

TRS

Teacher Retirement System of Texas

Comprehensive Annual Financial Report



A Component Unit of the State of Texas

Fiscal Year Ended August 31, 2009



TRS Mission Statement

The mission of the Teacher Retirement System of Texas is:

- 1. to deliver retirement and related benefits authorized by law for members and their beneficiaries; and**
- 2. to prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles.**

TEACHER RETIREMENT SYSTEM OF TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Texas

FISCAL YEAR ENDED
August 31, 2009



Ronnie G. Jung, Executive Director

Prepared by
Teacher Retirement System of Texas
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INTRODUCTORY Section

BOARD OF TRUSTEES

The board of trustees is responsible for the administration of the system under provisions of the state constitution and laws. The board is composed of nine trustees who are appointed to staggered terms of six years. Three trustees (Kelly, Gauntt, and Wiley) are direct appointments of the governor. Two trustees (McDonald* and Graham) are appointed by the governor from a list prepared by the State Board of Education. Two trustees (Henry and Clifton) are appointed by the governor from the three public school district active member candidates who have been nominated for each position by employees of public school districts. One trustee (Mullins) is appointed by the governor from the three higher education active member candidates nominated by employees of institutions of higher education. One trustee (Wright) is appointed by the governor from the three retired member candidates who are nominated by retired TRS members. Appointments are subject to confirmation by the Senate. Board member terms expire August 31 of odd numbered years. In October 2009, Governor Perry appointed R. David Kelly of Dallas as board chair, and he also appointed three new trustees to six-year terms ending August 31, 2015 -- Todd Barth of Houston (replacing Dory Wiley), Seth Crone of Beaumont (replacing John Graham, Jr.) and Nanette Sissney of Whitesboro (replacing Mark Henry).

** Mr. McDonald was appointed by Governor Perry to fill the position formerly held by James Lee of Houston. Mr. Lee resigned from the board in January 2009.*



Linus D. Wright
(Chair), 2011
Retired, Dallas



Mark Henry, Ed.D.
(Vice Chair), 2009
Superintendent
Galena Park ISD
Galena Park



Charlotte Clifton
2013, Teacher
Snyder ISD, Snyder



Robert P. Gauntt
2013, Partner
Avalon Advisors
L.P., Houston



John Graham, Jr.
2009, Financial Advisor
Ameriprise Financial
Fredericksburg



R. David Kelly
2011, Partner
Carleton Residential
Properties, Dallas



Eric C. McDonald*
2013, Owner and
CIO, McDonald
Capital Management
Lubbock



Philip Mullins
2011, Power
Plant Operator
University of Texas
Austin



Dory A. Wiley
2009, Managing
Director, Commerce
Street Capital, L.L.C.
Dallas

CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teacher Retirement System of Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "K. L. R. M.", written in a cursive style.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enow", written in a cursive style.

Executive Director

LETTER OF TRANSMITTAL

Teacher Retirement System of Texas



1000 Red River Street
Austin, Texas 78701-2698
(512) 542-6400 1-800-223-8778

November 13, 2009

The Honorable Rick Perry

The Honorable David Dewhurst

The Honorable Joe Straus

The Board of Trustees and Members
of the Teacher Retirement System

Dear Governor Perry, Lieutenant Governor Dewhurst, Speaker Straus, TRS Board of Trustees, and Members of the Teacher Retirement System:

On behalf of the board of trustees, I am pleased to present this *Comprehensive Annual Financial Report* (CAFR) of the Teacher Retirement System of Texas (TRS) for the fiscal year ended August 31, 2009, the system's 72nd year of operation. During the past year, the system continued to experience growth as membership grew to nearly 1.3 million participants. The stock market had a significant decline during the first part of the fiscal year but did recover some of the losses by fiscal year end. At August 31, 2009, net assets were \$88.7 billion compared to \$104.9 billion at the close of the 2008 fiscal year. Although the decline in the market has a negative impact on the financial condition of the fund, TRS is positioned in the long-run to ensure that benefits are secure.

Benefit payments continued to grow as TRS paid out \$6.3 billion to annuitants during fiscal year 2009.

Management Responsibility

This report consists of management's representations concerning TRS finances. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed both to protect the assets from loss, theft, or misuse and to compile sufficient, reliable information for the preparation of TRS financial statements in conformity with generally accepted accounting principles. The internal control framework has been designed to provide reasonable

rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TRS the Certificate of Achievement for Excellence in Financial Reporting for its *Comprehensive Annual Financial Report* for the previous fiscal year. To be awarded the certificate, a report must meet or exceed program standards and must satisfy both generally accepted accounting principles and applicable legal requirements. TRS has received a Certificate of Achievement for the last 19 years. We believe that the current report continues to meet program requirements, and it is being submitted to the GFOA for consideration again this year.

Financial Information

The basic financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis as promulgated by the Governmental Accounting Standards Board. The Management's Discussion and Analysis (MD&A), includes a narrative introduction, overview, and analysis to accompany the basic financial statements. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

LETTER OF TRANSMITTAL

Investments

For the fiscal year, the total portfolio returned a negative 13.1 percent, with investment losses totaling \$14.0 billion in fiscal year 2009. For the past 10 years, the time-weighted compound annual return has been 3.4 percent.

Investment risks are diversified over a very broad range of market sectors and securities. This strategy reduces portfolio risk to adverse developments in sectors and issuers experiencing unusual difficulties and offers opportunity to benefit from future markets. In fiscal year 2007, the TRS Board adopted a new long-term asset allocation that over time will increase TRS holdings in private markets and reduce holdings in public markets. This shift in assets is intended to increase investment diversification and returns without increasing risks to the fund.

Pension Plan Benefits

For fiscal year 2009, TRS paid pension benefit payments to 284,614 retirees and their beneficiaries totaling \$6.3 billion. These benefits were funded from a combination of cumulative investment income, member contributions, and state and employer contributions.

Actuarial Soundness of the Pension Trust Fund

At August 31, 2009, the system had a funding ratio of 83.1% with an Unfunded Actuarial Accrued Liability of \$21.6 billion. However, because of the shortfalls in investment income in fiscal year 2008 and 2009, the system is now deferring net investment losses of \$17.7 billion.

Because of the two significant market downturns in the last 10 years, current contributions are not sufficient to amortize the unfunded liabilities and therefore the funding period is never. Absent significant investment gains in excess of eight percent, adjustments will need to be made to contributions and/or benefits to bring the fund back into a position to amortize unfunded liabilities over 30 years.

Active Member Health Benefits Program

TRS-ActiveCare, initiated in 2002, is a self-funded health benefits program that offers options ranging from catastrophic coverage with reduced premiums to a comprehensive plan with near first-dollar coverage at higher premiums. TRS-ActiveCare covers members currently employed by public educational employers that participate in the plan. TRS establishes premiums to pay for the cost of the program.

Retiree Health Benefits Program

TRS also administers TRS-Care, a health benefits program for retirees that was established in 1985. TRS-Care is the source of health benefits coverage, which almost all retired public school employees rely upon.

Funding is provided by premium payments from retiree participants and contributions from the state, school districts, and active employees. During 2009, TRS-Care also received additional revenue from the Medicare Part D prescription drug program.

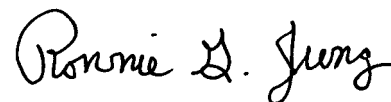
An actuarial valuation for TRS-Care was conducted as of August 31, 2009. The valuation results indicate that TRS-Care has an Unfunded Actuarial Accrued Liability of \$23.6 billion. More detailed information about the valuation results is included in the Notes to the Financial Statements and the Required Supplementary Information.

The current funding status of TRS-Care based on projections is that TRS-Care is solvent from a cash flow perspective through August 31, 2012. As in the past, changes to the benefit structure and/or funding structure will need to be considered to extend the life of the program. TRS trustees remain focused on the need to balance revenues and expenses in a fiscally responsible manner, and to offer a program that best suits all participants' needs given available resources.

