Teachers' Retirement System of Oklahoma

Actuarial Valuation Report
As of June 30, 2026



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October 22, 2026

Board of Trustees
Teachers' Retirement System of Oklahoma
Harvey Parkway Building
301 NW 63rd Street, Suite 500
Oklahoma City, OK 73116-7921

Subject: Actuarial Valuation as of June 30, 2026

Dear Members of the Board:

We certify that the information contained in this report is accurate and fairly presents the actuarial position of the Teachers' Retirement System of Oklahoma (the "System" or "TRS") as of June 30, 2026. This report was prepared at the request of the Board and is intended for use by the System's staff and those designated or approved by the Board. This report may be provided to parties other than the 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 also comply with the requirements of the Oklahoma statutes and, where applicable, the Internal Revenue Code. The undersigned are independent actuaries. Joseph Newton is an Enrolled Actuary. All are Members of the American Academy of Actuaries, and are experienced in performing valuations for large public retirement systems. They meet all of the Qualification Standards of the American Academy of Actuaries.

Valuations are prepared annually, as of June 30th of each year, the last day of the System's plan and fiscal years.

ACTUARIAL VALUATION

The primary purposes of the actuarial valuation report are to determine the adequacy of the current employer contribution rates and the level of dedicated State revenue, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides various summaries of the financial and census data.

All of the information required by GASB is provided in stand-alone reports prepared in accordance with GASB Statement Nos. 67 and 74 for the TRS fiscal year ending June 30, 2026.

FINANCING OBJECTIVES

The member, employer, and "grant matching" contribution rates, as well as the dedicated State revenue, are established by law. Members contribute 7.00% of covered compensation.

The contribution rate for employers covered by the Education Employees Service Incentive Plan (EESIP) is 9.50%. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the contribution rate is 8.55%. This employer payroll contribution is projected to average about 9.3% of payroll.

The State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, individual income taxes, and lottery proceeds to the System. This percentage has been 5.00% since FY 2008. HB 2741 passed during the 2020 legislative session which temporarily reduced the percentage to 3.50% for FY 2021. HB 2894 passed during the 2021 legislative session which restored the percentage to 5.00% for FY 2022 and then changed the percentage to 5.25% for FY 2023 through FY 2027. The percentage is scheduled to return back to 5.00% beginning in FY 2028. Additionally, HB 4388 passed during the 2022 legislative session which limits the amount of lottery proceeds received by TRS. TRS will now only receive a portion of funds on the first $65 million deposited in the Oklahoma Education Lottery Trust Fund. The System also receives 1% of the cigarette taxes collected by the State. Since these contribution sources are unrelated to the covered payroll of the System, our outlook for the future contribution level from these sources incorporates five years of actual contributions to develop a five-year average of 7.6% of payroll when the percentage of State tax revenues is 5.00% and 8.0% of payroll when the percentage of State tax revenues is 5.25%.

SB1144 passed during the 2026 legislative session ends the apportionment of State dedicated revenue to TRS on the earlier of June 30, 2036, or the June 30 of the fiscal year in which the system's actuary determines that TRS has reached a 100 percent funded ratio.

Finally, the System receives "grant matching" contributions from employers for positions whose funding comes from federal sources or certain external grants. The matching contribution rate for FY 2026 is 8.0% of applicable payroll. These "grant matching" contributions are equivalent to a contribution rate of approximately 0.7% of covered payroll.

On a combined basis, we expect that the contributing entities will contribute 18.0% of covered payroll (9.3% + 8.0% + 0.7% = 18.0%) for FY 2027 and then decrease to 17.6% (9.3% + 7.6% + 0.7% = 17.6%) for all years after, until TRS has reached a 100 percent funded ratio. Once the apportionment of State dedicated revenue to TRS ends, we expect that the contributing entities will contribute 10.0% (9.3% + 0.0% + 0.7% = 10.0%) of covered payroll on a combined basis.

The dedicated State revenue along with the local and matching contributions, when combined with the contributions made by members, are intended to pay for the normal cost and to amortize the unfunded actuarial accrued liability of the System.

DEFERRED ASSET LOSSES/GAINS

The actuarial value of assets is based upon the market value, but asset gains and losses – earnings greater or less than the assumed annual investment return – are recognized at a rate of 20% per year for five years. 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 timeframe.

The market value of assets returned 14.5% for the fiscal year ending June 30, 2026. The actuarial value of assets returned 9.9% due to asset smoothing, exceeding the assumed rate of 7.00% for FY 2026. The return on an actuarial value of assets basis resulted in an asset gain of $695 million, increasing the System's funded ratio.

Progress Toward Eliminating UAAL

The unfunded actuarial accrued liability (UAAL) decreased to $4.979 billion, down from $6.078 billion as of June 30, 2025. Correspondingly, the System's funded ratio—actuarial value of assets divided by the actuarial accrued liability—increased from 80.0% to 84.1% as of June 30, 2026.

The System is expected to eliminate the current UAAL in 7 years based upon the current contribution and benefit provisions, assuming no actuarial gains or losses in the future, and assuming the actuarial value of assets returns 7.00%.

Benefit Provisions

Our actuarial valuation as of June 30, 2026 reflects the benefit and contribution provisions set forth in current statutes. There were two bills enacted during the 2026 State of Oklahoma legislative session that were considered during the valuation for impact on the benefits paid by the System.

HB2288 provides updates for post-retirement employment rules for TRS members. Effective July 1, 2026, post-retirement earnings limitations are removed for any retiree who returns to employment with a public school. Additionally, HB2288 extends the required break in service for returning retirees from 60 days to six months. Based on previous analysis provided to the System, we determined there was no measurable impact on the accrued actuarial liability of the plan.

SB1144 provides for a one-time cost-of-living-adjustment effective November 1, 2026 for TRS retirees who have been retired for at least 8 years as of June 30, 2026. For retirees with at least 8 but fewer than 20 years of retirement, the COLA is equal to 3 percent. For retirees with 20 or more years of retirement, the COLA is equal to 6 percent. Additionally, SB1144 ends the apportionment of State dedicated revenue to TRS on the earlier of June 30, 2036, or the June 30 of the fiscal year in which the system's actuary determines that TRS has reached a 100 percent funded ratio.

A summary of all major plan provisions contained within this valuation is included in Appendix I of this report.

Assumptions and Methods

Assumptions are set by the Board of Trustees, taking into account the recommendations of the System's actuary. The System has an experience investigation study performed at least every fifth year. The actuarial assumptions used in this valuation are based upon the 2024 Experience Investigation Study Report, dated May 24, 2024, measuring the experience investigation period ending FY2023. The current actuarial assumptions were adopted by the Board in May 2024 and first utilized in the June 30, 2024 actuarial valuation report.

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.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of the System. A summary of the actuarial methods and assumptions incorporated into this valuation is included in Appendix III of this report.

Board of Trustees
October 22, 2026

DATA

Member data for retired, active, and inactive participants was supplied as of June 30, 2026 by the System's staff. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and consistency with the prior year's data. Asset information as of June 30, 2026 was supplied by the auditors and by the System's staff. GRS is not responsible for the accuracy or completeness of the information provided to us.

We wish to sincerely thank the System's entire staff and the System's financial auditors for their assistance in the preparation of our report.

The undersigned are independent actuaries and consultants. They are Members of the American Academy of Actuaries and meet all of the Qualification Standards of the American Academy of Actuaries. Joseph Newton is an Enrolled Actuary. The undersigned are experienced in performing valuations for large public retirement systems.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



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SECTION A

EXECUTIVE SUMMARY

Executive Summary

Item	2026	2025
Membership		
• Number of		
- Active members	103,758	104,318
- Retirees and beneficiaries	71,400	70,602
- Inactive, vested	15,756	15,697
- Inactive, nonvested	22,300	19,788
- Total	213,214	210,405
• Payroll	$ 5,959 million	$ 5,945 million
Statutory contribution rates	FY 2027	FY 2026
• Employers in EESIP	9.50%	9.50%
• Regional universities	8.55%	8.55%
• Federal/grant salaries	8.00%	8.00%
• Members	7.00%	7.00%
• State (% of tax revenues)	5.25%	5.25%
Assets		
• Market value	$ 28,508 million	$ 25,181 million
• Actuarial value	$ 26,317 million	$ 24,243 million
• Return on market value	14.5%	11.0%
• Return on actuarial value	9.9%	8.2%
• State/local/federal contributions	$ 1,083 million	$ 1,069 million
• External cash flow %	-1.1%	-1.1%
• Ratio of actuarial to market value	92.3%	96.3%
Actuarial Information on Actuarial Value		
• Normal cost %	10.77%	10.79%
• Unfunded actuarial accrued liability (UAAL)	$ 4,979 million	$ 6,078 million
• Funded ratio	84.1%	80.0%
• Funding period (years)	7	9
Actuarial Information on Market Value		
• Unfunded actuarial accrued liability (UAAL)	$ 2,787 million	$ 5,141 million
• Funded ratio	91.1%	83.0%
• Funding period (years)	4	7
Gains/(losses)		
• Asset experience	$ 695 million	$ 273 million
• Liability experience	280 million	6 million
• Legislative Changes	(317) million	0 million
• Assumption Changes	0 million	0 million
• Total	$ 658 million	$ 279 million

SECTION B

INTRODUCTION

Introduction

The results of the June 30, 2026 actuarial valuation of the Teachers' Retirement System of Oklahoma are presented in this report.

The purposes of any actuarial valuation report are to describe the financial condition of the System, to assess the adequacy of the current contributions, and to analyze changes in the funding requirements.

Section C of our report discusses the determination of the current funding period. Section D analyzes the changes in the unfunded actuarial accrued liability (UAAL). This section also discusses the gains and losses resulting from differences between actual experience and the actuarial assumptions.

Section E of our report details the System's assets as they relate to our actuarial valuation, while Section F discusses the changes in the benefit and contribution provisions since the previous valuation, if any. Section G compares the actual contributions received by the System to an actuarially determined level of contributions. Sections H and I discuss the actuarial assumptions and methods used and the membership data. Section J discusses many of the risks facing the System.

All of the Tables referenced by the other sections appear in Section K of this report.

SECTION C

FUNDED STATUS

Funded Status

Because the employer contribution rates are set by statute, this report determines the funding period (number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL)) to assess whether current projected amounts of contributions are appropriate.

The UAAL decreased by $1.099 billion, from $6.078 billion as of June 30, 2025 to $4.979 billion as of June 30, 2026. The funded ratio – the ratio of the actuarial value of assets to the actuarial accrued liability – increased from 80.0% to 84.1% as of June 30, 2026. The funded ratio increased consistent with expectations. A detailed summary of the changes in UAAL is included in Table 10.

The State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, individual income taxes, and lottery proceeds to the System. This percentage has been 5.00% since FY 2008. HB 2741 passed during the 2020 legislative session which temporarily reduced the percentage to 3.50% for FY 2021. HB 2894 passed during the 2021 legislative session which restored the percentage to 5.00% for FY 2022 and then changed the percentage to 5.25% for FY 2023 through FY 2027. The percentage is scheduled to return back to 5.00% beginning in FY 2028. Additionally, HB 4388 passed during the 2022 legislative session which limits the amount of lottery proceeds received by TRS. TRS will now only receive a portion of funds on the first $65 million deposited in the Oklahoma Education Lottery Trust Fund. The System also receives 1% of the cigarette taxes collected by the State.

Since the State revenue sources are unrelated to the covered payroll of the System, our outlook for the future contribution level from these sources incorporates five years of actual contributions to develop a five-year average of 7.6% of payroll when the percentage of State tax revenues is 5.00% and 8.0% when the percentage of State tax revenues is 5.25%. Additionally, the “grant matching” contributions are equivalent to a contribution rate of approximately 0.7% of covered payroll.

SB1144 passed during the 2026 legislative session ends the apportionment of State dedicated revenue to TRS on the earlier of June 30, 2036, or the June 30 of the fiscal year in which the system’s actuary determines that TRS has reached a 100 percent funded ratio.

The employer payroll contribution—9.50% for most employers and 8.55% for the comprehensive and regional universities—is projected to average about 9.3% of payroll, so on a combined basis, we expect that the contributing entities will contribute 18.0% of covered payroll (8.0% + 0.7% + 9.3% = 18.0%) for FY 2027 and then decrease to 17.6% (7.6% + 0.7% + 9.3% = 17.6%) for all years after, until TRS has reached a 100 percent funded ratio. Once the apportionment of State dedicated revenue to TRS ends, we expect that the contributing entities will contribute 10.0% (9.3% + 0.0% + 0.7% = 10.0%) of covered payroll on a combined basis.

Projected Funded Status

The funding period is 7 years based on current assumptions, including the actuarial value of assets earning 7.00% per year over that period. The same projections show it will take about three years for the plan to reach 90% funded ratio.

Based on the 7-year timeframe and current expected contributions, it is expected that the Unfunded Actuarial Accrued Liability (UAAL) will decrease year over year going forward until it is fully amortized.

