022 comprise the full actuarial report.

Respectfully submitted,

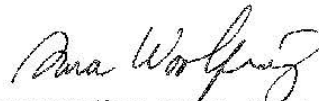
**Gabriel, Roeder, Smith & Company**



Lewis Ward  
Consultant



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



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

**Actuarial Disclosure**

The Actuarial Section is based on a valuation as of August 31, 2022.

**Table 1: Actuarial Present Value of Future Benefits**  
(With Comparative Data for August 31, 2021)

|  | 2022                      | 2021                      |
|--|---------------------------|---------------------------|
| <b>Present Value of Benefits Presently Being Paid</b>                              |                           |                           |
| Service Retirement Benefits  | \$ 116,831,601,519        | \$ 108,948,080,707        |
| Disability Retirement Benefits   | 1,268,694,353             | 1,257,772,887             |
| Death Benefits   | 1,101,317,268             | 1,003,508,883             |
| Present Survivor Benefits  | 359,855,389               | 330,790,908               |
| <b>Total Present Value of Benefits Presently Being Paid</b>                        | <b>\$ 119,561,468,529</b> | <b>\$ 111,540,153,385</b> |
| <b>Present Value of Benefits Payable in the Future to Present Active Members</b>   |                           |                           |
| Service Retirement Benefits  | \$ 145,250,741,563        | \$ 135,708,442,690        |
| Disability Retirement Benefits   | 4,844,260,984             | 3,532,104,523             |
| Termination Benefits   | 16,859,685,949            | 14,572,731,217            |
| Death and Survivor Benefits  | 2,492,915,908             | 2,603,853,694             |
| <b>Total Active Member Liabilities</b>   | <b>\$ 169,447,604,404</b> | <b>\$ 156,417,132,124</b> |
| <b>Present Value of Benefits Payable in the Future to Present Inactive Members</b> |                           |                           |
| Inactive Vested Participants   | \$ 6,446,570,982          | \$ 5,709,144,378          |
| Refunds of Contributions to Inactive Non-vested Members                            | 1,070,097,132             | 946,018,345               |
| Future Survivor Benefits Payable On Behalf of Present Annuitants                   | 1,927,287,686             | 1,811,789,519             |
| <b>Total Inactive Liabilities</b>  | <b>\$ 9,443,955,800</b>   | <b>\$ 8,466,952,242</b>   |
| <b>Total Actuarial Present Value of Future Benefits</b>                            | <b>\$ 298,453,028,733</b> | <b>\$ 276,424,237,751</b> |

**Table 2: Summary of Cost Items**  
(With Comparative Data for August 31, 2021)

|   | 2022                      | 2021                      |
|---|---------------------------|---------------------------|
| Present Value of Future Benefits            | \$ 298,453,028,733        | \$ 276,424,237,751        |
| Present Value of Future Normal Costs        | (52,892,062,383)          | (48,177,557,988)          |
| <b>Actuarial Accrued Liability</b>          | <b>\$ 245,560,966,350</b> | <b>\$ 228,246,679,763</b> |
| Actuarial Value of Assets                   | \$ (193,908,589,662)      | \$ (180,598,980,455)      |
| <b>Unfunded Actuarial Accrued Liability</b> | <b>\$ 51,652,376,688</b>  | <b>\$ 47,647,699,308</b>  |



November 7, 2022

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

**Subject: Actuary's Certification of the GASB Statement No. 74 Actuarial Valuation as of August 31, 2022 for TRS-Care**

Submitted in this report are the results of an Actuarial Valuation of the liabilities associated with the employer financed retiree health benefits provided through TRS-Care, a benefit program designed to provide post-retirement medical benefits for certain members of the Teacher Retirement System of Texas (TRS). The date of the valuation was August 31, 2021. Update procedures were used to roll forward the total OPEB liability to August 31, 2022. This report was prepared at the request of TRS.

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

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

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

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

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

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

The Net OPEB Liability (NOL) decreased by \$14.7 billion, from \$38.6 billion as of August 31, 2021 to \$23.9 billion as of August 31, 2022. The decrease was due to a combination of favorable claims experience, changes of participation assumptions, and a large increase in the discount rate from 1.95% to 3.91%.

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

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

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

Respectfully submitted,  
**Gabriel, Roeder, Smith & Company**



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



Blake Orth, FSA, EA, MAAA  
Consultant and Actuary