Acknowledgments

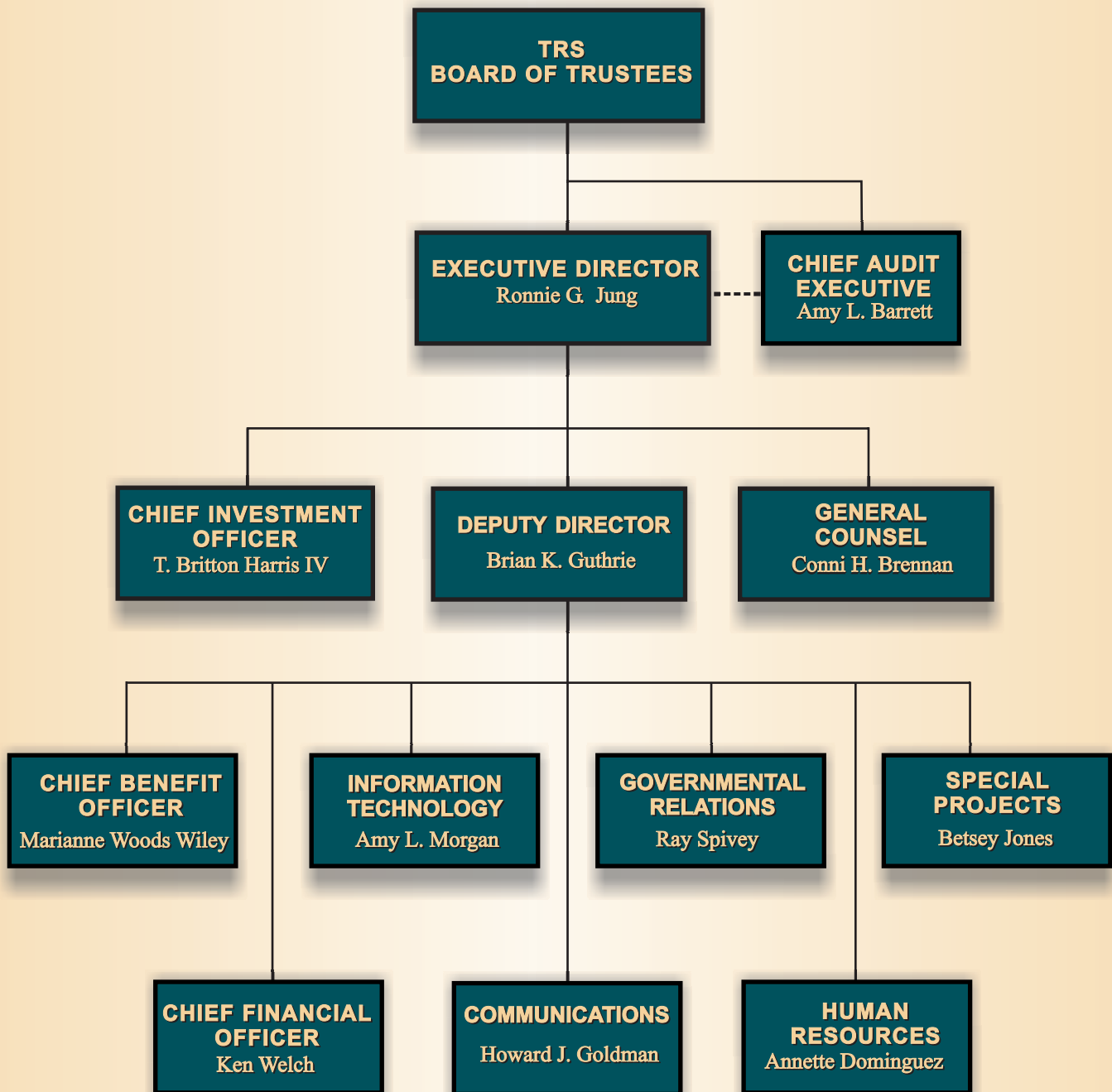
We wish to express our appreciation for the support of the Governor's, Lieutenant Governor's, and Speaker's Offices, as well as members of the legislature, in maintaining a strong retirement system, which provides valuable benefits for public education employees and retirees. TRS trustees and staff are keenly focused on prudent pension trust fund portfolio management and efficient, service-oriented delivery of valuable retirement and related benefits for public education employees and retirees. We are pleased to report on operational results for the year and to acknowledge the substantial support of state leadership, trustees, members, interested associations, and TRS staff.

Respectfully submitted,



Ronnie G. Jung, C.P.A.
Executive Director

ORGANIZATION CHART



STAFF AND ADVISORS

EXECUTIVE ADMINISTRATIVE STAFF

Ronnie G. Jung, *Executive Director*
Brian K. Guthrie, *Deputy Director*
T. Britton Harris IV, *Chief Investment Officer*
Conni H. Brennan, *General Counsel*
Amy L. Barrett, *Chief Audit Executive*
Marianne Woods Wiley, *Chief Benefit Officer*
Ken Welch, *Chief Financial Officer*
Howard J. Goldman, *Director, Communications*
Ray Spivey, *Director, Governmental Relations*
Annette Dominguez, *Director, Human Resources*
Amy L. Morgan, *Director, Information Technology*
Betsey Jones, *Director, Special Projects*

GENERAL INVESTMENT CONSULTANT

Ennis, Knupp & Associates, Inc., Chicago, IL

CONSULTING ACTUARY

Gabriel, Roeder, Smith & Company, Dallas

INVESTMENT CONSULTANTS

Hamilton Lane Advisors, L.L.C., Bala Cynwyd, PA
(Domestic Private Equity)
Altius Associates Limited, UK (International
Private Equity)
Albourne America, L.L.C., San Francisco, CA
(Absolute Return)
The Townsend Group, Inc., Cleveland, OH
(Real Estate)

INVESTMENT ADVISORS

Keith C. Brown, Ph.D., Austin

AUDIT SERVICES

Texas State Auditor's Office, Austin

FIDUCIARY COUNSEL

Vacant

MEDICAL BOARD

Dr. Alice Cox, Fredericksburg
Dr. James Reinarz, Austin
Dr. Larry D. Wilson, Austin

TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM ADVISORY COMMITTEE

B. Sue Passmore, *Chair*, Dallas
Russell E. Sayers, *Vice Chair*, Austin
William (Bill) W. Barnes, Haslet
Kim Kriegel, Red Oak
Dr. Ignacio Salinas, Jr., Benavides
Nelda Van Dyke, Brenham
Beth Wallace, San Antonio
Leona Ellyce Warns, San Antonio
Gary R. Willis, Midland

HEALTH CARE CONSULTANT

Gabriel, Roeder, Smith & Company, Dallas

MASTER CUSTODIAN AND SECURITIES LENDING AGENT

State Street Bank and Trust Company,
Boston, MA

PERFORMANCE MEASUREMENT

State Street Bank and Trust Company,
Boston, MA

MEMBERSHIP

Pension Trust Fund

Membership includes employees of state-supported educational institutions in Texas. At August 31, 2009, participating entities included the following:

Independent School Districts	1,031
Charter Schools	200
Community and Junior Colleges	51
Senior Colleges and Universities	43
Regional Education Service Centers	20
Education Districts	8
Medical and Dental Schools	9
State Agencies	2
Total	1,364

Employees and retirees from these entities comprise the membership of the Teacher Retirement System of Texas.

At August 31, 2009, and August 31, 2008, membership consisted of the following:

	Year Ended August 31,	
	2009	2008
Current Members:		
Active Contributing	839,612	823,154
Active Noncontributing	106,276	100,372
Deferred Retirement Option	586	721
Inactive Nonvested	15,572	16,796
Inactive Vested	26,922	25,000
Total Current Members	988,968	966,043
Retirement Recipients:		
Service	265,634	256,541
Disability	8,611	8,556
Survivor	10,369	10,131
Total Retirement Recipients	284,614	275,228
TOTAL MEMBERSHIP	1,273,582	1,241,271

Membership changes are summarized below:

	2009	2008
Active Membership:		
New Members	88,359	99,873
Members Withdrawing	(37,473)	(40,182)
Service Retirements	(14,008)	(13,528)
Disability Retirements	(714)	(708)
In-Service Deaths	(1,130)	(1,049)
Other Changes	(12,109)	(14,094)
Net Increase	22,925	30,312
Retired Membership:		
Retirements	14,722	14,236
Deaths After Retirement	(5,972)	(5,878)
Option Continuations	1,698	1,725
Other Changes	(1,062)	(162)
Net Increase	9,386	9,921

Active Member Profile

	2009	2008
Average Annual Salary	\$ 42,930	\$ 41,472
Average Age	44.1	43.8
Average Years of Service	9.6	9.4

Annuitant and Beneficiary Profile

	2009	2008
Average Monthly Annuities		
Life Annuities	\$ 1,840	\$ 1,823
Disability Annuities	\$ 1,164	\$ 1,163
Annuities Certain	\$ 994	\$ 966
Average Age of Current Retirees	70.0	69.8
Average Age at Retirement		
All Retirees	59.8	59.8
Current Year Retirees	60.3	60.0
Average Years of Service		
All Retirees	24.6	24.6
Current Year Retirees	23.27	23.9
Average Salary at Retirement		
All Retirees	\$ 37,002	\$ 36,089
Current Year Retirees	\$ 48,095	\$ 47,286
Ratio of Current Members to Retirees		
	3.5:1	3.5:1

Texas Public School Retired Employees Group Insurance Program (TRS-Care)

Participation for the Retired Plan is summarized below:

	2009	2008
Retirees	157,726	155,092
Surviving Spouses	4,526	4,260
Surviving Children	57	50
Dependent Spouses	30,692	29,911
TOTAL *	193,001	189,313

* Excludes 5,818 and 5,897 dependent children for 2009 and 2008, respectively.

Texas Active School Employees Uniform Group Benefits Program (TRS-ActiveCare)

Participation for the Active Plan is summarized below:

	2009	2008
Employees	224,694	206,908
Dependents	153,684	138,940
TOTAL	378,378	345,848

As of September 1, 2009, there were 1,098 participating entities.