SECTION D

ANALYSIS OF CHANGES

Analysis of Changes

Unfunded Actuarial Accrued Liability (UAAL)

Table 10 of our report shows an analysis of the change in the UAAL. The UAAL, which was $6.078 billion last year, has decreased $1.099 billion to $4.979 billion this year. The UAAL was expected to decrease by $484 million based on the current funding policy and the passage of time. This reduction was accelerated by favorable asset experience.

Funding Period

As noted in Table 1 under Section K of our report, the funding period (the period required to amortize the UAAL) is 7 years based on the actuarial value of assets, which is one year less than the expected funding period based on last year's valuation. If all of the actuarial assumptions are met, the funding period is expected to decrease by one year in each successive actuarial valuation.

The funding period on an AVA basis shown in Table 1 of our report, and the projection of the UAAL shown in Table 11, are based upon a deterministic projection. This projection assumes: (a) effective market earnings on the AVA, net of investment-related expenses, will equal 7.00% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the active members who leave employment will be replaced by new entrants each year, and (d) employer contributions and dedicated State revenue will temporarily be 18.0% of payroll through FY 2027, decreasing to 17.6% of payroll each year thereafter, until the system has reached a 100 percent funded ratio. Once the apportionment of State dedicated revenue to TRS ends, we expect that the contributing entities will contribute 10.0% of payroll each year thereafter.

SECTION E

SYSTEM ASSETS

System Assets

This report contains several tables that summarize key information with respect to the System's assets. Assets are reported at market value.

The total market value of assets increased from $25.181 billion to $28.508 billion as of June 30, 2026.

Table 5 reconciles the changes in the fund during the year. Employer contributions increased from $572 million to $575 million. The dedicated State revenue increased from $456 million to $467 million, reflecting increased State tax revenues. Active member contributions increased from $421 million to $422 million, including State credits for contributions.

Table 6 shows the development of the actuarial value of assets. Rather than use the System's market value of assets, the valuation reflects a smoothed asset value. This actuarial value is calculated using a five-year average of the difference between expected and actual earnings on the market value and is meant to dampen the volatility in the funded ratio and the funding period resulting from the year-to-year changes in the market returns. The actuarial value is 92.3% of market value with $2.191 billion in deferred asset gains that have yet to be recognized.

Table 7a provides a calculation of the estimated investment return for the year. As shown, the approximate investment return for FY 2026 is 14.5% when measured on market value and 9.9% when measured on actuarial value. Table 7b shows a history of return rates since FY 2007. The System's ten (10) year and twenty (20) year average annual market returns, net of expenses, are 9.4% and 8.0%, respectively.

Table 8 shows an external cash flow history. External cash flow is negative 1.1% of assets this year. Table 9a shows the development of the asset gain of $695 million on an actuarial value of assets basis.

SECTION F

BENEFIT AND CONTRIBUTION PROVISIONS

Benefit and Contribution Provisions

Appendix I of our report provides a summary of benefit and contribution provisions of the System, while Appendix II is a historical summary of legislative changes.

The State of Oklahoma contributes a percentage of its revenues from sales taxes, use taxes, corporate income taxes, individual income taxes, and lottery proceeds to the System. This percentage has been 5.00% since FY 2008. HB 2741 passed during the 2020 legislative session which temporarily reduced the percentage to 3.50% for FY 2021. HB 2894 passed during the 2021 legislative session which restored the percentage to 5.00% for FY 2022 and then changed the percentage to 5.25% for FY 2023 through FY 2027. The percentage is scheduled to return back to 5.00% beginning in FY 2028. Additionally, HB 4388 passed during the 2022 legislative session which limits the amount of lottery proceeds received by TRS. TRS will now only receive a portion of funds on the first $65 million deposited in the Oklahoma Education Lottery Trust Fund. The System also receives 1% of the cigarette taxes collected by the State.

SB1144 passed during the 2026 legislative session ends the apportionment of State dedicated revenue to TRS on the earlier of June 30, 2036, or the June 30 of the fiscal year in which the system's actuary determines that TRS has reached a 100 percent funded ratio.

SECTION G

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION

Actuarially Determined Employer Contribution (ADEC)

In October 2023, the Board adopted an approach to determining the amortization period for the ADEC. Specifically, the ADEC is determined as the level annual contribution necessary to discharge the UAAL based on the actuarial value of assets over a period no longer than the number of years until June 30, 2040. As of this 2026 valuation, the maximum length of amortization based on this policy would be 14 years.

The funding policy also incorporates an output smoothing mechanism so that the ADEC is the greater of the amount needed to meet the 14-year maximum number of years or the statutory contribution expected to be received. As of this valuation, the currently expected 18.0% of payroll contributions for FY2027 is the greater amount, and thus the ADEC for FY2027 is 18.0% of the expected payroll of $6.20 billion, or $1.12 billion.

The Federal (and Other External Sources) Matching Contribution Rate consistent with this ADEC, based on past practice, is 8.0% of applicable payroll. It is our understanding that this contribution rate will be applicable for fiscal year 2028. The matching contribution rate for summer programs is limited to one-half of the regular matching rate (or 4.0% for fiscal year 2028).

Actuarially Determined Contributions

ASOP 4 requires the disclosure of a Reasonable Actuarially Determined Contribution (ADC) for comparisons to the actual contributions per the funding policy. The process above for determining the ADEC also meets all of the requirements of an ADC under ASOP 4. Thus, the Reasonable ADC per ASOP 4 for FY2027 equals the ADEC above of approximately $1.12 billion.

SECTION H

ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions and Methods

Appendix III of our report summarizes the actuarial assumptions and methods used to determine the System's liabilities and the actuarial methods used to determine the normal cost, UAAL and funding period. The actuarial assumptions used in this valuation are based upon the 2024 Experience Investigation Study Report, dated May 24, 2024, measuring the experience investigation period ending FY2023. The current actuarial assumptions were adopted by the Board in July 2024 and first utilized in the June 30, 2024 actuarial valuation report.

Since the prior valuation, there have been no changes to the actuarial assumptions or methods.

SECTION I

MEMBERSHIP DATA

Membership Data

Data on all members of the System, whether active, receiving a benefit, or entitled to a future benefit, was supplied by the System.

We did not verify the correctness of the data at the source, but we did perform various tests to ensure the internal consistency of the data and its overall reasonableness. In our review of this data, we encountered a small number of records with missing or inconsistent information. We adjusted these records, but this did not materially impact the results shown.

Item V of Appendix III of our report provides more detail about the processing of membership data for valuation purposes.

Tables 4a and 4b show some key statistics for the various groups included and Table 15 shows the distribution of active members by age and service.

There was a 0.5% decrease in the number of active members since the previous valuation and a 0.2% increase in the payroll for active members based on the data provided.

Over the last decade, the active group average age and average tenure have remained relatively stable. As shown in Table 4b, the average active member was 45.8 years old and had 11.0 years of service 10 years ago. The average active member was 45.6 years old and had 10.2 years of service for the previous valuation. For this valuation, the average active member was 45.7 years old and has 10.4 years of service.

SECTION J

RISK ASSESSMENT

Risk Assessment

Risks Associated with Measuring the Actuarial Accrued Liability and Actuarially Determined Employer Contribution

The determination of the actuarial accrued liability and the actuarially determined employer contribution (ADEC) requires the use of assumptions regarding future economic and demographic experience. Risk measures, as illustrated in this report, are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

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 due to changing conditions; 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, or additional cost or contribution requirements based on the System's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the System's future financial condition include:

1. Investment risk – actual investment returns may differ from the expected returns;
2. Asset/Liability mismatch – changes in asset values may not match changes in liabilities, thereby altering the gap between the accrued liability and assets and consequently altering the funded status and contribution requirements;
3. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions from the State may not be made in accordance with the current arrangement or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
4. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
5. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
6. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example if the investment return since the most recent actuarial valuation is less (or more) than the assumed rate, the cost of the plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Risk Assessment (Continued)

The ADEC discussed in Section G may be considered as a minimum contribution that complies with the Board's funding policy and State statute. The timely receipt of the ADEC is critical to support the financial health of the System. Users of this report should be aware that contributions made consistent with the ADEC do not necessarily guarantee benefit security.

Plan Maturity Measures

Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of members in pay status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

	2026	2025	2024	2023	2022	2021	2020	2019	2018
Ratio of the market value of assets to total payroll	4.78	4.24	4.00	3.94	3.82	4.60	3.53	3.73	3.94
Ratio of actuarial liability to payroll	5.25	5.1	5.13	5.39	5.4	5.64	5.5	5.16	5.36
Ratio of actives to retirees and beneficiaries	1.5	1.5	1.5	1.5	1.5	1.3	1.4	1.4	1.4
Ratio of net cash flow to market value of assets	-1.1%	-1.1%	-1.1%	-1.4%	-1.6%	-2.0%	-1.9%	-1.8%	-2.0%
Duration of the actuarial accrued liability	11.8	11.94	11.9	12.2	12.2	12.2	12.2	11.7	11.5

Ratio of Market Value of Assets to Payroll

The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the market value of assets is 2.0 times the payroll, a return on assets 5% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in plan sponsor contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll

The ratio of liability to payroll may be used as a measure of sensitivity of the liability itself. For example, if the actuarial accrued liability is 2.5 times the payroll, a change in liability 2% other than assumed would equal 5% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also plan sponsor contributions) as a percentage of payroll.

Ratio of Actives to Retirees and Beneficiaries

A young plan with many active members and few retirees will have a high ratio of active to retirees. A mature open plan may have close to the same number of actives to retirees resulting in a ratio near 1.0. A super-mature or closed plan may have significantly more retirees than actives resulting in a ratio below 1.0.

Risk Assessment (Continued)

Ratio of Net Cash Flow to Market Value of Assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional contributions.

Duration of Actuarial Accrued Liability

The duration of the actuarial accrued liability may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the liability would increase approximately 10% if the assumed rate of return were lowered 1%.

Additional Risk Assessment

Additional risk assessment is outside the scope of the annual actuarial valuation. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Low-Default-Risk Obligation Measure

Actuarial Standards of Practice No. 4 (ASOP No. 4) was revised and reissued in December 2021 by the Actuarial Standards Board (ASB). It includes a new calculation called a low-default-risk obligation measure (LDROM) to be prepared and issued annually for defined benefit pension plans. The transmittal memorandum for ASOP No. 4 includes the following explanation:

"The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the "right" liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan's funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date."

The LDROM estimates the amount of money the plan would need to invest in low risk securities to provide the benefits with greater certainty. The current model expects lower costs but with higher risk, which creates less certainty and a possibility of higher costs. The LDROM model creates higher expected costs but more predictability when compared to the current model. Thus, the difference between the two measures (Valuation and LDROM) is one illustration of the possible costs the sponsor could incur if there was a reduction in the investment risk in comparison to the current diversified portfolio. However, the downside risk would be limited in the scenarios where the current portfolio would fail to achieve returns in excess of the low-default-risk discount, in this case 5.60%.

The following information has been prepared in compliance with this new requirement. Unless otherwise noted, the measurement date, actuarial cost methods, and assumptions used are the same as for the funding valuation covered in this actuarial valuation report.

A.	LDROM measure of benefits earned as of the measurement date:	$36.7 billion
B.	Valuation liability at 7% on measurement date:	31.3 billion
C.	Cost to mitigate investment risk in the System's portfolio:	$ 5.4 billion

Disclosures: Discount rate used to calculate LDROM: 5.60% Intermediate FTSE Pension Discount Curve as of June 30, 2026. This measure may not be appropriate for assessing the need for or amount of future contributions as the current portfolio is expected to generate significantly more investment earnings than the low-default-risk portfolio. This measure is also not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan's benefit obligation as this measure includes projections of salary increases and the ability for current members to continue to accrue eligibility and vesting service.

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Table 1

Development of Employer Cost

	June 30, 2026	June 30, 2025
1. Payroll		
a. Supplied by System (annualized)	$ 5,958,789,642	$ 5,945,117,167
b. Adjusted for one year's pay increase	6,197,389,260	6,183,236,935
2. Present value of future pay	$ 49,977,059,784	$ 49,852,735,956
2. Normal cost rate		
a. Total normal cost rate	10.65%	10.67%
b. Administrative expenses	0.12%	0.12%
c. Less: member rate	-7.00%	-7.00%
d. Employer normal cost rate	3.77%	3.79%
3. Actuarial accrued liability for active members		
a. Present value of future benefits for active members	$ 18,353,165,768	$ 18,126,437,265
b. Less: present value of future employer normal costs	(1,613,114,121)	(1,619,387,632)
c. Less: present value of future member contributions	(3,498,394,185)	(3,489,691,517)
d. Actuarial accrued liability	$ 13,241,657,462	$ 13,017,358,116
4. Total actuarial accrued liability for:		
a. Retirees and beneficiaries	$ 16,786,241,168	$ 16,107,065,870
b. Inactive members	1,267,645,711	1,197,442,410
c. Active members (Item 3d)	13,241,657,462	13,017,358,116
d. Total	$ 31,295,544,341	$ 30,321,866,396
5. Actuarial value of assets	$ 26,316,702,101	$ 24,243,496,107
6. Unfunded actuarial accrued liability (UAAL) (Item 4d - Item 5)	$ 4,978,842,240	$ 6,078,370,289
7. Funding period based on statutory contributions (years)		
a. With assumed rate of return on the actuarial value of assets	7	9
b. With assumed rate of return on the market value of assets	4	7

Table 2

Actuarial Present Value of Future Benefits

		June 30, 2026	June 30, 2025
1.	Active members		
	a. Service retirement benefits	$ 16,187,018,322	$ 15,990,696,686
	b. Deferred termination benefits	1,236,223,391	1,208,286,577
	c. Refunds	120,054,477	124,402,510
	d. Death benefits	147,608,441	147,795,125
	e. Disability retirement benefits	460,462,261	454,362,371
	f. Supplemental medical insurance	162,988,301	162,238,434
	g. $5,000 post-retirement death benefit	38,810,575	38,655,562
	h. Total	$ 18,353,165,768	$ 18,126,437,265
2.	Retired members		
	a. Service retirements	$ 15,475,601,331	$ 14,837,055,611
	b. Disability retirements	223,757,771	211,196,222
	c. Beneficiaries	731,163,975	700,013,678
	d. Supplemental medical insurance	213,839,800	219,731,384
	e. $5,000 post-retirement death benefit	141,878,291	139,068,975
	f. Total	$ 16,786,241,168	$ 16,107,065,870
3.	Inactive members		
	a. Vested terminations	$ 1,044,209,274	$ 998,363,961
	b. Nonvested terminations	119,105,680	101,322,668
	c. Suspense fund	104,330,757	97,755,781
	d. Total	$ 1,267,645,711	$ 1,197,442,410
4.	Total actuarial present value of future benefits	$ 36,407,052,647	$ 35,430,945,545

Table 3

Analysis of Normal Cost

		June 30, 2026	June 30, 2025
1.	Gross normal cost rate		
	a. Retirement benefits	7.58%	7.61%
	b. Deferred termination benefits	1.85%	1.85%
	c. Refunds	0.68%	0.67%
	d. Supplemental medical insurance	0.10%	0.10%
	e. $5,000 Post-retirement death benefits	0.04%	0.04%
	f. Death Benefits	0.11%	0.11%
	g. Disability retirement benefits	0.29%	0.29%
	h. Total	10.65%	10.67%
2.	Administrative expenses	0.12%	0.12%
3.	Less: member rate	7.00%	7.00%
4.	Employer normal cost rate	3.77%	3.79%

Table 4A

Membership Data

		June 30, 2026	June 30, 2025
		(1)	(2)
1.	Active members		
	a. Number	103,758	104,318
	b. Total payroll supplied by System (annualized)	$ 5,958,789,642	$ 5,945,117,167
	c. Average salary	$ 57,430	$ 56,990
	d. Average age	45.7	45.6
	e. Average service	10.4	10.2
	f. Medicare-Eligible	5,347	5,174
	g. Non Medicare-Eligible	98,411	99,144
2.	Vested inactive members		
	a. Number	15,756	15,697
	b. Total annual deferred benefits[1]	$ 156,202,451	$ 150,570,830
	c. Average annual deferred benefit	$ 9,914	$ 9,592
3.	Nonvested inactive members		
	a. Number	22,300	19,788
	b. Member contributions with interest due	$ 119,105,680	$ 101,322,668
	c. Average refund due	$ 5,341	$ 5,120
4.	Service retirees		
	a. Number	65,107	64,425
	b. Total annual benefits[1]	$ 1,602,838,272	$ 1,558,501,588
	c. Average annual benefit	$ 24,619	$ 24,191
5.	Disabled retirees		
	a. Number	1,544	1,547
	b. Total annual benefits[1]	$ 22,556,287	$ 21,899,620
	c. Average annual benefit	$ 14,609	$ 14,156
6.	Beneficiaries and spouses		
	a. Number	4,749	4,630
	b. Total annual benefits[1]	$ 96,260,028	$ 91,829,712
	c. Average annual benefit	$ 20,270	$ 19,834

[1] Benefit amounts exclude the supplemental medical insurance payment.

Table 4B

Historical Summary of Active Member Data

	Active Members		Covered Payroll		Average Salary			
Valuation as of June 30,	Number	Percent Increase	Amount in $ Millions	Percent Increase	$ Amount	Percent Increase	Average Age	Average Service
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2007	88,133	1.1%	3,599	7.3%	40,835	6.1%	45.8	11.5
2008	88,678	0.6%	3,751	4.2%	42,304	3.6%	45.9	11.5
2009	89,388	0.8%	3,808	1.5%	42,600	0.7%	46.0	11.5
2010	89,896	0.6%	3,855	1.2%	42,880	0.7%	46.0	11.5
2011	88,085	-2.0%	3,773	-2.1%	42,837	-0.1%	46.2	11.7
2012	87,778	-0.3%	3,925	4.0%	44,713	4.4%	46.2	11.6
2013	89,333	1.8%	3,933	0.2%	44,027	-1.5%	46.1	11.4
2014	89,570	0.3%	4,003	1.8%	44,690	1.5%	45.9	11.2
2015	90,388	0.9%	4,232	5.7%	46,819	4.8%	45.8	11.0
2016	90,167	-0.2%	4,255	0.5%	47,188	0.8%	45.8	11.0
2017	87,795	-2.6%	4,116	-3.3%	46,878	-0.7%	46.0	11.1
2018	88,534	0.8%	4,223	2.6%	47,702	1.8%	46.0	11.1
2019	90,014	1.7%	4,592	8.7%	51,014	6.9%	46.1	11.0
2020	91,471	1.6%	4,801	4.6%	52,490	2.9%	46.1	11.2
2021	89,945	-1.7%	4,793	-0.2%	53,291	1.5%	46.1	11.3
2022	99,844	11.0%	5,152	7.5%	51,605	-3.2%	45.6	10.2
2023	100,959	1.1%	5,286	2.6%	52,362	1.5%	45.6	10.1
2024	103,277	2.3%	5,740	8.6%	55,583	6.2%	45.5	10.1
2025	104,318	1.0%	5,945	3.6%	56,990	2.5%	45.6	10.2
2026	103,758	-0.5%	5,959	0.2%	57,430	0.8%	45.7	10.4

Table 5

Reconciliation of Plan Net Assets

	Year Ending June 30, 2026 (1)	Year Ending June 30, 2025 (2)
1. Market value of assets at beginning of year		
a. Value reported in prior valuation	$ 25,181,260,433	$ 22,963,616,852
b. Adjustment to prior value	0	0
c. Beginning of year value	$ 25,181,260,433	$ 22,963,616,852
2. Revenue for the year		
a. Contributions		
i. Member contributions, including state credit	$ 422,370,220	$ 421,373,893
ii. Grant matching funds	40,232,677	40,271,720
iii. State contribution	467,052,344	456,176,761
iv. Employer/district contributions	575,302,011	572,395,798
v. Total	$ 1,504,957,252	$ 1,490,218,172
b. Net investment earnings		
i. Investment Income	$ 3,698,225,658	$ 2,557,254,995
ii. Investment expenses	(63,760,272)	(57,482,185)
iii. Net investment earnings	$ 3,634,465,386	$ 2,499,772,810
c. Total revenue	$ 5,139,422,638	$ 3,989,990,982
3. Expenditures for the year		
a. Refunds	$ 55,531,653	$ 55,965,182
b. Benefit payments, including insurance payments	1,747,768,034	1,707,432,418
c. Administrative expenses	9,322,447	8,949,801
d. Total expenditures	$ 1,812,622,134	$ 1,772,347,401
4. Increase in net assets (Item 2 - Item 3)	$ 3,326,800,504	$ 2,217,643,581
5. Market value of assets at end of year (Item 1 + Item 4)	$ 28,508,060,937	$ 25,181,260,433

Table 6

Development of Actuarial Value of Assets

		Year Ending June 30, 2026
1.	Market value of assets at beginning of year (prior to adjustments)	$ 25,181,260,433
2.	Net new investments	
	a. Contributions	$ 1,504,957,252
	b. Expenditures	(1,812,622,134)
	c. Subtotal	(307,664,882)
3.	Market value of assets at end of year	$ 28,508,060,937
4.	Net earnings (3-1-2)	$ 3,634,465,386
5.	Assumed investment return rate	7.00%
6.	Expected return	$ 1,751,919,959
7.	Excess return (4-6)	$ 1,882,545,427
8.	Excess return on assets for last four years :	

Fiscal Year End	Remaining Deferrals of Excess (Shortfall) of Investment Income	Offsetting of Gains/(Losses)	Net Deferrals Remaining	Years Remaining	Recognized for this valuation	Remaining after this valuation
	(1)	(2)	(3) = (1) + (2)	(4)	(5) = (3) / (4)	(6) = (3) - (5)
2022	$ 0	$ 0	$ 0	1	$ 0	$ 0
2023	0	0	0	2	0	0
2024	216,009,004	0	216,009,004	3	72,003,001	144,006,003
2025	721,755,322	0	721,755,322	4	180,438,831	541,316,491
2026	1,882,545,427	0	1,882,545,427	5	376,509,085	1,506,036,342
Total	$ 2,820,309,753	$ 0	$ 2,820,309,753		$ 628,950,917	$ 2,191,358,836

9.	Actuarial value of assets (Item 3 - Item 8)	$ 26,316,702,101
10.	Actuarial value as percentage of market value	92.3%

Table 7A

Estimation of Yields

		Year Ending June 30, 2026 (1)	Year Ending June 30, 2025 (2)
A.	Market value yield		
1.	Beginning of year market assets (prior to adjustments)	$ 25,181,260,433	$ 22,963,616,852
2.	Net investment income (including realized and unrealized gains and losses)	$ 3,634,465,386	$ 2,499,772,810
3.	End of year market assets	$ 28,508,060,937	$ 25,181,260,433
4.	Estimated dollar weighted market value yield	14.5%	11.0%
B.	Actuarial value yield		
1.	Beginning of year actuarial assets	$ 24,243,496,107	$ 22,675,604,846
2.	Actuarial return	$ 2,380,870,876	$ 1,850,020,490
3.	End of year actuarial assets	$ 26,316,702,101	$ 24,243,496,107
4.	Estimated actuarial value yield	9.9%	8.2%

Table 7B

History of Investment Return Rates

Year Ending June 30 of	Market	Actuarial
(1)	(2)	(3)
2007	18.0%	12.4%
2008	-7.5%	9.4%
2009	-16.2%	2.0%
2010	16.1%	1.7%
2011	22.7%	5.0%
2012	1.3%	3.3%
2013	17.3%	7.9%
2014	22.1%	15.6%
2015	2.7%	13.1%
2016	-2.2%	8.0%
2017	14.7%	9.0%
2018	9.8%	8.5%
2019	4.9%	6.0%
2020	0.7%	5.5%
2021	33.3%	11.4%
2022	-9.5%	7.5%
2023	7.6%	6.0%
2024	11.4%	7.2%
2025	11.0%	8.2%
2026	14.5%	9.9%
Average Compound Returns		
Last Five Years:	6.6%	7.8%
Last Ten Years:	9.4%	7.9%
Last Fifteen Years:	8.8%	8.4%
Last Twenty Years:	8.0%	7.8%

Table 8

History of Cash Flow

Year Ending June 30,	Contributions	Distributions and Expenditures: Benefit Payments	Distributions and Expenditures: Refunds	Distributions and Expenditures: Administrative Expenses	Distributions and Expenditures: Total	External Cash Flow for the Year[1]	Market Value of Assets	External Cash Flow as Percent of Market Value
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2017	998.2	(1,312.1)	(40.9)	(4.1)	(1,357.1)	(358.9)	15,463	-2.3%
2018	1,073.5	(1,360.9)	(42.9)	(4.2)	(1,408.0)	(334.5)	16,629	-2.0%
2019	1,144.5	(1,414.7)	(38.0)	(5.2)	(1,457.9)	(313.4)	17,124	-1.8%
2020	1,157.7	(1,431.9)	(35.2)	(5.3)	(1,472.4)	(314.7)	16,930	-1.9%
2021	1,119.1	(1,520.6)	(31.9)	(5.5)	(1,558.0)	(438.9)	22,052	-2.0%
2022	1,333.5	(1,594.2)	(38.4)	(5.8)	(1,638.4)	(304.9)	19,669	-1.6%
2023	1,398.2	(1,633.9)	(50.6)	(6.8)	(1,691.3)	(293.1)	20,854	-1.4%
2024	1,482.7	(1,675.3)	(52.0)	(8.0)	(1,735.3)	(252.6)	22,964	-1.1%
2025	1,490.2	(1,707.4)	(56.0)	(8.9)	(1,772.3)	(282.1)	25,181	-1.1%
2026	1,505.0	(1,747.8)	(55.5)	(9.3)	(1,812.6)	(307.6)	28,508	-1.1%

Dollar amounts in millions

[1] Column (7) = Column (2) + Column (6).