COMMUNICATIONS

During FY 2009, TRS launched a number of initiatives to provide information and assistance to members, retirees, and the general public.

Early in the year, an outside communication services firm under contract with TRS conducted a comprehensive communications audit of the agency and recommended ways to improve the effectiveness of agency communications. Using information gained from the audit and a series of market research projects, the firm helped TRS staff develop an agency-wide communications plan, establish new communications-related policies, conduct presentation training, undertake five regional meetings for members and retirees, launch new Web-based programs such as TRS-TV and enhance two-way TRS communications with members and retirees.

Listed below are achievements of the past year, including those pertaining to the agency's Web site, toll-free telephone service, print publications, benefit presentations, and employer training programs.

Print Publications

Throughout the year, *TRS News* and *Update* newsletters were published to inform members, retirees and employers of TRS-related developments. *Update* newsletters were distributed electronically, and an increased number of TRS members and retirees took advantage of the option to receive their *TRS News* via e-mail.

The *TRS Benefits Handbook* is available on the TRS Web site or by mail. It is also available in Spanish, a copy of which is featured on the agency Web site. Additional benefit information is found in brochures, newsletters, other print materials, and the TRS Web site.

The Internet

TRS continues to make enhancements to its role-based Web site, which enables members, retirees and beneficiaries, employers, and the general public to find information directly pertaining to them. The site has been designed to be inviting to visitors, accessible to persons with disabilities, compatible with various Web browsers, and efficient to maintain.

Early in the year, TRS added a section to its Web site titled "Investments in Plain English." TRS created the new section to help members and retirees better understand investment terms and how the agency manages its pension fund investments.

In August, TRS introduced *TRS-Connect*, a new program that gives members and retirees the ability to receive TRS announcements and various TRS publications electronically when they register their e-mail addresses through the agency Web site. Those who register can receive information through e-mail

more quickly than they could by waiting for it to arrive in the mail. *TRS-Connect* also helps reduce printing and postage expenses, thereby lowering agency operating costs.

TRS features a streaming video titled "Steps to Retirement" on its Web site. The video describes how to request an estimate of retirement benefits and the basic steps a member will take when retiring from TRS. In addition, the video explains which forms must be completed for retirement, and it provides sources of information to help answer prospective retirees' questions pertaining to their retirement.

Form TRS 18 (Request for Estimate of Retirement Benefits) is available as a Web-based form. As a result, members can submit an online request to receive an estimate of their retirement benefits. This has simplified and expedited the process for members, and it has also eliminated the need for them to mail their requests to TRS. Members may also submit an online request to receive a bill to reinstate withdrawn TRS service credit, or request a replacement retirement packet.

TRS also maintains a Web-based 403(b) Product Registration System that allows 403(b) companies to submit products for registration. When TRS accepts these products for registration, they are automatically added to a list of 403(b) Registered Products on the TRS Web site. The list includes information regarding all fees charged in connection with registered qualified investment products and the sale and administration of those products. As of August 2009, there were 249 registered products with 6,012 investment options on the list.

During fiscal year 2009, the TRS Web site received 1,458,951 visits, representing a 6 percent decrease from the previous fiscal year. However, 800,686 people visited the site during fiscal year 2009 — slightly more than a 1 percent increase from the previous year. Since more people visited the site and required fewer page "hits" (also known as "visits") than in the previous year, it appears that visitors are continuing to find it easier than ever to locate information of interest on the site.

Group Presentations and Individual Retirement Counseling Sessions

TRS made a number of group presentations to professional associations, to employee and retiree groups, and at regional education service centers. Presentations focused on retirement options, health benefits for active and retired members, long-term care insurance, employment after retirement, and other TRS benefits. A total of 13,584 people attended 149 group presentations, and 32,700 people attended seven conventions at which TRS was represented.

COMMUNICATIONS

In addition, 9,489 people visited individually with a TRS counselor, 9,123 in Austin and 366 in one of the field office visit locations. Fiscal year 2009 was the third year of one-on-one retirement counseling sessions in limited field locations throughout Texas, and TRS expanded to 375 available appointments in 10 cities. In fiscal year 2010, TRS will again expand this program to increase the number of available appointments to 450.

Telecommunications

In fiscal year 2009, the agency's Benefit Counseling department handled a total of 429,171 calls. In addition, 205,414 calls were completed during the past year within the agency's automated telephone system.

During the past year, TRS and its contractors also provided telephone assistance to a large number of members seeking health care-related information. TRS-ActiveCare staff and contractors responded to 1,001,878 calls, and TRS-Care staff and contractors responded to 775,635 calls.

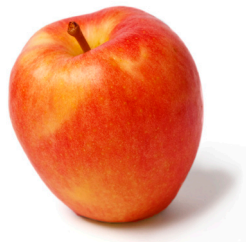
Coordination with Reporting Entities

The TRS Reporting and Query System (TRAQS) has been fully implemented with approximately 1,282 TRS reporting entities submitting monthly reports through TRAQS by year-end. TRAQS training

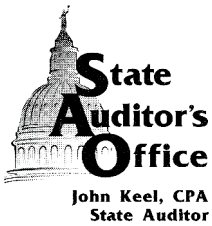
workshops were conducted in each of the 20 regional service centers around the state for approximately 1,400 reporting entity staff. In addition two TRAQS workshops were hosted at TRS for 60 reporting entity payroll staff that were new to the TRAQS reporting process. Near the end of the year, staff also conducted its first reporting entity training Webinar. Webinar training offers participants greater convenience than traveling to a central location, and it saves TRS staff time and travel expenses because they can offer the training from Austin. More sessions are planned in the coming year. TRS-ActiveCare training seminars were conducted in 20 locations around the state for approximately 1,438 administrators of 932 districts/entities. These seminars provided information for enrollment and ongoing administrative issues for TRS-ActiveCare.

Member Research Projects

TRS conducted a series of focus group meetings and a telephone survey with members and retirees that helped the agency develop a communications plan in early FY 2009. Insights gained from members and retirees helped TRS modify its Web site, launch new Web-based communications initiatives, and make other program enhancements to better serve members and retirees.



FINANCIAL Section



INDEPENDENT AUDITOR'S REPORT

Teacher Retirement System Board of Trustees

Mr. R. David Kelly, Chair
 Ms. Charlotte Clifton
 Mr. Robert Gauntt
 Mr. John Graham, Jr.
 Dr. Mark Henry
 Mr. Eric C. McDonald
 Mr. Philip Mullins
 Mr. Dory A. Wiley
 Mr. Linus D. Wright

We have audited the accompanying financial statements of the major enterprise fund and the aggregate remaining fund information, consisting of the fiduciary funds, the nonmajor enterprise fund, and the nonmajor governmental fund, of the Teacher Retirement System of Texas (System), a component unit of the State of Texas, as of and for the year ended August 31, 2009, which collectively comprise the System's basic financial statements, listed as Exhibits I through VII in the Table of Contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's fiscal year 2008 financial statements and, in our report dated November 13, 2008, we expressed unqualified opinions on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the major enterprise fund and the aggregate remaining fund information of the System as of August 31, 2009, the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). This required supplementary information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

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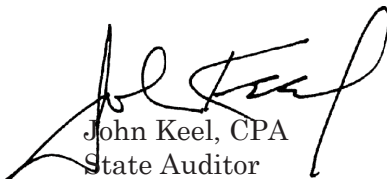
SAO No. 10-301

presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The information presented as Required Supplementary Information is not a required part of the basic financial statements but is supplementary information required by GASB. The information in Exhibit A and Schedules 1 through 4, as listed in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This required and additional supplementary information is the responsibility of the System's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial, Benefits, and Statistical Sections are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such additional information is the responsibility of the System's management and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we will also report on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and on other matters in a separate report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



John Keel, CPA
State Auditor

November 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is Management's Discussion and Analysis (MD&A) of the Teacher Retirement System's (TRS or system) financial performance for the fiscal year ended August 31, 2009. The information presented here should be considered in conjunction with other areas of the Financial Section as well as information presented in the Executive Director's Letter of Transmittal in the Introductory Section of the TRS *Comprehensive Annual Financial Report*.