Table 9A

Investment Experience Gain or Loss

Item	Year Ending June 30, 2026	Year Ending June 30, 2025
(1)	(2)	(3)
1. Actuarial assets, beginning of year	$ 24,243,496,107	$ 22,675,604,846
2. Contributions during year	$ 1,504,957,252	$ 1,490,218,172
3. Benefits and refunds paid	$ (1,803,299,687)	$ (1,763,397,600)
4. Administrative expenses	$ (9,322,447)	$ (8,949,801)
5. Assumed net investment income at 7.0%:		
a. Beginning of year assets	$ 1,697,044,727	$ 1,587,292,339
b. Contributions	52,673,504	52,157,636
c. Benefits and refunds paid	(63,115,489)	(61,718,916)
d. Administrative expenses	(326,286)	(313,243)
e. Total	$ 1,686,276,456	$ 1,577,417,816
6. Expected actuarial assets, end of year (Sum of Items 1 through 5)	$ 25,622,107,681	$ 23,970,893,433
7. Actual actuarial assets, end of year	$ 26,316,702,101	$ 24,243,496,107
8. Asset gain (loss) for year (Item 7 - Item 6)	$ 694,594,420	$ 272,602,674

Table 9B

Total Experience Gain or Loss

Item	Year Ending June 30, 2026	Year Ending June 30, 2025
(1)	(2)	(3)
A. Calculation of total actuarial gain or loss		
1. Unfunded actuarial accrued liability (UAAL), previous year	$ 6,078,370,289	$ 6,758,034,976
2. Normal cost for the year (including admin expenses)	$ 667,171,265	$ 645,387,149
3. Less: total contributions for the year	$ (1,504,957,252)	$ (1,490,218,172)
4. Interest at 7%:		
a. On UAAL	$ 425,485,920	$ 473,062,448
b. On normal cost	23,350,994	22,588,550
c. On contributions	(52,673,504)	(52,157,636)
d. Total	$ 396,163,410	$ 443,493,362
5. Expected UAAL (Sum of Items 1 through 4)	$ 5,636,747,712	$ 6,356,697,315
6. Actual UAAL	$ 4,978,842,240	$ 6,078,370,289
7. Total gain (loss) for the year (Item 5 - Item 6)	$ 657,905,472	$ 278,327,026
B. Source of gains and losses		
8. Asset gain (loss) for the year	$ 694,594,420	$ 272,602,674
9. Liability gain (loss) for the year	279,853,385	5,724,352
10. Impact of legislative changes	(316,542,333)	0
11. Impact of changes in actuarial assumptions and methods	0	0
12. Total gain (loss)	$ 657,905,472	$ 278,327,026

Table 10

Analysis of Change in Unfunded Actuarial Accrued Liability (UAAL)

Basis	June 30, 2026 UAAL (in $ Millions)	June 30, 2025 UAAL (in $ Millions)
(1)	(2)	(3)
1. From prior valuation	$ 6,078.4	$ 6,758.0
2. Impact of changes, gains and losses		
a. Expected change based on expected contributions and passage of time	(483.9)	(410.0)
b. Liability (gain)/loss	(279.9)	(5.7)
c. Asset (gain)/loss	(694.6)	(272.6)
d. Impact of actual contributions (more)/less than expected under schedule[1]	42.3	8.7
e. Legislative changes	316.5	0.0
f. Impact of changes in actuarial assumptions and methods	0.0	0.0
g. Total	(1,099.6)	(679.6)
3. Current UAAL (1+2g)	$ 4,978.8	$ 6,078.4

Columns may not total due to rounding

[1] Significant sources of the contributions are due to state revenue and actual contributions may differ from the expected amounts.

Table 11

Projection of UAAL

Valuation Date	Payroll for Next Fiscal Year	Contribution as % of Payroll	Normal Cost & Admin Expense as % of Payroll	Net Amortization [c-d]*b	UAAL BOY	Interest	Net Principal Contribution e-g	Funding Period
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
June 30, 2026	$ 6,197.4	25.00%	10.77%	$ 882.1	$ 4,978.8	$ 318.2	$ 563.9	7
June 30, 2027	6,352.3	24.60%	10.74%	880.2	4,414.9	278.8	601.4	6
June 30, 2028	6,511.1	24.60%	10.74%	902.7	3,813.5	235.9	666.8	5
June 30, 2029	6,673.9	24.60%	10.73%	925.5	3,146.7	188.4	737.1	4
June 30, 2030	6,840.8	24.60%	10.73%	948.8	2,409.6	136.0	812.8	3
June 30, 2031	7,011.8	24.60%	10.73%	972.6	1,596.9	78.3	894.3	2
June 30, 2032	7,187.1	24.60%	10.73%	996.9	702.6	14.9	982.0	1
June 30, 2033	7,366.7	24.60%	10.73%	1,021.9	(279.4)	(54.7)	1,076.6	0
June 30, 2034	7,550.9	17.00%	10.73%	473.5	(1,356.0)	(111.2)	584.7	0
June 30, 2035	7,739.7	17.00%	10.73%	485.3	(1,940.8)	(152.6)	637.9	0

Projection assumes that: (a) future market earnings, net of investment-related expenses, will equal 7.00% per year on the smoothed asset amount, (b) there will be no liability gains/losses or changes in assumptions, (c) the active members who leave employment will be replaced by new entrants each year, and (d) current benefit and contribution provisions will remain the same as current expectations

Table 12A

Schedule of Funding Progress

Defined Benefit OPEB Plan

Valuation As of June 30,	Actuarial Value of Assets (in Millions)	Actuarial Accrued Liability (AAL) (in Millions)	Unfunded AAL (UAAL) (3) - (2) (in Millions)	Funding Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll (in Millions)	UAAL as a % of Annual Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2018	$ 479.9	$ 419.4	$ (60.5)	114.4%	$ 4,223.2	(1.4%)
2019	472.9	410.3	(62.6)	115.3%	4,592.0	(1.4%)
2020	462.4	430.7	(31.7)	107.4%	4,801.3	(0.7%)
2021	485.0	425.9	(59.1)	113.9%	4,793.2	(1.2%)
2022	486.9	424.1	(62.8)	114.8%	5,152.5	(1.2%)
2023	482.3	419.5	(62.8)	115.0%	5,286.5	(1.2%)
2024	486.2	375.2	(111.0)	129.6%	5,740.4	(1.9%)
2025	492.6	369.1	(123.5)	133.5%	5,945.1	(2.1%)
2026	509.8	364.8	(145.0)	139.7%	5,958.8	(2.4%)

Table 12B

Schedule of Funding Progress

Defined Benefit Pension Plan

Valuation As of June 30,	Actuarial Value of Assets (in Millions)	Actuarial Accrued Liability (AAL) (in Millions)	Unfunded AAL (UAAL) (3) - (2) (in Millions)	Funding Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll (in Millions)	UAAL as a % of Annual Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
2017	$ 15,041.4	$ 21,625.4	$ 6,584.0	69.6%	$ 4,115.7	160.0%
2018	16,007.0	22,196.5	6,189.5	72.1%	4,223.2	146.6%
2019	16,677.5	23,269.9	6,592.4	71.7%	4,592.0	143.6%
2020	17,306.9	25,979.3	8,672.4	66.6%	4,801.3	180.6%
2021	18,845.3	26,607.6	7,762.3	70.8%	4,793.2	161.9%
2022	19,982.3	27,410.9	7,428.6	72.9%	5,152.5	144.2%
2023	20,923.0	28,090.3	7,167.3	74.5%	5,286.5	135.6%
2024	22,189.4	29,058.5	6,869.1	76.4%	5,740.4	119.7%
2025	23,750.9	29,952.8	6,201.9	79.3%	5,945.1	104.3%
2026	25,806.9	30,930.7	5,123.8	83.4%	5,958.8	86.0%

Table 13A

Solvency Test
Defined Benefit OPEB Plan

Actuarial Accrued Liability and Percent of Active Member Payroll for:

	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits			Portion of Accrued Liabilities Covered by Assets			
June 30,	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	Actuarial Value of Assets	(1)	(2)	(3)	(4)
2017	$ -	0%	$ 271.9	7%	$ 18.7	0%	$ 138.1	3%	$ 475.0	N/A	100%	100%	100%
2018	-	0%	262.3	6%	19.3	0%	137.9	3%	479.9	N/A	100%	100%	100%
2019	-	0%	251.5	5%	20.2	0%	138.6	3%	472.9	N/A	100%	100%	100%
2020	-	0%	252.0	5%	22.4	0%	156.2	3%	462.4	N/A	100%	100%	100%
2021	-	0%	248.3	5%	23.5	0%	154.1	3%	485.0	N/A	100%	100%	100%
2022	-	0%	246.1	5%	24.2	0%	153.9	3%	486.9	N/A	100%	100%	100%
2023	-	0%	239.9	5%	25.4	0%	154.2	3%	482.3	N/A	100%	100%	100%
2024	-	0%	227.9	4%	26.1	0%	121.1	2%	486.2	N/A	100%	100%	100%
2025	-	0%	219.7	4%	26.5	0%	122.9	2%	492.6	N/A	100%	100%	100%
2026	-	0%	213.8	4%	27.0	0%	124.0	2%	509.8	N/A	100%	100%	100%

Note: Dollar amounts in millions

Table 13B

Solvency Test
Defined Benefit Pension Plan

Actuarial Accrued Liability and Percent of Active Member Payroll for:

	Accumulated Member Contributions Including Interest		Retirees and Beneficiaries Currently Receiving Benefits		Terminated Employees Not Yet Receiving Benefits		Employer Financed Portion of Vested and Nonvested Benefits			Portion of Accrued Liabilities Covered by Assets			
June 30,	(1)	% of Payroll	(2)	% of Payroll	(3)	% of Payroll	(4)	% of Payroll	Actuarial Value of Assets	(1)	(2)	(3)	(4)
2017	$ 5,572.8	135%	$ 12,331.0	300%	$ 632.4	15%	$ 3,089.1	75%	$ 15,041.4	100%	77%	0%	0%
2018	5,736.4	136%	12,710.9	301%	677.3	16%	3,071.9	73%	16,007.0	100%	81%	0%	0%
2019	6,011.2	131%	12,954.2	282%	730.0	16%	3,574.5	78%	16,677.5	100%	82%	0%	0%
2020	6,315.8	132%	14,157.8	295%	836.5	17%	4,669.2	97%	17,306.9	100%	78%	0%	0%
2021	6,340.3	132%	14,693.2	307%	896.7	19%	4,677.4	98%	18,845.3	100%	85%	0%	0%
2022	6,464.3	125%	15,130.8	294%	951.4	18%	4,864.4	94%	19,982.3	100%	89%	0%	0%
2023	6,593.5	125%	15,489.2	293%	1,045.2	20%	4,962.4	94%	20,923.0	100%	93%	0%	0%
2024	6,876.7	120%	15,610.3	272%	1,120.5	20%	5,451.0	95%	22,189.4	100%	98%	0%	0%
2025	7,134.6	120%	15,887.3	267%	1,170.9	20%	5,759.9	97%	23,750.9	100%	100%	62%	0%
2026	7,310.1	123%	16,572.4	278%	1,240.6	21%	5,807.5	97%	25,806.9	100%	100%	100%	12%

Note: Dollar amounts in millions

Table 14A

BENEFIT RECIPIENTS ADDED TO AND REMOVED FROM ROLLS

Defined Benefit OPEB Plan

	Added to Rolls		Removed from Rolls		Rolls-End of Year			
Valuation June 30,	Number	Annual Medical Insurance	Number	Annual Medical Insurance	Number	Annual Medical Insurance	% Increase in Annual Medical Insurance	Average Annual Medical Insurance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2017	1,270	1,552,956	1,663	2,043,984	24,121	29,627,736	-1.6%	1,228
2018	1,040	1,271,772	1,581	1,944,120	23,580	28,955,388	-2.3%	1,228
2019	905	1,107,012	1,507	1,852,536	22,978	28,209,864	-2.6%	1,228
2020	798	975,864	1,379	1,695,972	22,397	27,489,756	-2.6%	1,227
2021	1,004	1,227,648	1,587	1,951,200	21,814	26,766,204	-2.6%	1,227
2022	1,190	1,455,264	1,397	1,716,804	21,607	26,504,664	-1.0%	1,227
2023	1,230	1,503,480	1,420	1,744,272	21,417	26,263,872	-0.9%	1,226
2024	782	955,140	1,380	1,694,316	20,819	25,524,696	-2.8%	1,226
2025	886	1,081,344	1,443	1,771,956	20,262	24,834,084	-2.7%	1,226
2026	754	920,784	1,308	1,605,144	19,708	24,149,724	-2.8%	1,225

Table 14B

BENEFIT RECIPIENTS ADDED TO AND REMOVED FROM ROLLS

Defined Benefit Pension Plan

	Added to Rolls		Removed from Rolls		Rolls-End of Year			
Valuation June 30,	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2017	3,323	$ 79,639,291	1,612	$ 26,725,994	62,391	$ 1,275,441,415	4.3%	$ 20,443
2018	3,155	74,318,025	1,750	29,816,313	63,796	1,319,943,127	3.5%	20,690
2019	2,816	66,700,469	1,791	30,295,490	64,821	1,356,348,106	2.8%	20,925
2020	2,877	115,139,960	1,920	31,861,412	65,778	1,439,626,654	6.1%	21,886
2021	3,606	96,892,428	2,368	39,297,593	67,016	1,497,221,489	4.0%	22,341
2022	3,557	92,173,853	2,243	40,145,154	68,330	1,549,250,188	3.5%	22,673
2023	3,288	87,853,542	2,186	40,971,568	69,432	1,596,132,162	3.0%	22,988
2024	2,782	75,782,139	2,273	41,490,810	69,941	1,630,423,491	2.1%	23,311
2025	3,102	88,345,844	2,441	46,538,415	70,602	1,672,230,920	2.6%	23,685
2026	3,250	96,439,099	2,452	47,015,432	71,400	1,721,654,587	3.0%	24,113

Table 15

Distribution of Active Members by Age and by Years of Service

	Years of Credited Service												
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	Total
Attained Age	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 25	419	1,749	697	242	88	20	0	0	0	0	0	0	3,215
	$29,589	$33,465	$33,953	$32,433	$32,019	$26,050	$0	$0	$0	$0	$0	$0	$32,902
25-29	360	2,204	1,966	1,767	1,328	1,482	5	0	0	0	0	0	9,112
	$34,960	$38,227	$44,297	$46,725	$48,296	$49,782	$31,243	$0	$0	$0	$0	$0	$44,399
30-34	283	1,651	1,257	1,091	1,056	4,202	778	0	0	0	0	0	10,318
	$32,870	$36,660	$42,298	$43,680	$47,788	$54,727	$60,484	$0	$0	$0	$0	$0	$48,278
35-39	258	1,538	1,136	1,069	989	3,259	3,008	517	6	0	0	0	11,780
	$34,610	$37,202	$42,625	$45,491	$49,052	$55,865	$63,393	$67,576	$68,017	$0	$0	$0	$52,615
40-44	223	1,315	1,055	1,070	1,030	3,500	2,484	2,593	584	3	0	0	13,857
	$39,688	$38,981	$43,934	$46,808	$48,449	$56,047	$67,189	$71,324	$73,963	$87,700	$0	$0	$57,582
45-49	188	995	835	737	779	3,059	2,231	1,885	2,464	471	1	0	13,645
	$38,289	$40,491	$45,842	$47,815	$49,237	$55,407	$66,421	$74,465	$77,230	$81,471	$133,000	$0	$62,016
50-54	152	851	613	606	607	2,548	1,878	1,696	1,690	2,358	396	0	13,395
	$38,788	$41,323	$48,235	$48,835	$50,520	$55,663	$64,889	$71,409	$78,896	$83,612	$91,749	$0	$65,884
55-59	142	740	548	528	520	2,238	1,684	1,560	1,588	1,810	1,642	204	13,204
	$35,799	$42,399	$46,682	$49,599	$47,441	$53,495	$62,398	$66,794	$76,478	$82,973	$90,007	$88,215	$66,594
60-64	97	511	403	401	420	1,846	1,140	1,072	1,049	1,109	604	551	9,203
	$37,837	$38,659	$43,201	$45,181	$42,463	$49,932	$59,303	$64,626	$70,618	$82,970	$91,999	$91,615	$62,804
65 & Over	73	393	291	309	435	1,413	771	598	491	484	304	467	6,029
	$30,505	$34,517	$35,515	$38,334	$38,613	$43,752	$56,540	$59,791	$69,105	$82,360	$89,984	$105,990	$57,486
Total	2,195	11,947	8,801	7,820	7,252	23,567	13,979	9,921	7,872	6,235	2,947	1,222	103,758
	$34,688	$37,828	$43,162	$45,750	$47,457	$53,784	$63,747	$69,609	$75,799	$83,056	$90,662	$96,541	$57,430

APPENDIX I

SUMMARY OF PLAN PROVISIONS

APPENDIX I
Summary of Plan Provisions

1. Effective Date: July 1, 1943.

2. Plan Year: Twelve-month period ending June 30th.

3. Administration: The Teachers' Retirement System of Oklahoma is administered by a Board of Trustees, which is responsible for administration of the System and investment of System assets. Four members serve ex officio, while a total of ten others are appointed by the Governor (six), the President of the Senate (two), and the Speaker of the House (two), according to various guidelines. Additionally, a statewide organization representing retired educators shall appoint a member to the Board who shall be a nonvoting member.

4. Type of Plan: The System is a qualified governmental defined benefit retirement plan. For GASB purposes, it is a cost-sharing multiple-employer plan.

5. Eligibility: Employees of any public school in Oklahoma, including public colleges and universities, are eligible to participate in the System. Classified personnel (teachers, supervisors, principals, registered school nurses, administrators, etc.) are required to participate, beginning at their date of employment. Non-classified employees (all other employees, such as drivers, secretaries, janitors, cooks, etc.) working 20 hours or more per week may, but are not required to, participate. Effective July 1, 2021, all eligible non-classified employees must make an irrevocable election whether or not to become a participant in TRS within 30 days of their initial date of employment. Certain other State employees, such as employees of the System itself, participate in the System. Beginning July 1, 2004, new employees hired by the comprehensive universities (Oklahoma University, the Health Sciences Center, and Oklahoma State University) may elect to join an alternate plan provided by the universities in lieu of joining TRS. The election to join the alternate plan is irrevocable.

6. Maximum Pay: Prior to July 1, 1995, contributions under this System were based on pay up to a maximum dollar amount. Members could choose between a $40,000 maximum and a $25,000 maximum. The member's Final Average Compensation was limited by this same maximum, so the member's election affected both benefits and contributions.

   The maximum was removed for most members effective July 1, 1995. It no longer applies in determining the required member and employer contributions. It does still have an impact, however. As noted below, benefits based on service earned before July 1, 1995 are limited by the $40,000 or $25,000 maximum, whichever was elected. This cap may be modified for members in the Education Employees Service Incentive Plan (EESIP). See Item 22 below discussing the EESIP provisions.

   In addition, the cap on salary continued to apply after June 30, 1995 to members employed by one of the comprehensive universities who entered the System before July 1, 1995. The cap on salary for contribution purposes is shown in the schedule below. All caps were removed effective July 1, 2007.

APPENDIX I (Continued)

	Elected $40,000 Maximum	Elected $25,000 Maximum
1995/1996	$44,000	$27,500
1996/1997	49,000	32,500
1997/1998	54,000	37,500
1998/1999	59,000	42,500
1999/2000	59,000	42,500
2000/2001	64,000	47,500
2001/2002	69,000	52,500
2002/2003	74,000	57,500
2003/2004	79,000	62,500
2004/2005	84,000	67,500
2005/2006	89,000	72,500
2006/2007	94,000	77,500
Thereafter	No limit	No limit

Benefits for the members employed by the comprehensive universities, except for those hired on or after July 1, 1995, are limited by the pay caps for the period before July 1, 2007.

7. Member Contributions: Generally, active members contribute 7.00% of all compensation to the System. A school district may pay all or part of the contribution for its employees.

8. Employer Contributions: Employers are required to contribute a fixed percentage of pay on behalf of active members. The employer contribution rate is now applied to all pay, although historically the rate was not applied to pay above the cap on salary.

   The employer contribution rate for years from July 1, 2002 through December 31, 2006 was 7.05% of covered salary. Effective January 1, 2007, the employer contribution rate paid by all employers covered by the EESIP increased to 7.60%. This rate then increased to 7.85% effective July 1, 2007, 8.35% effective January 1, 2008, 8.50% effective July 1, 2008, 9.00% effective January 1, 2009, and 9.50% effective January 1, 2010. For employers not covered by the EESIP—the comprehensive and regional four-year universities—the rate increased to 7.55% effective January 1, 2008, 8.05% effective January 1, 2009, and 8.55% effective January 1, 2010.

   In addition, the State of Oklahoma contributes 5.00% percent of revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The 5.00% rate became effective on July 1, 2007. The rates are shown in the following schedule on the next page.

APPENDIX I (Continued)

Fiscal Year	State Contribution Percentage
FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%
Thereafter	5.00%*

Beginning in FY 2006, the State also contributes 5.00% of lottery proceeds.

* HB 2741 passed during the 2020 legislative session which temporarily changed the percentage to 3.50% for FY 2021, 3.75% for FY 2022, and 5.50% for FY 2023 through FY 2027. HB 2894 passed during the 2021 legislative session which restored the percentage to 5.00% for FY 2022 and modified the percentage to 5.25% for FY 2023 through FY 2027. The percentage is scheduled to return back to 5.00% beginning in FY 2028. Additionally, HB 4388 passed during the 2022 legislative session which limits the amount of lottery proceeds received by TRS. TRS will now only receive a portion of funds on the first $65 million deposited in the Oklahoma Education Lottery Trust Fund.

If a member's salary is paid from federal funds or certain grant money, an additional contribution (the grant matching contribution) is required. The matching contribution rate is set by the Board of Trustees annually and is expressed as a percentage of federal/grant salaries.

Fiscal Year	Federal/Grant Contribution Percentage
FY 2004 to 2005	4.50%
FY 2006	5.00%
FY 2007 to 2008	7.00%
FY 2009 to 2010	7.50%
FY 2011	6.50%
FY 2012	7.00%
FY 2013	8.00%
FY 2014 to 2016	8.25%
FY 2017	7.70%
FY 2018	7.80%
FY 2019 to 2021	7.70%
FY 2022	7.90%
FY 2023	8.00%
FY 2024	8.40%
FY 2025	8.00%
FY 2026	8.00%
FY 2027	8.00%

Beginning August 25, 2021, the matching contribution rate for summer programs will be limited to one half of the regular matching rate.

The Initial Funding Surcharge, which was an additional contribution made by the comprehensive universities equal to 2.50% of the payroll for those employees who elect to join the Alternate Retirement Plan in lieu of joining the System, ended with FY 2019 when the unfunded actuarial accrued liability of the participating institutions was reduced to zero.

9. Service: Employees receive credit for a year of service if they are contributing members for at least six months within one school year. For service performed on or after July 1, 2013, fractional service will be awarded for less than full-time employment performed during the contract year. Fractional service credit will be added together and the resulting sum will be included in the retirement formula calculations. For service performed on or after July 1, 2016 service credit awarded for all members will be the result of the days the employee worked during the employment year divided by the days the full-time equivalent for that position would be required to work during the entire employment year.
Credit may also be granted for service prior to the System's effective date, and non-classified employees can purchase credit for their prior service once they have joined the System. Credit is also available for some out-of-state and military service under certain circumstances.

   Finally, members receive a year of service credit if they have accumulated 120 days of unused sick leave at termination. As of August 1, 2012, if a member has less than 120 days of unused sick leave at termination, additional service credit for sick leave days shall be equal to the number of unused sick leave days divided by 120 days.

10. Final Average Compensation (FAC): The average of the member's compensation for the three or five years on which the highest contributions are paid. For persons becoming members before July 1, 1992, the averaging period is three years. For other members, the averaging period is five consecutive years. For service prior to July 1, 1995, the FAC is limited to $40,000 or $25,000, depending on the member's election and participation in the EESIP as discussed in Item 6 above and in Item 22.

11. Normal Retirement

    a. Eligibility: A member is eligible to retire and receive a Normal Retirement benefit if (i) the member is at least age 62 and has credit for five or more years of service, or (ii) the sum of the member's age and service is at least 80 (Rule of 80). For members joining after June 30, 1992, a "Rule of 90" is used instead of the "Rule of 80". Members joining after October 31, 2011 are eligible if (i) the member is at least age 65 and has credit for five or more years of service, or (ii) the member is at least age 60 and meets the "Rule of 90". Members joining after October 31, 2017 must have credit for seven or more years of service.

    b. Monthly Benefit: 2% of FAC (limited to $40,000 or $25,000, as appropriate) times years of service prior to July 1, 1995, plus 2% of FAC (unlimited) times years of service after June 30, 1995. Special provisions apply to members covered by the EESIP (see Item 22 below). Other special provisions apply to higher education members for service during the period July 1, 1995 through June 30, 2007 if their pay in any year in this period exceeded the applicable maximum. Monthly benefits are equal to one-twelfth of the calculated amount.

    c. Payment Form: Benefits are paid as a monthly life annuity, with a guarantee that if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. This payment form is referred to as the "Maximum Option" since it initially provides the largest annuity. Optional forms of payment are available; see below.