Financial Highlights

- The net assets of the TRS pension trust fund were \$88.7 billion at August 31, 2009, a decrease of 15.5%, in fiscal year 2009.
- As of August 31, 2009, the date of the most recent actuarial valuation, the TRS pension trust fund's ratio of actuarial assets, as a percentage of actuarial liabilities, was 83.1%, which is lower than the 90.5% level at August 31, 2008.
- The TRS rate of return on investments for the year ended August 31, 2009 was a negative 13.1% on a market value basis and was due to the sharp market decline experienced this past year. The rate of return for fiscal year 2008 was negative 4.5%.
- Net assets of the Health Benefits Trust Fund – Retired Plan (TRS-Care) were \$800.1 million at August 31, 2009, an increase of 9.8% in fiscal year 2009.
- As of August 31, 2009, the date of the most recent actuarial valuation, the TRS health benefits trust fund's unfunded actuarial accrued liability was \$23.6 billion, which is greater than the \$21.6 billion reported at August 31, 2008.
- Net assets of the TRS-ActiveCare Enterprise Fund were \$410.2 million at August 31, 2009, a decrease of \$66.2 million in fiscal year 2009.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the TRS financial presentation, which consists of the following components:

- Fund financial statements
- Notes to the financial statements
- Required supplementary information
- Other supplemental schedules

Collectively, this information presents the net assets and fund balances available for pension and other postemployment benefits, health care benefits, and other purposes as of August 31, 2009, and summarizes any changes in net assets or fund balances for pension and other postemployment benefits, health care benefits, and other purposes. The information available in each of these sections is summarized as follows:

- **Fund Financial Statements.** Financial state-

ments are presented for all fiduciary, proprietary and governmental funds as of August 31, 2009. Fiduciary funds presented include the Pension Trust Fund, Health Benefits Trust Fund - Retired Plan, and Agency Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside TRS. Proprietary funds account for business-type activities and include the TRS-ActiveCare enterprise fund and the nonmajor 403(b) Certification Program enterprise fund. Effective fiscal year 2009, the nonmajor 403(b) Certification Program was reclassified from a governmental fund to a proprietary fund because it meets the required criteria of enterprise fund reporting. Governmental funds are used to account for resources restricted for specific purposes and includes the Children's Health Insurance Program (CHIP) contract with the Health and Human Services Commission, which is considered a nonmajor special revenue fund.

A statement of net assets and a statement of changes in net assets (where appropriate) are presented for all fiduciary funds as of August 31, 2009, and for the year then ended. Individual fund financial statements are presented for the fiduciary, proprietary and governmental funds as of August 31, 2009, and for the year then ended. Comparative data as of August 31, 2008, and for the year then ended has also been presented with the exception of agency funds. These financial statements reflect the resources available to pay benefits to retirees and other beneficiaries, to pay health care benefits for covered participants, to administer the 403(b) Certification Program, and to fund the CHIP for eligible children of school district personnel.

• **Notes to the Financial Statements.** The financial statement notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. Information available in the notes to the financial statements is described below:

- Note I provides a summary of significant accounting policies, including the basis of accounting, budgets and appropriations, explanations of major asset and liability classes, and legal reserve account information. Also included is a general description of TRS as well as a description of each of the funds administered by TRS.

- Note II provides information on capital assets.

- Note III describes deposits and investments, including investing authority, investment risk categorizations, and additional information about cash, derivatives, securities lending, alternative investments and contingent commitments.

- Note IV provides information on employee compensable leave.

- Note V provides information on the operating

MANAGEMENT'S DISCUSSION AND ANALYSIS

lease.

– Note VI provides information on fringe benefits paid by the state and federal government for employees and participants of the health care plans.

– Note VII describes deferred compensation plans available to TRS employees.

– Note VIII provides information on contingent liabilities such as TRS employees' accumulated sick leave, lump sum death benefits and incentive compensation as well as retiree benefits and any pending litigation.

– Note IX addresses TRS' continuance subject to review under the Texas Sunset Act.

– Note X describes postemployment health care benefits provided to TRS' employees and retired public school employees.

– Note XI addresses risk management issues related to the health benefits program for active school district employees.

– Note XII provides pension disclosure information including detailed data on the plan description as well as contributions required and made.

– Note XIII provides information on subsequent events.

• **Required Supplementary Information.** Required supplementary information consists of schedules related to the funding progress and the contributions from employers and other contributing entities of both the pension plan and the postemployment benefit plan administered by TRS. Also included in this component is Management's Discussion and Analysis.

• **Other Supplemental Schedules.** Other schedules include information on agency funds, changes in reserve account balances, budgets for administrative and capital expenses, investing activity expenses, and payments to consultants.

Financial Analysis of TRS Funds

Pension Trust Fund

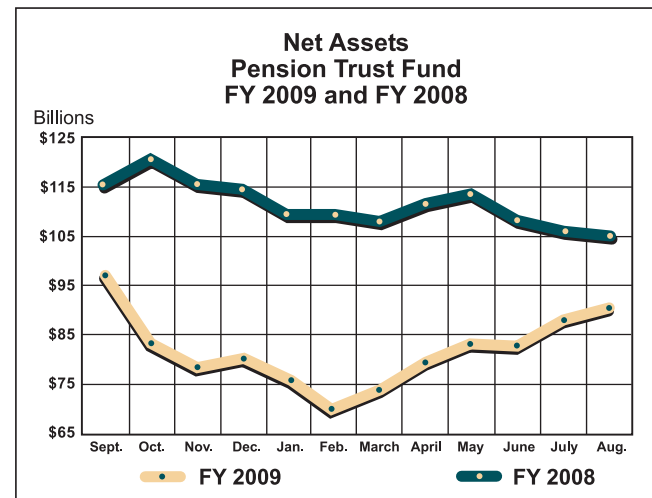
Net assets held in trust for benefits at August 31, 2009, were \$88.7 billion, a decrease of \$16.2 billion, from \$104.9 billion at August 31, 2008.

The overall financial condition of the system continued to decline due to the downturn of the global financial markets resulting in a net investment loss of \$14.0 billion in fiscal year 2009. This net loss is comprised of net depreciation in fair value of investments of (\$16.0) billion, \$1.9 billion in interest and dividends, and net income of \$242.9 million from securities lending, reduced by investing activity expenses of \$69.0 million. The net investment loss for fiscal year

2008 was \$4.6 billion.

When comparing returns, it is important to remember that as a pension fund, the TRS investment performance has a very long horizon. Below are rate of return results for the total fund for the periods ending August 31, 2009:

• One-Year	-13.1%
• Three-Years	-1.7%
• Five-Years	3.6%
• Ten-Years	3.4%

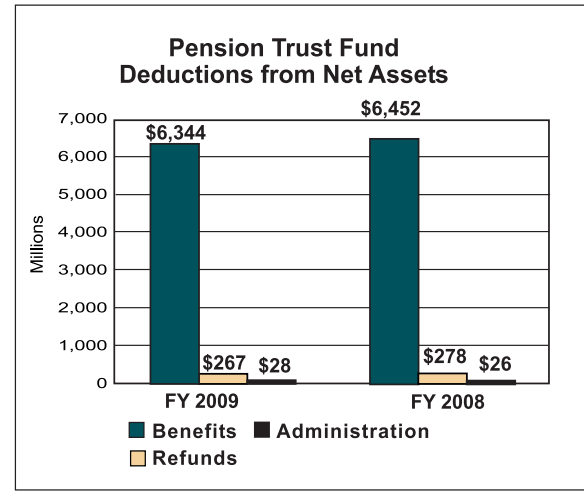
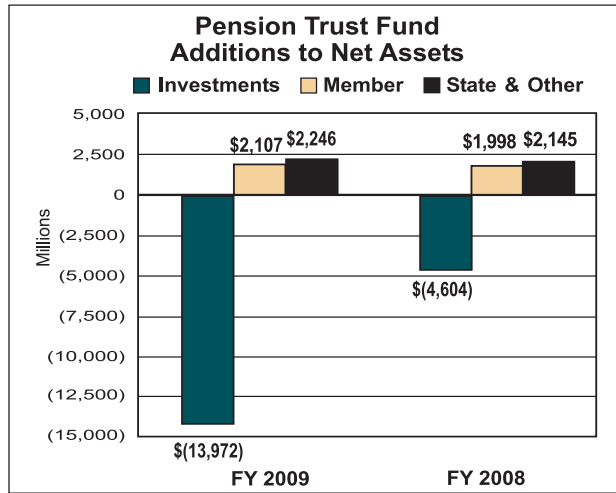


Member, state and reporting entity contributions for fiscal year 2009 were \$2.1 billion, \$1.8 billion and \$0.4 billion, respectively. Total contributions increased \$222.7 million, or 5.5%, during fiscal year 2009. An increase in active membership and overall payroll growth contributed to the increase in total contributions. The contribution rates for fiscal year 2009 remained the same as fiscal year 2008, with the members contributing 6.4% and the state contributing 6.58%.

Deductions from TRS net assets held in trust for benefits are predominately retirement, death, and survivor benefits. During fiscal year 2009, benefit payments totaled \$6.3 billion, a decrease of approximately \$108.5 million, or 1.7%, from fiscal year 2008 benefit payments of \$6.5 billion which included the effects of a supplemental payment to annuitants in January 2008.

Other deductions for fiscal year 2009 include \$266.7 million in refunds, a decrease of \$11.3 million from fiscal year 2008, and administrative expenses of \$28.3 million, an increase of \$2.2 million from fiscal year 2008. Administrative expenses, excluding investment costs, on a cost per member basis were \$22.23 for fiscal year 2009 as compared to \$21.05 per member in fiscal year 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Net Assets – Pension Trust Fund (Dollars in Thousands)

	Fiscal Year 2009	Fiscal Year 2008	Dollar Change	Percentage Change
Assets:				
Cash and Receivables	\$ 1,738,198	\$ 1,553,327	\$ 184,871	11.9%
Investments	87,712,933	104,074,710	(16,361,777)	-15.7%
Invested Securities Lending Collateral	21,852,868	19,347,275	2,505,593	13.0%
Capital Assets	30,489	27,956	2,533	9.1%
TOTAL ASSETS	\$ 111,334,488	\$ 125,003,268	\$ (13,668,780)	-10.9%
Liabilities:				
Benefits Payable	\$ 549,797	\$ 520,210	\$ 29,587	5.7%
Investments Purchased Payable	159,557	182,710	(23,153)	-12.7%
Accounts Payable and Other	57,130	42,575	14,555	34.2%
Securities Lending Collateral	21,915,032	19,347,275	2,567,757	13.3%
TOTAL LIABILITIES	\$ 22,681,516	\$ 20,092,770	\$ 2,588,746	12.9%
Total Net Assets	\$ 88,652,972	\$ 104,910,498	\$ (16,257,526)	-15.5%

Changes in Net Assets – Pension Trust Fund (Dollars in Thousands)

	Fiscal Year 2009	Fiscal Year 2008	Dollar Change	Percentage Change
Additions:				
Member Contributions	\$ 2,107,058	\$ 1,998,138	\$ 108,920	5.5%
State Contributions and Other	2,245,854	2,144,823	101,031	4.7%
Investment Income (Loss)	(13,971,869)	(4,604,971)	(9,366,898)	203.4%
TOTAL ADDITIONS	\$ (9,618,957)	\$ (462,010)	\$ (9,156,947)	1,982.0%
Deductions:				
Retirement Benefits	\$ 6,343,564	\$ 6,452,167	\$ (108,603)	-1.7%
Refunds of Contributions	266,695	278,002	(11,307)	-4.1%
Administrative Expenses	28,310	26,123	2,187	8.4%
TOTAL DEDUCTIONS	\$ 6,638,569	\$ 6,756,292	\$ (117,723)	-1.7%
Net Decrease	\$ (16,257,526)	\$ (7,218,302)	\$ (9,039,224)	125.2%

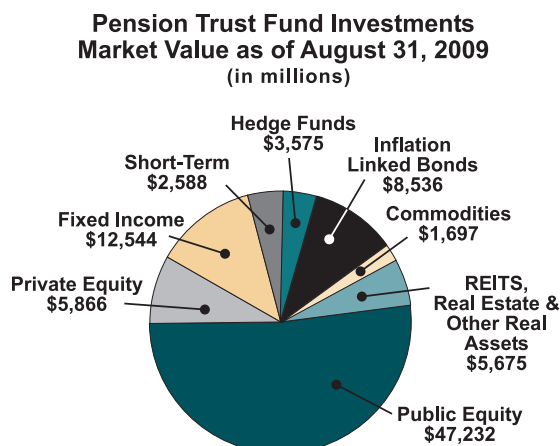
The following table presents the actual investment allocations as of fiscal year end 2009 and 2008 as compared to the target allocations for 2009 and 2008.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Fiscal Year 2009		Fiscal Year 2008	
	Target	Actual	Target	Actual
Public Equity	53.0%	53.8%	55.0%	56.0%
Private Equity	7.0%	6.7%	5.0%	5.8%
TOTAL GLOBAL EQUITY	60.0%	60.5%	60.0%	61.8%
Fixed Income	15.0%	14.3%	15.0%	15.1%
Short-Term	1.0%	3.0%	1.0%	1.1%
Hedge Funds	4.0%	4.1%	4.0%	3.8%
TOTAL STABLE VALUE	20.0%	21.4%	20.0%	20.0%
Global Inflation				
Linked Bonds	10.0%	9.7%	10.0%	9.9%
Commodities	2.0%	1.9%	3.0%	3.1%
REITS	2.0%	2.2%	2.0%	1.7%
Real Estate	5.0%	3.6%	4.0%	3.1%
Other Real Assets	1.0%	0.7%	1.0%	0.4%
TOTAL REAL RETURN	20.0%	18.1%	20.0%	18.2%
TOTAL	100.0%	100.0%	100.0%	100.0%

These asset allocation investment categories are based on the portfolio that the underlying securities are invested in. The portfolios are determined by and subject to the system's investment policy guidelines which are reviewed and adjusted as necessary to aid the fund in achieving the long-term portfolio return of 8%.

Since the stock market peak in October 2007, the following market decline had been the sharpest since 1929-1932. Although the TRS Pension Trust Fund lost value during the global financial market downturn, it was well-positioned to take advantage of the partial recovery experienced during the second half of fiscal year 2009. The Pension Trust Fund's value as of August 31, 2009 was more than \$17 billion higher than its February low. TRS continues to transition to a more diversified investment strategy of 60% global equities, 20% real return, and 20% stable value and continues to enhance its asset management capabilities by increasing the use of certified external managers.



Health Benefits Trust Fund – Retired Plan

Net assets of the Retired Plan (TRS-Care) increased \$71.3 million, from \$728.8 million at the end of fiscal year 2008 to \$800.1 million at the end of fiscal year 2009.

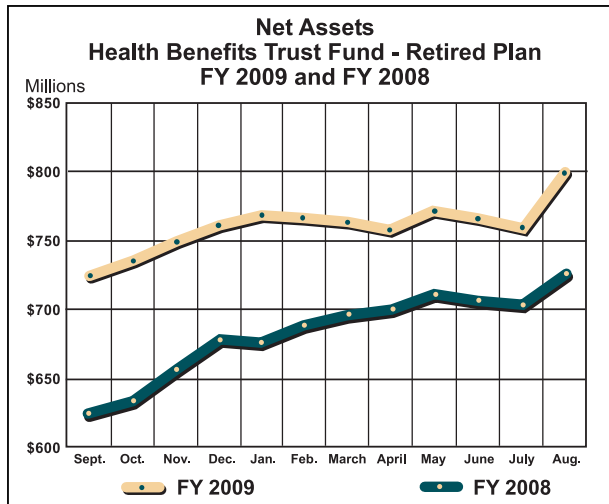
Additions to net assets include health care premiums; active member, state and reporting entity contributions; investment earnings; and retiree drug subsidy payments. Retiree premiums of \$329.7 million for fiscal year 2009 increased \$1.2 million over fiscal year 2008. The total contributions of \$590.9 million increased by 5.1% from the fiscal year 2008 total of \$562.0 million due to overall payroll growth and an increase in plan participation.

Investment income of \$17.5 million decreased \$11.8 million from fiscal year 2008 as a result of the market downturn in fiscal year 2009.

Medicare Part D retiree drug subsidy payments received from the federal government totaled \$61.5 million in fiscal year 2009, an increase of 3.4% from the fiscal year 2008 total of \$59.5 million.

Deductions from net assets include claims payments, claims processing costs, and administrative expenses. Claims payments and claims processing costs during fiscal year 2009 totaled \$925.5 million and increased 6.3% over total claims of \$870.3 million in fiscal year 2008. The increase is due to the rising costs of health care and pharmacy benefits and to growth in plan participation. A fiscal year end increase in the estimated amount for claims incurred but not reported resulted in an increase of \$1.8 million in net assets. Administrative expenses decreased 2.8% from fiscal year 2008 due to lower than expected costs in fiscal year 2009.

MANAGEMENT'S DISCUSSION AND ANALYSIS



Net Assets – Health Benefits Trust Fund Retired Plan (Dollars in Thousands)

	Fiscal Year 2009	Fiscal Year 2008	Dollar Change	Percentage Change
Assets:				
Cash and Receivables	\$ 929,534	\$ 337,815	\$ 591,719	175.2%
Investments		514,884	(514,884)	-100.0%
TOTAL ASSETS	\$ 929,534	\$ 852,699	\$ 76,835	9.0%
Liabilities:				
Accounts Payable and Other	\$ 670	\$ 535	\$ 135	25.2%
Health Care Claims Payable	128,716	123,325	5,391	4.4%
TOTAL LIABILITIES	\$ 129,386	\$ 123,860	\$ 5,526	4.5%
Total Net Assets	\$ 800,148	\$ 728,839	\$ 71,309	9.8%

Changes in Net Assets – Health Benefits Trust Fund Retired Plan (Dollars in Thousands)

	Fiscal Year 2009	Fiscal Year 2008	Dollar Change	Percentage Change
Additions:				
Member Contributions	\$ 173,856	\$ 165,569	\$ 8,287	5.0%
State Contributions and Other	478,661	455,973	22,688	5.0%
Health Care Premiums	329,723	328,506	1,217	0.4%
Investment Income (Loss)	17,482	29,252	(11,770)	-40.2%
TOTAL ADDITIONS	\$ 999,722	\$ 979,300	\$ 20,422	2.1%
Deductions:				
Health Care Claims	\$ 885,133	\$ 833,510	\$ 51,623	6.2%
Health Care Claims Processing	40,364	36,748	3,616	9.8%
Administrative Expenses	2,916	3,000	(84)	-2.8%
TOTAL DEDUCTIONS	\$ 928,413	\$ 873,258	\$ 55,155	6.3%
Net Increase (Decrease)	\$ 71,309	\$ 106,042	\$ (34,733)	-32.8%