12. Early Retirement

a. Eligibility: A member is eligible to retire early if the member is at least age 55 and has credit for five or more years of service, or at any age after 30 years of service. For members joining after October 31, 2011, a member is eligible to retire early if the member is at least age 60 and has credit for five or more years of service. Members joining after October 31, 2017 must have credit for seven or more years of service.

b. Monthly Benefit: The Normal Retirement benefit (based on current years of service) multiplied by the applicable early retirement factor below.

c. Early Retirement Factor:

Retirement Age	Actuarial Equivalent Factors for Members Joining before November 1, 2011*	Statutory Factors for Members Joining after October 31, 2011
65 or later	1.000000	1.00
64	1.000000	0.93
63	1.000000	0.86
62	1.000000	0.80
61	0.917331	0.73
60	0.842570	0.65
59	0.774809	N/A
58	0.713266	N/A
57	0.657264	N/A
56	0.606217	N/A
55	0.559613	N/A
54	0.517003	N/A
53	0.477993	N/A
52	0.442232	N/A
51	0.409414	N/A
50	0.379263	N/A

* Reduction factors will change as the System's definition of Actuarial Equivalence changes. Factors stated here were communicated to the System in 2020.

d. Payment Form: Same as for Normal Retirement above.

13. Disability Retirement

a. Eligibility: A member is eligible provided (i) he/she has credit for at least 10 years of service and (ii) the disability is either approved by the Medical Board appointed by the Board of Trustees, or the member is determined to be eligible for disability benefits pursuant to the Social Security System.

b. Monthly Benefit: Same as for Normal Retirement above (based on current service).

c. Payment Form: The disability benefit commences immediately upon the member's retirement. Benefits are reduced or cease entirely upon recovery or reemployment prior to age 60. Disability benefits are payable as a monthly life annuity, with a guarantee that if the payments made do not exceed the sum of the member's accumulated contributions as of the date of retirement, the balance will be paid in a lump-sum to the member's beneficiary. A married, disabled member may elect a reduced benefit under the Joint & 100% Survivor option (with pop up) form of payments (Option 2 described in Item 17 below).

14. Vested Termination Benefit

a. Eligibility: A member with at least 5 years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination benefit. Members joining after October 31, 2017 must have credit for 7 or more years of service.

b. Monthly Benefit: Same as for Normal Retirement above (based on current service). If benefits commence prior to age 62 (age 65 for members joining after October 31, 2011), they may be reduced for Early Retirement above.

c. Payment Form: Same as for Normal Retirement above.

15. Withdrawal (Refund) Benefit

a. Eligibility: All members leaving covered employment with less than 5 years of service (7 years for members joining after October 31, 2017) for a reason other than the member's death. Optionally, members eligible for other benefits may withdraw their contributions in lieu of the regular benefits due.

b. Benefit: The member who withdraws receives a lump-sum payment of his/her employee contributions, plus a portion of the interest credited by the System on these contributions. Interest is credited at a rate equivalent to that of the actuarially assumed rate of return for the System. The portion of the interest paid on termination depends on the member's years of service as follows:

Years of Service	Percent of Interest Refunded
0-15	50%
16-21	60%
22-25	75%
26 or more	90%

APPENDIX I (Continued)

16. Death in Service

a. Eligibility: Death must have occurred while an active member.

b. Benefit: Upon the death of an active member, a refund of the member's contributions and 100% of the interest credited is paid. In addition, a lump sum of $18,000 will be paid. If the member is eligible for retirement (early or normal) at the time of death, had ten (10) years or more of creditable service, and the member listed only one (1) primary beneficiary (such as a spouse) for both the account balance and the $18,000 survivor benefit, the beneficiary may elect to receive a monthly life annuity equal to the retirement benefit for which the member was eligible, reduced as though the member had elected to receive benefits under Option 2 (see below). This annuity is paid in lieu of both (i) the $18,000 lump-sum death benefit and (ii) the refund of contributions.

The spouse of an EESIP eligible member can elect to receive the enhanced benefit described under Item 22 below.

17. Optional Forms of Payment: In addition to the "Maximum Option" described under Normal Retirement, above, there are optional forms of payment available on an actuarially equivalent basis, as follows:

a. Option 1 - A modified cash refund annuity payable for life with a guaranteed refund of the member's contributions and interest, less the total of the "annuity" payments paid. (The "annuity" payment is the portion of the monthly benefit provided by the member's own account balance.)

b. Option 2 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing without change to the joint annuitant; or if the joint annuitant dies before the member, "popping-up" to the original life annuity amount and continuing for the life of the member.

c. Option 3 - A joint life annuity payable while both the member and the joint annuitant are alive; and if the member dies before the joint annuitant, continuing at 50% of this amount for the joint annuitant's lifetime; or if the joint annuitant dies before the member, "popping-up" to the original life annuity amount and continuing for the life of the member.

d. Option 4 - A life annuity with a guarantee that if the member dies before 120 payments (10 years) have been made; the payments will be continued to the member's beneficiary for the balance of the ten-year period. Option 4 is only available to members who were eligible for a reduced or unreduced retirement on or before December 31, 2025.

e. PLSO Option - A partial lump-sum option (PLSO) is allowed for those members with at least 30 years of service upon retirement. The amount of the PLSO is equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided. A member who elects a PLSO may elect any of the other optional forms of payment as well, taking a further reduction in the annuity amount.
Actuarial equivalence is based on tables adopted by the Board of Trustees.

APPENDIX I (Continued)

18. Special Retirees: This was a group of retirees who had been granted a special $150 per month benefit although they did not fulfill the requirements for service retirement. There are currently no Special Retirees receiving benefits.

19. Supplemental Medical Insurance

    a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) who have at least 10 years of service credit are eligible for a supplemental medical insurance payment.

    b. Monthly Benefit: Eligible members receive the smaller of (i) a Medicare supplement benefit, if eligible, or (ii) an amount between $100 and $105 per month, depending on service and Final Average Compensation.

    c. Payment Form: Benefits are payable as a life annuity on behalf of the retired member to (i) the Oklahoma Employees' Group Insurance Plan, if the member has health coverage under this Plan, or (ii) to the member's former employer, if the member retains health coverage under a plan maintained by the former employer.

20. Post-retirement Death Benefit

    a. Eligibility: All retired members (including service retirees and disabled retirees but excluding the special retirees and spouses or beneficiaries) are eligible for a post-retirement death benefit.

    b. Benefit: A lump-sum payment of $5,000.

21. Vested Termination Death Benefit

    a. Eligibility: A member with at least 5 years of service who does not withdraw his/her contributions from the fund is eligible for a vested termination death benefit. Members joining after October 31, 2017 must have credit for 7 or more years of service.

    b. Benefit: Members' account balance of contributions and applicable interest.

22. Cost-of-living Increase: From time to time, the System has been amended to grant certain post-retirement benefit increases. However, the System has no automatic cost-of-living increase features.

APPENDIX I (Continued)

23. EESIP: The Education Employees Service Incentive Plan (EESIP) was created in 2006. Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

For each "uncapped" year, the $40,000 cap applicable to service before July 1, 1995 is increased to $60,000 for retirements in FY 2007, to $80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being "uncapped." Payment is required only for those years of service that are computed at an elevated or eliminated cap.

Contributions are required at the following rates for salary in excess of the $25,000 or $40,000 cap earned in years FY 1988 through FY 1995:

Fiscal Year	Contribution Percentage
FY 1995	8.00%
FY 1994	9.00%
FY 1993	11.00%
FY 1992	11.00%
FY 1991	11.00%
FY 1990	10.50%
FY 1989	10.00%
FY 1988	10.00%

For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

APPENDIX II

HISTORY OF MAJOR LEGISLATIVE CHANGES

APPENDIX II

History of Major Legislative Changes

1990 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. Special retirees were not granted this increase. The increase was determined by adding an amount to the Final Average Compensation for the member, and then re-determining the benefit due. For classified members, the amount added was $950, while for non-classified members, the amount added was $475. In all cases, Final Average Compensation was capped at $40,000.

2. The local employer contribution rate was increased from 1.0% of covered compensation in accordance with the following schedule:

Year Beginning July 1	Local Employer Contribution Rate
(1)	(2)
1990	1.0%
1991	1.5%
1992	2.0%
1993	2.5%

1991 Legislative Session

No legislation enacted with an actuarial impact to the System.

1992 Legislative Session

SB 568 made the following changes:

1. Increased employer rates (grading from 7% for 1992/1993 to 18% for 2004/2005) and changed State contributions to offset for employer contributions.
2. Eliminated the salary cap effective July 1, 1995.
3. Changed the member contribution rate to 7% (after July 1, 1997, phased in prior to that date).
4. Changed the FAC averaging period to five years for new members.
5. Eliminated the $18,000 death benefit (and the optional survivor annuity) for new members.
6. Changed the formula to cap FAC with the member's pay cap for service prior to July 1, 1995.
7. Changed the Rule of 80 to the Rule of 90 for new members.

APPENDIX II (Continued)

1993 Legislative Session

SB 535 set forth a schedule which reduces the maximum payment for supplemental medical insurance from $75/month to an amount between $70 and $75 per month, depending on service and Final Average Compensation.

1994 Legislative Session

1. HB 2228 provided for an ad hoc COLA payable to members receiving benefits. The average increase is about 2.5%.

2. SB 768 changed the System's joint options to "pop-up" options. Under a pop-up option, if the joint annuitant predeceases the member, the member's benefit is increased to the amount it would have been if the member had elected a life only annuity.

3. SB 767 provided for the transfers of service credit between this System and the Oklahoma Public Employees Retirement System.

4. SB 615 provides that the local employer's contribution rate shall not be less than the local employer's contribution rate for the prior year.

1995 Legislative Session

SB 527 modified the provisions affecting members employed in higher education who became members prior to July 1, 1995. For these members, the $40,000 and $25,000 pay caps were left in place for two additional years, but were indexed to $44,000 and $27,500 for 1995-96 members was set to 6.0% for 1995-96 and 6.5% for 1996-97. The benefit provisions were also modified so that only pay up to the maximum would be recognized for these years. After June 30, 1997, these members will contribute 7% of total pay like all other members. In addition, SB 527 modified the SB 568 employer contribution rate schedule. The new employer rates are 50 basis points lower in each year until the rate reaches 18.00%.

1996 Legislative Session

SB 832 modified the provisions relating to (i) member contributions, (ii) maximum compensation, and (iii) the benefit formula, for members employed in higher education. Beginning July 1, 1995, all members will contribute on all pay, except for members employed by a comprehensive university who became a member before July 1, 1995, whose recognized compensation is limited to:

	For members who elected the $25,000 limit prior to June 30, 1995	For all other members
1996-97	$32,500	$49,000
1997-98	37,500	54,000
1998-99	42,500	59,000
1999-00	47,500	64,000
2000-01	52,500	69,000
Thereafter	No limit	No limit

Employer contributions will be based on the same compensation as member contributions. In 1996-98, member contributions will be 6.5% of pay up to $25,000 plus 7% of pay in excess of $25,000, up to the maximum recognized compensation. The benefit formula was also adjusted so that for service earned between July 1, 1995 and June 30, 2001, members in higher education have their benefits adjusted for the compensation limits.

1997 Legislative Session

The post-retirement death benefit was increased from $4,000 to $5,000.

1998 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. The increase was determined by adding an amount to the Final Average Compensation for the member, and then redetermining the benefit due. For classified members, the amount added was $1,400, while for non-classified members, the amount added was $700. Special retirees received a 5.4% increase.

2. The funding mechanism was changed, eliminating the State's contribution of 78% of its Gross Production Tax receipts after the 1999 fiscal year and substituting a contribution based on a percentage of general revenue available for appropriation (95% of general revenue). The percentage is 3.25% for the fiscal year ending June 30, 2000, and 3.50% thereafter. The local employer's contribution rates were revised for years after the 1999 fiscal year as follows:

Year	Employer Rate
1999/2000	4.80%
2000/2001	5.80%
2001/2002	6.80%
Thereafter	7.05%

APPENDIX II (Continued)

1999 Legislative Session

1. The pay caps applicable to certain members employed by one of the comprehensive universities were extended to FY 2007. The cap in effect for FY 1999 was left unchanged for FY 2000, and then will be increased $5,000 each year thereafter. This change affects both contributions and benefit calculations for these members.

2. The State's funding mechanism was changed again. Now the dedicated State revenue will be 3.54% of certain specified sales and income tax revenues. This amount is subject to a $136.0 million maximum contribution for FY 2000 only.

2000 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries who had been receiving benefits for at least one year. The increase was determined by adding an amount to the Final Average Compensation for the member, and then redetermining the benefit due. For classified members, the amount added was $500, while for non-classified members, the amount added was $250. Special retirees received a 1.8% increase.

2. SB 994 set forth a schedule which increases the maximum payment for supplemental medical insurance by $30/month from an amount between $70 and $75 per month to an amount between $100 and $105 per month, depending on service and Final Average Compensation.

2001 Legislative Session

No legislation enacted with an actuarial impact to the System.

2002 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning July 1, 2002, if they had been receiving benefits for at least one year. Retirees were given a 3% increase if they had less than 30 years of credited service and a 4% increase if they had 30 or more years of credited service. Special retirees received a 3% increase.

2. The dedicated State revenue is equal to a percentage of the State's revenue from certain sales and income taxes. The percentage is currently 3.54%, but a bill was passed to increase the percentage over the next five years to 5.00%, according to this schedule.