MANAGEMENT'S DISCUSSION AND ANALYSIS

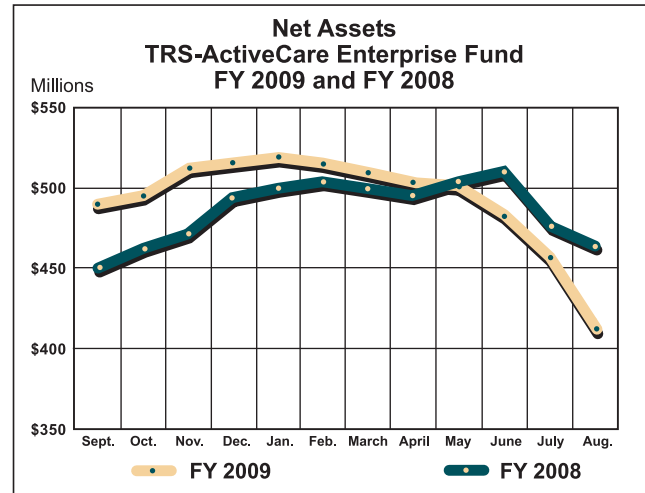
Enterprise Fund - TRS-ActiveCare

The TRS-ActiveCare program was created by H.B. 3343, 77th Legislature, and began operations in fiscal year 2003. Net assets of the plan were \$410.2 million at the end of fiscal year 2009, a decrease of \$66.2 million, or 13.9%, from fiscal year 2008.

Operating Revenues for fiscal year 2009 included \$1.2 billion from health care premiums, an increase of \$75.5 million, or 6.9%, over fiscal year 2008. This increase is due to an increase in plan participation. Administrative Fees increased slightly to \$188 thousand from \$187 thousand in fiscal year 2008. Reimbursements related to the American Recovery and Reinvestment Act (ARRA) of 2009 totaled \$170 thousand. Nonoperating revenues included investment income of \$11.6 million decreased \$9.6 million or 45.2% from fiscal year 2008 due to the market downturn in fiscal year 2009.

Health care claims for fiscal year 2009 were \$1.1 billion, a \$170.5 million, or 17.9%, increase over \$952.2 million in fiscal year 2008. The increase is due to the rising costs of health care and pharmacy benefits and to growth in plan participation. Other expenses included claims processing costs of \$60.9 million, \$64.8 million

for HMO premium reimbursements, and \$1.9 million for administrative expenses. A downward adjustment to claims incurred but not reported increased plan net assets by \$24.2 million for fiscal year 2009. The 2008 fiscal year end adjustment resulted in an \$8.5 million increase to net assets.



Net Assets – TRS-ActiveCare (Dollars in Thousands)

	Fiscal Year 2009	Fiscal Year 2008	Dollar Change	Percentage Change
Assets:				
Cash and Receivables	\$ 544,310	\$ 166,809	\$ 377,501	226.3%
Investments		428,523	(428,523)	-100.0%
TOTAL ASSETS	\$ 544,310	\$ 595,332	\$ (51,022)	-8.6%
Liabilities:				
Current Liabilities:				
Accounts Payable and Other	\$ 439	\$ 244	\$ 195	79.9%
Premiums Payable to HMO's	5,336	5,552	(216)	-3.9%
Health Care Claims Payable	128,255	113,019	15,236	13.5%
TOTAL CURRENT LIABILITIES	\$ 134,030	\$ 118,815	\$ 15,215	12.8%
Noncurrent Liabilities:				
Compensable Absences Payable	\$ 41	\$ 46	\$ (5)	-10.9%
TOTAL LIABILITIES	\$ 134,071	\$ 118,861	\$ 15,210	12.8%
Total Net Assets	\$ 410,239	\$ 476,471	\$ (66,232)	-13.9%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Revenues, Expenses, and Changes in Net Assets - TRS-ActiveCare (Dollars in Thousands)

	Fiscal Year 2009	Fiscal Year 2008	Dollar Change	Percentage Change
Operating Revenues:				
Health Care Premiums	\$ 1,172,011	\$ 1,096,537	\$ 75,474	6.9%
Administrative Fees	188	187	1	0.5%
ARRA Cobra Reimbursements	170		170	
TOTAL OPERATING REVENUES	\$ 1,172,369	\$ 1,096,724	\$ 75,645	6.9%
Operating Expenses:				
Health Care Claims	\$ 1,122,647	\$ 952,156	\$ 170,491	17.9%
Health Care Claims Processing	60,935	54,584	6,351	11.6%
Premium Payments to HMO's	64,820	68,205	(3,385)	-5.0%
Administrative Expenses	1,862	1,830	32	1.7%
TOTAL OPERATING EXPENSES	\$ 1,250,264	\$ 1,076,775	\$ 173,489	16.1%
Nonoperating Revenues:				
Investment Income and Other	\$ 11,663	\$ 21,227	\$ (9,564)	-45.1%
Change in Net Assets	\$ (66,232)	\$ 41,176	\$ (107,408)	-260.9%

Enterprise Fund – 403(b) Certification Program (Nonmajor Fund)

The 403(b) Certification Program was created by S.B. 273, 77th Legislature, and began operations in fiscal year 2002. The program was expanded by H.B. 2427, 80th Legislature, to include the registration of products beginning in fiscal year 2008. Net assets were \$355.3 thousand for fiscal year 2009 as compared to \$419.7 thousand in fiscal year 2008. The fund's total revenues of \$23.6 thousand decreased \$205.8 thousand from the fiscal year 2008 total of \$229.3 thousand. The majority of this decrease is attributable to product registration fees which leveled off to \$9.0 thousand in fiscal year 2009 after the initial fiscal year 2008 collection of \$180.0 thousand. Interest income decreased \$10.8 thousand to \$8.6 thousand in fiscal year 2009 due to both a lower average net asset value and lower interest rates. Deductions from the fund were administrative expenses of \$88.0 thousand for fiscal year 2009, a reduction of \$104.0 thousand from the fiscal year 2008 total of \$192.0 thousand which included the costs associated with the expansion into product registration fees.

Special Revenue Fund - Children's Health Insurance Program (Nonmajor Fund)

TRS contracts with the Health and Human Services Commission (HHSC) to fund the Children's Health Insurance Program at the commission for those children of school district personnel who are enrolled in the program. This arrangement was mandated by the 80th Legislature, Regular Session and effective for the fiscal years 2008-2009 biennium. An amount of \$13.2 million was appropriated to TRS in fiscal year 2009 as compared to the fiscal year 2008 amount of \$13.1 million.

Requests for Information

This financial report is designed to provide a general overview of the Teacher Retirement System for all those with an interest in the system's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Communications Department of the Teacher Retirement System, 1000 Red River Street, Austin, Texas 78701.

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Statement of Fiduciary Net Assets

AUGUST 31, 2009

(With Comparative Totals for Pension and Other Employee Benefit Trust Funds for August 31, 2008)

EXHIBIT I

	FIDUCIARY FUND TYPES	
	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
ASSETS		
Cash:		
Cash in State Treasury	\$ 819,859,004	\$ 849,770,247
Cash in Bank (Note III.A.)	124,042,211	
Cash on Hand (Note III.B.)	2,152,196	
TOTAL CASH	\$ 946,053,411	\$ 849,770,247
Receivables:		
Sale of Investments	\$ 339,937,324	\$
Interest and Dividends	245,842,715	1,248,212
Member and Retiree Reporting Entities	79,987,993	38,413,843
Other	49,945,344	8,510,352
Due from State's General Fund	484,129	5,389,708
Due from Employees Retirement System of Texas	75,155,068	26,201,993
	791,929	
TOTAL RECEIVABLES	\$ 792,144,502	\$ 79,764,108
Investments (Notes I.F. and III.E.):		
Short-Term	\$ 8,996,775,374	\$
Equities	43,046,546,588	
Fixed Income	16,577,616,180	
Alternative Investments	17,314,897,399	
Derivative Investments	302,282,839	
Pooled Investments	1,474,814,193	
TOTAL INVESTMENTS	\$ 87,712,932,573	\$ -0-
Invested Securities Lending Collateral	\$ 21,852,868,153	\$
Capital Assets (Note II.):		
Land	\$ 1,658,310	\$
Building, Capital Projects, Leasehold Improvements and Equipment, at Cost, Net of Accumulated Depreciation/Amortization	28,831,028	
TOTAL CAPITAL ASSETS	\$ 30,489,338	\$ -0-
TOTAL ASSETS	\$111,334,487,977	\$ 929,534,355

		FIDUCIARY FUND TYPES	
TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS			
2009	2008	Agency Funds	
\$ 1,669,629,251	\$ 1,003,788,682	\$	3,312
124,042,211	199,793,684		
2,152,196	3,358,224		
<u>\$ 1,795,823,658</u>	<u>\$ 1,206,940,590</u>	<u>\$</u>	<u>3,312</u>
\$ 339,937,324	\$ 63,134,327	\$	
247,090,927	320,965,696		
118,401,836	110,204,053		
58,455,696	47,927,136		
5,873,837	10,500,360		
101,357,061	130,736,292		
791,929	733,184		
<u>\$ 871,908,610</u>	<u>\$ 684,201,048</u>	<u>\$</u>	<u>-0-</u>
\$ 8,996,775,374	\$ 17,374,423,868	\$	
43,046,546,588	50,917,099,622		
16,577,616,180	20,619,077,668		
17,314,897,399	15,118,758,132		
302,282,839	(415,383,006)		
1,474,814,193	975,618,115		
<u>\$ 87,712,932,573</u>	<u>\$ 104,589,594,399</u>	<u>\$</u>	<u>-0-</u>
<u>\$ 21,852,868,153</u>	<u>\$ 19,347,275,331</u>	<u>\$</u>	
\$ 1,658,310	\$ 1,658,310	\$	
28,831,028	26,297,396		
<u>\$ 30,489,338</u>	<u>\$ 27,955,706</u>	<u>\$</u>	<u>-0-</u>
<u>\$112,264,022,332</u>	<u>\$ 125,855,967,074</u>	<u>\$</u>	<u>3,312</u>

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Statement of Fiduciary Net Assets

AUGUST 31, 2009

(With Comparative Totals for Pension and Other Employee Benefit Trust Funds for August 31, 2008)

(concluded)

EXHIBIT I

	FIDUCIARY FUND TYPES	
	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
LIABILITIES (Note I.F.)		
Accounts Payable	\$ 6,734,844	\$ 509,972
Accounts Payable-External Manager Fees	16,754,738	
Benefits Payable	549,796,590	
Health Care Claims Payable		128,716,328
Reinstatement Installment Receipts	21,126,610	
Investments Purchased Payable	159,557,070	
Securities Lending Collateral	21,915,032,131	
Due to Employees Retirement System of Texas	5,025,029	
Compensable Absences Payable	5,102,778	159,663
Deferred Rent	2,386,505	
Funds Held for Others		
TOTAL LIABILITIES	\$ 22,681,516,295	\$ 129,385,963
NET ASSETS HELD IN TRUST FOR PENSION/OTHER POST- EMPLOYMENT BENEFITS	\$ 88,652,971,682	\$ 800,148,392

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

FIDUCIARY FUND TYPES		
TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS		
2009	2008	Agency Funds
\$ 7,244,816	\$ 4,761,321	\$
16,754,738	1,374,018	
549,796,590	520,209,568	
128,716,328	123,324,862	
21,126,610	28,152,145	
159,557,070	182,710,162	
21,915,032,131	19,347,275,331	
5,025,029	4,531,950	
5,262,441	4,290,847	
2,386,505		
		3,312
\$ 22,810,902,258	\$ 20,216,630,204	\$ 3,312
\$ 89,453,120,074	\$ 105,639,336,870	\$ -0-



Statement of Changes in Fiduciary Net Assets

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

EXHIBIT II

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
ADDITIONS:		
Contributions:		
Member	\$ 2,107,057,870	\$ 173,856,344
State - General Fund	1,481,843,941	245,611,097
State - Federal Funds/Private Grants	275,182,487	21,860,202
Reporting Entities	412,728,096	149,562,613
Health Care Premiums		329,723,191
TOTAL CONTRIBUTIONS AND PREMIUMS	\$ 4,276,812,394	\$ 920,613,447
Investment Income:		
From Investing Activities:		
Net Depreciation in Fair Value of Investments	\$ (16,030,794,035)	\$
Interest	776,676,251	17,482,143
Dividends	1,108,384,911	
TOTAL INVESTING ACTIVITIES INCOME (LOSS)	\$ (14,145,732,873)	\$ 17,482,143
Less: Investing Activity Expenses	(68,990,517)	
NET INCOME (LOSS) FROM INVESTING ACTIVITIES	\$ (14,214,723,390)	\$ 17,482,143
From Securities Lending Activities:		
Securities Lending Income	\$ 371,868,589	\$
Securities Lending Expenses:		
Borrower Rebates	(93,966,133)	
Management Fees	(35,047,788)	
Net Income from Securities Lending Activities	\$ 242,854,668	\$ -0-
TOTAL NET INVESTMENT INCOME (LOSS)	\$ (13,971,868,722)	\$ 17,482,143
Other Additions:		
Reinstatement of Contribution Refunds	\$ 37,880,721	\$
Reinstatement Fees	36,661,692	
Legislative Appropriations for Excess Benefits (Note I.E.)	1,553,381	
Miscellaneous Revenues	3,899	
On Behalf Fringe Benefits Paid by the Federal Government (Note VI.)		61,530,735
On Behalf Fringe Benefits Paid by the State (Note VI.)		95,929
TOTAL OTHER ADDITIONS	\$ 76,099,693	\$ 61,626,664
TOTAL ADDITIONS	\$ (9,618,956,635)	\$ 999,722,254

TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
2009	2008
\$ 2,280,914,214	\$ 2,163,707,900
1,727,455,038	1,685,067,990
297,042,689	272,095,738
562,290,709	495,197,110
329,723,191	328,505,433
<u>\$ 5,197,425,841</u>	<u>\$ 4,944,574,171</u>
\$(16,030,794,035)	\$ (7,992,472,030)
794,158,394	1,835,245,865
<u>1,108,384,911</u>	<u>1,397,529,103</u>
\$(14,128,250,730)	\$ (4,759,697,062)
(68,990,517)	(29,330,150)
<u>\$(14,197,241,247)</u>	<u>\$ (4,789,027,212)</u>
\$ 371,868,589	\$ 929,696,098
(93,966,133)	(682,745,643)
<u>(35,047,788)</u>	<u>(33,642,743)</u>
<u>\$ 242,854,668</u>	<u>\$ 213,307,712</u>
<u>\$(13,954,386,579)</u>	<u>\$ (4,575,719,500)</u>
\$ 37,880,721	\$ 44,045,625
36,661,692	43,161,749
1,553,381	1,646,494
3,899	3,596
61,530,735	59,486,239
<u>95,929</u>	<u>91,945</u>
<u>\$ 137,726,357</u>	<u>\$ 148,435,648</u>
<u>\$ (8,619,234,381)</u>	<u>\$ 517,290,319</u>

(to next page)



Statement of Changes in Fiduciary Net Assets

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)
(concluded)

EXHIBIT II

	PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
	Pension Trust Fund	Health Benefits Trust Fund Retired Plan
DEDUCTIONS:		
Benefits	\$ 6,342,010,323	\$
Refunds of Contributions	266,695,076	
Health Care Claims		885,132,865
Health Care Claims Processing		40,364,063
Administrative Expenses, Net of Investing Activity Expenses	28,310,448	2,916,259
Excess Benefits	1,553,381	
TOTAL DEDUCTIONS	\$ 6,638,569,228	\$ 928,413,187
Net Increase (Decrease)	\$ (16,257,525,863)	\$ 71,309,067
NET ASSETS HELD IN TRUST FOR PENSION/OTHER POST- EMPLOYMENT BENEFITS - BEGINNING OF YEAR	\$104,910,497,545	\$ 728,839,325
NET ASSETS HELD IN TRUST FOR PENSION/OTHER POST- EMPLOYMENT BENEFITS - END OF YEAR	\$ 88,652,971,682	\$ 800,148,392

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TOTAL - PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS	
2009	2008
\$ 6,342,010,323	\$ 6,450,520,672
266,695,076	278,002,614
885,132,865	833,509,538
40,364,063	36,747,710
31,226,707	29,123,198
1,553,381	1,646,494
<u>\$ 7,566,982,415</u>	<u>\$ 7,629,550,226</u>
\$ (16,186,216,796)	\$ (7,112,259,907)
<u>\$105,639,336,870</u>	<u>\$112,751,596,777</u>
<u><u>\$ 89,453,120,074</u></u>	<u><u>\$105,639,336,870</u></u>



Statement of Net Assets

PROPRIETARY FUNDS

AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

EXHIBIT III

	Enterprise Funds	
	Major Fund	Nonmajor Fund
	TRS-ActiveCare	403(b) Certification Program
ASSETS		
Current Assets:		
Cash:		
Cash in State Treasury	\$ 486,766,302	\$ 362,131
TOTAL CASH	\$ 486,766,302	\$ 362,131
Short-Term Investments	\$ -0-	\$ -0-
Accounts Receivable:		
Investment Interest	\$ 788,428	\$ 462
Health Care Premiums	56,584,741	
ARRA Cobra Premiums	170,219	
TOTAL ACCOUNTS RECEIVABLE	\$ 57,543,388	\$ 462
TOTAL ASSETS	\$ 544,309,690	\$ 362,593
LIABILITIES (Note I.F.)		
Current Liabilities:		
Accounts Payable	\$ 365,378	\$ 7,333
Premiums Payable to HMOs	5,336,353	
Health Care Claims Payable	128,255,190	
Compensable Absences Payable	72,508	
TOTAL CURRENT LIABILITIES	\$ 134,029,429	\$ 7,333
Noncurrent Liabilities:		
Compensable Absences Payable	\$ 41,369	\$
TOTAL LIABILITIES	\$ 134,070,798	\$ 7,333
NET ASSETS		
Restricted for Administrative Expenses	\$	\$ 355,260
Unrestricted	410,238,892	
TOTAL NET ASSETS	\$ 410,238,892	\$ 355,260