FY 2003	3.54%
FY 2004	3.54%
FY 2005	3.75%
FY 2006	4.00%
FY 2007	4.50%
FY 2008	5.00%

APPENDIX II (Continued)

2003 Legislative Session

1. The service requirement for vesting was changed from ten years to five years. Under this provision, a member is now able to retire with an unreduced retirement benefit after reaching age 62 with credit for 5 or more years of service. A member who has reached age 55, but not age 62, with at least 5 years of service, is able to retire and receive a reduced retirement benefit. A member who has terminated before being eligible to retire, but who has at least 5 years of service, may elect a deferred retirement benefit in lieu of a refund. However, members must still have credit for at least 10 years of service in order to be eligible for a disability benefit or the medical insurance premium supplement.

2. Refunds for members who have less than seven years of service will receive their contributions plus 50% of the interest on their account. Previously members with less than seven years of service received no interest. Interest is computed at 8.00%

3. A partial lump-sum option (PLSO) was added. Members who retire with at least 30 years of service may elect a PLSO equal to 12, 24, or 36 times the member's monthly retirement benefit, determined before applying any reduction for the PLSO or any other optional form of payment. A member who elects to receive a PLSO will have his/her monthly retirement benefit reduced on an actuarial basis to compensate for the fact that a PLSO is provided.

4. Disabled members may now elect Option 2—the Joint & 100% Survivor option (with pop up).

2004 Legislative Session

1. An ad hoc benefit increase was granted to retirees and beneficiaries, beginning August 1, 2004, if they had retired on or before June 30, 2003. Special retirees received a 4.0% increase, and increases for other eligible retirees are as follows:

Years of Service	Monthly Benefit at 6/30/04	Benefit Increase
20 Years or more	Less than $1,500.00	4.5%
	$1,500.00 to $2,500.00	4.0%
	Over $2,500.00	3.5%
15 to 19 Years	Less than $1,000.00	4.0%
	$1,000.00 to $2,000.00	3.5%
	Greater than $2,000.00	3.0%
Fewer than 15 years	Less than $801.00	3.5%
	$801.00 to $1,499.99	3.0%
	$1,500.00 or greater	2.5%

2. Members who joined the System on or after July 1, 1992 receive a year of service credit if they have accumulated 120 days of unused sick leave. Previously, this additional service was only available to members hired prior to July 1, 1992.

3. Beneficiaries of members hired on or after July 1, 1992 are eligible to receive an $18,000 lump sum death benefit in addition the member's contribution balance with 100% of credited interest. If the member was eligible for early or normal retirement, the beneficiary may choose the retirement benefit for which the member was eligible in lieu of the contribution balance and $18,000 lump sum. Previously, the annuity option and $18,000 lump sum had only been available to members hired before July 1, 1992.

4. The benefit formula for members hired in FY 1996 at any of the colleges or universities in the Oklahoma State System of Higher Education is 2.0% of final average salary, computed at retirement, for each year of service. Previously, the formula was 2.0% of salary for service in FY 1996 plus 2.0% of final average salary, computed at retirement, for each year of service earned after June 30, 1996.

5. Employees hired by one of the comprehensive universities – Oklahoma University, the Health Sciences Center, and Oklahoma State University – after June 30, 2004 may make an irrevocable election to join an alternate plan established by the universities in lieu of becoming a member of TRS.

6. The Board of Trustees is required to adopt an assumption as to the level of probable future ad hoc cost-of-living adjustments that will be granted by the legislature in the future.

7. The supplemental medical insurance credit is restricted to members who retire with at least 10 years of service credit.

8. The formula used to determine benefits accrued for service earned between July 1, 1995 and June 30, 2007, for members employed by a comprehensive university, is modified. Retirees who had service at a comprehensive university after June 30, 1995 will receive a benefit increase because of this formula change, effective as of January 1, 2005. No retroactive increase will be paid to such retirees.

9. Members who are employed by a comprehensive university before July 1, 2004 will be given a future opportunity to make a one-time irrevocable election to leave TRS and join an alternative plan established by the universities. The timing of the election depends on if and when IRS approval is received.

10. The comprehensive universities will make additional contributions to TRS on behalf of members in their alternative plan.

2005 Legislative Session

No legislation enacted with an actuarial impact to the System.

APPENDIX II (Continued)

2006 Legislative Session

1. The Education Employees Service Incentive Plan (EESIP) was created:

   Active members are eligible for the EESIP if they have service prior to July 1, 1995, are active on or after July 1, 2006, and are not employed by one of the comprehensive or regional four-year universities.

   The EESIP allows for two years of service prior to July 1, 1995 to be computed at an enhanced or eliminated cap for each year that the employee has worked beyond Normal Retirement Age at the time of retirement.

   For each "uncapped" year, the $40,000 cap applicable to service before July 1, 1995 is increased to $60,000 for retirements in FY 2007, to $80,000 for retirements in FY 2008, and the cap is removed beginning July 1, 2008. The employee that elects the enhanced benefit must pay the accumulations, at 10% interest, of contributions that would have been required but for the cap then in place. Payment is required only for years FY 1988 through FY 1995 even if more than 8 years of service prior to July 1, 1995 are being "uncapped." Payment is required only for those years of service that are computed at an elevated or eliminated cap.

   For those members electing the enhanced benefit, the payment required is 50% of the accumulated balance in FY 2007, 75% of the accumulated balance in FY 2008 and 100% of the accumulated balance on or after FY 2009.

2. The employer contribution rate was increased for employers covered by the EESIP. The rate increased from 7.05% to 7.60% effective Jan. 1, 2007, and then to 7.85% for FY 2008 and to 8.00% for FY 2009. The employer contribution rate for the employers not covered by the EESIP—the comprehensive and regional four-year universities—remained at 7.05%.

3. A 2.00% ad hoc cost-of-living adjustment (COLA) was provided, effective July 1, 2006. All retirees who retired before July 1, 2005 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

APPENDIX II (Continued)

2007 Legislative Session

The employer contribution rates, beginning July 1, 2007, were increased as shown in the following schedule. Different rates are paid by employers in the Education Employees Service Incentive Plan (EESIP) and those not in EESIP (the comprehensive and regional four-year universities):

Period	Employer Contribution Rates	
	EESIP Employers	Non-EESIP Employers
7/1/2006 – 12/31/2006	7.05%	7.05%
1/1/2007 – 6/30/2007	7.60%	7.05%
7/1/2007 – 12/31/2007	7.85%	7.05%
1/1/2008 – 6/30/2008	8.35%	7.55%
7/1/2008 – 12/31/2008	8.50%	7.55%
1/1/2009 – 6/30/2009	9.00%	8.05%
7/1/2009 – 12/31/2009	9.00%	8.05%
1/1/2010 – 6/30/2010	9.50%	8.55%
FY 2011 and later	9.50%	8.55%

2008 Legislative Session

A 2.00% ad hoc cost-of-living adjustment (COLA) was provided, effective July 1, 2008. All retirees who retired before July 1, 2007 were eligible, including disabled retirees, special retirees and beneficiaries receiving payments.

2009 Legislative Session

No legislation enacted with an actuarial impact to the System.

2010 Legislative Session

1. HB 1935 allows a retiree electing one of the optional benefit forms (i.e. not life only) to make a one-time irrevocable change in the benefit option within 60 days of retirement. The beneficiary may not be changed.

2. SB 859 allows a retiree who chose a life annuity at retirement to change to Retirement Option 2 or 3 (100% joint survivor annuity and 50% joint survivor annuity respectively) within a year of marriage.

APPENDIX II (Continued)

2011 Legislative Session

1. SB 377 changes the eligibility conditions for both normal and early retirement for members hired on or after November 1, 2011. Members will be eligible for normal retirement at the earlier of age 65 with 5 years of service or when their age plus service equals 90 (Rule of 90) with a minimum age of 60. Members will be eligible for early (reduced) retirement at age 60 with 5 years of service.

2. HB 2132 changes the definition of a nonfiscal retirement bill to exclude cost of living adjustments (COLA) even if such COLAs are assumed in the annual actuarial valuation.

3. SB 782 eliminates the requirement that statewide retirement systems report a second set of actuarial valuation results to the Oklahoma State Pension Commission using specified actuarial assumptions.

2012 Legislative Session

No legislation enacted with an actuarial impact to the System.

2013 Legislative Session

No legislation enacted with an actuarial impact to the System.

2014 Legislative Session

No legislation enacted with an actuarial impact to the System.

2015 Legislative Session

No legislation enacted with an actuarial impact to the System.

2016 Legislative Session

No legislation enacted with an actuarial impact to the System.

2017 Legislative Session

1. HB 1162 changes the "vesting" period to be eligible for benefits from five to seven years for members who join TRS after October 31, 2017.

2. SB 428 relaxes income restrictions for certain retirees who come back to work as teachers. The exception to the general limitations on post-retirement employment and income will last three (3) years from July 1, 2017 through June 30, 2020.

APPENDIX II (Continued)

2018 Legislative Session

HB 1340 changed the definition on a "nonfiscal retirement bill" for the Oklahoma public retirement systems to include one-time payments that do not permanently increase retirement benefits payable where the maximum amount of such payments is dependent on the System's funded ratio after the payment. The bill also authorized a payment effective October 1, 2018 for members who have been retired at least five years in an amount equal to the lesser of 2% of the gross annual benefit or $1,000 subject to a $350 minimum for members who had at least 20 years of service.

HB 1023 adjusted the minimum teacher salary schedule to provide increases of 15.8 percent to 18.25 percent for certified education personnel (except superintendents), depending on their years of experience and degree level. In dollar terms, the raises ranged from $5,000 for a first-year teacher with a bachelor's degree to $8,395 for a 25-year teacher with a doctorate. The bill required districts to provide the full pay raise to all teachers, including those who were already paid above the minimum salary schedule. This bill did not change the benefits provided by the System but it did have a sizable impact on the actuarial valuation of the System.

2019 Legislative Session

No legislation enacted with an actuarial impact to the System.

2020 Legislative Session

HB 3350 granted an ad hoc benefit increase for certain retirees and changed the definition on a "nonfiscal retirement bill" for the Oklahoma public retirement systems to exclude this specific ad hoc benefit enhancement. No benefit increase was given to retirees who had been retired less than two years as of July 1, 2020. A 2% increase was given to retirees who had been retired for at least two years but less than five years, and a 4% increase was given to those retired at least five years.

Although it didn't change the benefits provided by the System, HB 2741 changed the percentage of revenues from sales taxes, use taxes, corporate income taxes and individual income taxes contributed to the System from FY 2021 through FY 2027. The rate was reduced to 3.50% for FY 2021 and 3.75% for FY 2022. The rate then increases to 5.50% for FY 2023 through FY 2027 and returns back to 5.00% beginning in FY 2028.

APPENDIX II (Continued)

2021 Legislative Session

1. Although it didn't change the benefits provided by the System, HB 2894 changed the percentage of revenues from sales taxes, use taxes, corporate income taxes and individual income taxes contributed to the System from FY 2022 through FY 2027. The rate was restored to 5.00% for FY 2022. The rate then changes to 5.25% for FY 2023 through FY 2027 and returns back to 5.00% beginning in FY 2028.

2. SB267 removed the existing limits on post-retirement employment earnings for three years (July 1, 2021, through June 30, 2024) for educators who retired on or before July 1, 2020, and who had not worked for any public school during the year following their retirement date. These retirees may be hired as active classroom teachers without any limitation on earnings.

3. HB 2293 created a reduced matching contribution rate for summer programs. Under this provision, there are two separate rates for TRS matching contribution: one for summer programs, and one for any other employment. Both rates must be actuarily determined; however, the summer school rate will be limited to one half of the regular matching rate.

4. SB 683 modified eligibility requirements related to non-classified (optional) employee membership in TRS after July 1, 2021. Under the new provision, non-classified optional employees working at least 20 hours per week are eligible for participation in TRS upon their initial employment with a TRS employer (previously, these employees had to wait one year to participate in TRS). Optional personnel are no longer permitted to "opt-in" and "opt-out" of participation in TRS while remaining employed at a TRS employer. Instead, all current optional personnel and all future optional personnel will have to make an irrevocable election whether to participate in TRS. This election will follow them throughout employment with any TRS employer.

2022 Legislative Session

HB 4388 limits the amount of lottery proceeds received by TRS. Prior to the passage of this bill, TRS received a portion of all funds that were placed in the Oklahoma Education Lottery Trust Fund. TRS will now only receive a portion of funds on the first $65 million placed in that account annually.

HB 2034, known as the Oklahoma Energy Discrimination Elimination Act of 2022, requires state governmental entities to sell, redeem, divest, or withdraw all publicly traded securities of financial companies that "boycott energy companies" as determined by the State Treasurer.

2023 Legislative Session

No legislation enacted with an actuarial impact to the System.

APPENDIX II (Continued)

2024 Legislative Session

HB 1955/SB 1283 enacts a 0% state tax rate on sales of food and food ingredients, beginning August 29, 2024.

2025 Legislative Session

No legislation enacted with an actuarial impact to the System.

2026 Legislative Session

HB2288 provides updates for post-retirement employment rules for TRS members. Effective July 1, 2026, post-retirement earnings limitations are removed for any retiree who returns to employment with a public school. Additionally, HB2288 extends the required break in service for returning retirees from 60 days to six months. Based on previous analysis provided to the System, we determined there was no measurable impact on the accrued actuarial liability of the plan.

SB1144 provides for a one-time cost-of-living-adjustment effective November 1, 2026 for TRS retirees who have been retired for at least 8 years as of June 30, 2026. For retirees with at least 8 but fewer than 20 years of retirement, the COLA is equal to 3 percent. For retirees with 20 or more years of retirement, the COLA is equal to 6 percent. Additionally, SB1144 ends the apportionment of State dedicated revenue to TRS on the earlier of June 30, 2036, or the June 30 of the fiscal year in which the system's actuary determines that TRS has reached a 100 percent funded ratio.

APPENDIX III

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Appendix III
Summary of Actuarial Assumptions and Methods

The actuarial assumptions and methods used in this valuation are based upon the 2024 Experience Investigation Study Report, dated May 24, 2024, measuring the experience investigation period ending FY2023. The current actuarial assumptions were adopted by the Board in May 2024 and first utilized in the June 30, 2024 actuarial valuation report and correspond with the recommendations of the actuary.

I. Valuation Date

The valuation date is June 30th of each plan year. This is the date as of which the actuarial present value of future benefits and the actuarial value of assets are determined.

II. Actuarial Cost Method

Because the employer contribution rate is set by statute, the actuarial valuation is used to determine the number of years required to amortize the Unfunded Actuarial Accrued Liability (UAAL), or the funding period.

The Individual Entry Age Normal actuarial cost method assigns the plan's total unfunded liabilities (the actuarial present value of future benefits less the actuarial value of assets) to various periods. The unfunded actuarial accrued liability is assigned to years prior to the valuation, and the normal cost is assigned to the year following the valuation. The remaining costs are the normal costs that will be recognized in future years. The resulting actuarially determined contribution requirement is composed of (i) the applicable year's normal cost, plus (ii) a payment intended to reduce the unfunded actuarial accrued liability.

The normal cost contribution rate is determined using the Individual Entry Age Normal method. Under this method, a calculation is made to determine the rate of contribution which, if applied to the compensation of each individual member during the entire period of anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. The salary-weighted average of these rates is the normal cost rate. This calculation reflects the plan provisions that apply to each individual member. The employer normal cost rate is equal to (i) the normal cost rate, plus (ii) the expected administrative expenses, minus (iii) the member contribution rate.

The actuarial accrued liability is the difference between the total present value of future benefits and the actuarial present value of future normal costs. The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of assets.

The funding period is calculated as the number of years required to fully amortize the UAAL, assuming that: (a) future market earnings, net of investment-related expenses, will equal 7.00% per year, (b) there will be no liability gains/losses or changes in assumptions, (c) the number of active members will remain unchanged, (d) active members who leave employment will be replaced by new entrants each year, and (e) employer contributions and dedicated State revenue will remain the same percentage of payroll as projected for the current fiscal year.

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

III. *Actuarial Value of Assets*

The actuarial value of assets is based on the market 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 timeframe. Expected investment income is determined using the assumed investment return rate and the market value of assets (adjusted for receipts and disbursements during the year). Returns are measured net of all investment expenses.

IV. *Actuarial Assumptions*

A. Economic Assumptions

1. Investment return: 7.00% per year, net of investment-related expenses (composed of an assumed 2.50% inflation rate and a 4.50% real rate of return)

2. Administrative expenses: 0.12% of valuation payroll per year

3. Salary increase rate: Inflation rate of 2.50% plus productivity increase rate of 0.50% plus step-rate/promotional as shown

Years of Service	Annual Step-Rate/Promotional Component Rates of Increase	Total Annual Rate of Increase
1-9	1.50%	4.50%
10	1.40%	4.40%
11	1.30%	4.30%
12	1.20%	4.20%
13	1.10%	4.10%
14	1.00%	4.00%
15	0.90%	3.90%
16	0.80%	3.80%
17	0.70%	3.70%
18	0.60%	3.60%
19-22	0.50%	3.50%
23-25	0.25%	3.25%
26 or more	0.00%	3.00%

4. New entrant salary growth: 3.00% per year

5. Overall payroll growth: 2.50% per year

6. Future ad hoc cost-of-living increases: None.

B. Demographic Assumptions

1. Mortality rates - after retirement or termination.

a. Healthy males – 2020 GRS Southwest Region Teacher Mortality Table for males. Generational mortality improvements in accordance with the latest MP scales with immediate convergence.

b. Healthy females – 2020 GRS Southwest Region Teacher Mortality Table for Females. Generational mortality improvements in accordance with the latest MP scales with immediate convergence.

Sample healthy retiree mortality rates, including associated annuity value and life expectancy results:

Sample Attained Ages in 2024	Present Value of $1 Monthly for Life		Future Life Expectancy (years)		Mortality Rates *	
	Males	Females	Males	Females	Males	Females
40	166.4	168.6	46.3	49.2	0.000588	0.000370
45	162.1	165.2	41.0	43.9	0.000911	0.000616
50	156.3	160.5	35.8	38.7	0.001580	0.001033
55	148.8	154.2	30.7	33.6	0.002951	0.001761
60	139.3	145.9	25.9	28.6	0.004447	0.002550
65	126.9	134.9	21.1	23.7	0.007621	0.004528
70	112.0	121.0	16.7	19.0	0.013786	0.008614
75	94.9	104.4	12.7	14.7	0.024941	0.016383
80	76.4	85.7	9.2	10.8	0.045119	0.031167
85	57.9	66.1	6.4	7.5	0.082150	0.059672

* Mortality rates with generational improvements for year 2024

c. Disabled males – 2020 GRS Southwest Region Teacher Mortality Table for Males, set forward three years with minimum rates at all ages of 4.0%. Generational mortality improvements in accordance with the latest MP scales with immediate convergence.

d. Disabled females – 2020 GRS Southwest Region Teacher Mortality Table for Females, set forward three years with minimum rates at all ages of 2.5%. Generational mortality improvements in accordance with the latest MP scales with immediate convergence.

2. Mortality rates for active members – Pub-2010 Teachers Active Employee Mortality table. Generational mortality improvements in accordance with the latest MP scales with immediate convergence.

Appendix III (Continued)

3. Disability Incidence –As shown below for selected ages (rates are only applied to eligible members, which are members with at least 10 years of service)

Age	Probability of Disability in the Next Year
25	0.0002
30	0.0003
35	0.0004
40	0.0006
45	0.0009
50	0.0015
55	0.0025
60	0.0035
65	0.0058

4. Retirement rates - Separate male and female rates, based on age, developed from the 2024 Experience Study. Sample rates are shown below:

Expected Retirements per 100 Lives			
	Unreduced Retirement		
Age	Reach Age Condition First	Reach Rule of Condition First	Reduced Retirement
Under 50	0.0	0.0	0.0
50-54	12.0	12.0	1.0
55	12.0	12.0	4.0
56	12.0	14.0	4.0
57	12.0	14.0	5.0
58	12.0	14.0	5.0
59	12.0	14.0	5.0
60	12.0	16.0	6.0
61	16.0	20.0	7.0
62	25.0	25.0	10.0
63	20.0	20.0	10.0
64	20.0	20.0	10.0
65-74	30.0	30.0	
75 and over	100.0	100.0	

Members whose Rule of is Rule of 90 have an additional 4% added to the table above.

Members whose retirement eligibilities are delayed in comparison to members hired before 1992 have an additional 10% added at their first year of eligibility.

Appendix III (Continued)

5. Termination Rates – Rates based on the member's service, developed from the 2024 Experience Study. Rates reflect terminations for causes other than death, disability or retirement. Sample rates are shown below.

Credited Service (Years)	Expected Terminations Per 100 Lives
1	13.69
2	11.07
3	9.54
4	8.45
5	7.61
6	6.92
7	6.33
8	5.83
9	5.38
10	4.99
11	4.62
12	4.30
13	3.99
14	3.71
15	3.45
16	3.21
17	2.98
18	2.76
19	2.56
20	2.37
21	2.18
22	2.00
23	1.84
24	1.68
25	1.52
26	1.37
27	1.23
28	1.09
29	0.96

Appendix III (Continued)

C. Other Assumptions

1. Percent married: 80% of employees are assumed to be married.

2. Age difference: Males are assumed to be three years older than females.

3. Percent electing annuity on death (when eligible): All of the spouses of married participants who die after becoming eligible for a retirement benefit are assumed to elect an annuity, in lieu of the $18,000 lump sum and refund.

4. Election of deferred termination benefit: vested terminating members are assumed to elect a refund or a deferred benefit, whichever is more valuable at the time of termination.

5. Assumed age for commencement of deferred benefits: Members electing to receive a deferred benefit are assumed to commence receipt at age 62 (age 65 if hired on or after November 1, 2011).

6. Supplemental medical insurance: 40% of eligible members who are active or due a deferred vested benefit are assumed to elect the insurance benefit. For annuitants who began receiving a benefit in the year preceding the valuation date, 40% of those not already receiving the benefit are assumed to elect it. The liability for all other annuitants is based on the actual benefit being paid as shown in the data.

7. Members who retire with at least 24 years of credited service are assumed to have 120 days of unused sick leave for which they will receive one year of service credit. This assumption only applies to reduced and unreduced retirement.

8. No assumption was made that current active members employed by the comprehensive universities will elect to transfer out of TRS.

9. Reemployment, purchase of service, transfers: No recognition is made of (i) future member reimbursements upon reemployment, (ii) future purchase of additional service, or (iii) special transfer provisions.

10. For EESIP eligible employees, if the refund amount to be paid exceeds the actuarial present value of the additional benefit, then we assume the member does not elect the enhanced benefit.

11. Decrement timing: Decrements of all types are assumed to occur mid-year.

12. Actuarial equivalence factors are calculated using valuation assumptions. Mortality tables are projected from 2020 to 2030 using the Ultimate MP scale and blended 30%/70% for males/females. Payments are assumed to be made at the end of each month.

Appendix III (Continued)

V. *Valuation Data*

Participant data was supplied on an electronic file for (i) active members, (ii) inactive vested members who are entitled to a future deferred benefit, (iii) inactive nonvested members who are entitled to a refund of their employee contributions, and in some cases a portion of the accumulated interest, and (iv) members and beneficiaries receiving benefits.

The data for active and inactive, non retired members included date of birth, date of hire, gender, years of service, salary, employee contributions and accumulated interest on employee contributions. The data also included a code to indicate whether the employee had elected to make contributions on salary above $25,000, and a code indicating the type of employer (comprehensive university, other college or university, or other employer). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and a form of payment code.

Individual member contributions for the 12 months prior to the valuation date were used to determine the actual salary for plan members in the prior plan year. The valuation assumptions for salary increases were used to determine the projected salary for the current plan year. Additionally, contributing members were assumed to accrue one additional year of service between the end of the prior employment year and the valuation date.

Additional assumptions were made to correct for missing or inconsistent data. These had no material impact on the results presented.

Some inactive, non-vested employees who are entitled to a refund are not included in the data, but a liability for their refund is included instead in the Suspense Fund, which is included in the liability.

VI. *Actuarial Model*

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.

APPENDIX IV

GLOSSARY

APPENDIX IV
Glossary

Actuarial Accrued Liability (AAL): That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

Actuarial Assumptions: Assumptions as to future experience under the System. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

Actuarial Cost Method or ***Funding Method:*** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ADEC.

Actuarial Gain or ***Actuarial Loss:*** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the System's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

Actuarial Present Value (APV): The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),
b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Appendix IV (Continued)

Actuarial Present Value of Future Plan Benefits: The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

Actuarial Valuation: The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB, such as the funded ratio and the ADEC.

Actuarial Valuation Date or ***Valuation Date:*** The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date.

Actuarial Value of Assets or ***Valuation Assets:*** The value of the System's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADEC.

Actuarially Determined: Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

Actuarially Determined Employer Contribution (ADEC): The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation, determined in accordance with a specified funding policy. The ADEC consists of the Employer Normal Cost and the Amortization Payment.

Actuarially Equivalent: Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

Amortization Method: A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

Amortization Payment: That portion of the pension plan contribution, or ADEC, which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

Appendix IV (Continued)

Closed Amortization Period: A specific number of years that is counted down by one each year and therefore declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

Decrements: Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

Defined Benefit Plan: An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on the employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit.

Defined Contribution Plan: A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

Employer Normal Cost: The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

Experience Study: A periodic review and analysis of the actual experience of the System which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

Funded Ratio: The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA.

Funding Period or ***Amortization Period:*** The term "Funding Period" is used it two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ADEC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

GASB: Governmental Accounting Standards Board. The organization that establishes the accounting rules for public retirement systems and the employers that sponsor or contribute to them.

Normal Cost: That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

Appendix IV (Continued)

Open Amortization Period: An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability: The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.