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

Total Enterprise Funds	
2009	2008
\$ 487,128,433	\$ 116,016,467
\$ 487,128,433	\$ 116,016,467
\$ -0-	\$ 428,523,342
\$ 788,890	\$ 1,266,521
56,584,741	49,961,692
170,219	
\$ 57,543,850	\$ 51,228,213
\$ 544,672,283	\$ 595,768,022
\$ 372,711	\$ 188,024
5,336,353	5,552,472
128,255,190	113,019,499
72,508	72,187
\$ 134,036,762	\$ 118,832,182
\$ 41,369	\$ 45,514
\$ 134,078,131	\$ 118,877,696
\$ 355,260	\$ 419,702
410,238,892	476,470,624
\$ 410,594,152	\$ 476,890,326



EXHIBIT IV

Statement of Revenues, Expenses, and Changes in Fund Net Assets

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

	Enterprise Funds	
	Major Fund	Nonmajor Fund
	TRS-ActiveCare	403(b) Certification Program
OPERATING REVENUES:		
Health Care Premiums	\$1,172,011,048	\$
Administrative Fees	187,813	
ARRA Cobra Reimbursements	170,219	
Certification Fees		6,000
Product Registration Fees		9,000
TOTAL OPERATING REVENUES	\$1,172,369,080	\$ 15,000
OPERATING EXPENSES:		
Health Care Claims	\$1,122,646,958	\$
Health Care Claims Processing	60,934,432	
Premium Payments to HMOs	64,820,440	
Administrative Expenses	1,861,949	88,000
TOTAL OPERATING EXPENSES	\$1,250,263,779	\$ 88,000
OPERATING INCOME (LOSS)	\$ (77,894,699)	\$ (73,000)
NONOPERATING REVENUES:		
Investment Income	\$ 11,597,992	\$ 8,558
On Behalf Fringe Benefits Paid by the State (Note VI.)	64,975	
TOTAL NONOPERATING REVENUES	\$ 11,662,967	\$ 8,558
Change in Net Assets	\$ (66,231,732)	\$ (64,442)
TOTAL NET ASSETS - BEGINNING	\$ 476,470,624	\$ 419,702
TOTAL NET ASSETS - ENDING	\$ 410,238,892	\$ 355,260

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

Total Enterprise Funds	
2009	2008
\$ 1,172,011,048	\$1,096,537,022
187,813	186,844
170,219	
6,000	30,000
9,000	180,000
<u>\$ 1,172,384,080</u>	<u>\$1,096,933,866</u>
\$ 1,122,646,958	\$ 952,156,339
60,934,432	54,583,499
64,820,440	68,204,743
1,949,949	2,022,258
<u>\$ 1,250,351,779</u>	<u>\$1,076,966,839</u>
<u>\$ (77,967,699)</u>	<u>\$ 19,967,027</u>
\$ 11,606,550	\$ 21,183,977
64,975	61,894
<u>\$ 11,671,525</u>	<u>\$ 21,245,871</u>
\$ (66,296,174)	\$ 41,212,898
<u>\$ 476,890,326</u>	<u>\$ 435,677,428</u>
<u><u>\$ 410,594,152</u></u>	<u><u>\$ 476,890,326</u></u>



EXHIBIT V

Statement of Cash Flows

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

	Enterprise Funds	
	Major Fund	Nonmajor Fund
	TRS-ActiveCare	403(b) Certification Program
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Health Care Premiums	\$ 1,165,530,400	\$
Receipts from Long-Term Care Administrative Fees	187,813	
Receipts from Certification/Product Registration Fees		15,000
Payments for Administrative Expenses	(1,749,846)	(96,667)
Payments for Health Care Claims	(1,107,449,363)	
Payments for Health Care Claims Processing	(60,896,335)	
Payments for HMO Premiums	(65,036,559)	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (69,413,890)	\$ (81,667)
Interest Received	\$ 12,074,969	\$ 9,212
NET CASH PROVIDED BY INVESTING ACTIVITIES	\$ 12,074,969	\$ 9,212
Net Increase (Decrease) in Cash	\$ (57,338,921)	\$ (72,455)
CASH AND CASH EQUIVALENTS - SEPTEMBER 1	\$ 544,105,223	\$ 434,586
CASH AND CASH EQUIVALENTS - AUGUST 31	\$ 486,766,302	\$ 362,131
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (77,894,699)	\$ (73,000)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
(Increase) in Health Care Premiums Receivable	\$ (6,793,268)	\$
Increase (Decrease) in Premiums Payable to HMOs	(216,119)	
Increase in Health Care Claims Payable	15,235,692	
Increase (Decrease) in Accounts Payable	193,353	(8,667)
Increase (Decrease) in Compensable Absences Payable	(3,824)	
On Behalf Fringe Benefits Paid by the State (Note VI.)	64,975	
Total Adjustments	\$ 8,480,809	\$ (8,667)
Net Cash Provided (Used) by Operating Activities	\$ (69,413,890)	\$ (81,667)

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

Total Enterprise Funds	
2009	2008
\$ 1,165,530,400	\$ 1,085,380,356
187,813	186,844
15,000	210,000
(1,846,513)	(1,980,609)
(1,107,449,363)	(937,231,469)
(60,896,335)	(54,533,806)
(65,036,559)	(67,442,395)
<hr/>	<hr/>
\$ (69,495,557)	\$ 24,588,921
<hr/>	<hr/>
\$ 12,084,181	\$ 22,199,110
<hr/>	<hr/>
\$ 12,084,181	\$ 22,199,110
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\$ (57,411,376)	\$ 46,788,031
<hr/>	<hr/>
\$ 544,539,809	\$ 497,751,778
<hr/>	<hr/>
\$ 487,128,433	\$ 544,539,809
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\$ (77,967,699)	\$ 19,967,027
<hr/>	<hr/>
\$ (6,793,268)	\$ (11,049,733)
(216,119)	762,348
15,235,692	14,974,564
184,686	(154,054)
(3,824)	26,875
<hr/>	<hr/>
64,975	61,894
<hr/>	<hr/>
\$ 8,472,142	\$ 4,621,894
<hr/>	<hr/>
\$ (69,495,557)	\$ 24,588,921
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Balance Sheet

GOVERNMENTAL FUND

AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

EXHIBIT VI

	School Employee Children's Health Insurance Program Special Revenue Fund*	
	2009	2008
TOTAL ASSETS	\$ -0-	\$ -0-
TOTAL LIABILITIES AND FUND BALANCE	\$ -0-	\$ -0-

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**This fund has activity presented on the Statement of Revenues, Expenditures, and Changes in Fund Balance.*



Statement of Revenues, Expenditures, and Changes in Fund Balance

GOVERNMENTAL FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

EXHIBIT VII

	School Employee Children's Health Insurance Program Special Revenue Fund*	
	2009	2008
REVENUES:		
Legislative Appropriations	\$ 13,192,708	\$ 13,120,309
TOTAL REVENUES	\$ 13,192,708	\$ 13,120,309
EXPENDITURES:		
Administrative Expenditures	\$	\$
TOTAL EXPENDITURES	\$ -0-	\$ -0-
Excess of Revenues Over Expenditures	\$ 13,192,708	\$ 13,120,309
OTHER FINANCING SOURCES (USES):		
Transfer Out to HHSC	\$ (13,192,708)	\$ (13,120,309)
TOTAL OTHER FINANCING SOURCES (USES)	\$ (13,192,708)	\$ (13,120,309)
FUND BALANCE - BEGINNING	\$ -0-	\$ -0-
FUND BALANCE - ENDING	\$ -0-	\$ -0-

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

**The interagency contract with the Health and Human Services Commission (HHSC) for the Children's Health Insurance Program became effective September 1, 2007. Legislative appropriations were received by TRS in fiscal years 2009 and 2008 and transferred to HHSC in September 2008 and 2007, respectively.*

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Teacher Retirement System of Texas (TRS) is governed by a nine member board of trustees which has significant independence in the operations and management of the system. The legislature confirms trustees appointed by the governor, establishes laws with regard to structure, benefits and contributions, and authorizes Pension Trust Fund administrative expenses. State contributions and appropriations received by TRS are determined by the legislature. TRS is a separate legal entity and considered a discrete component unit of the State of Texas.

This report includes all activities and organizations for which TRS exercises fiscal control and responsibility and includes all funds that comprise the system's legal entity.

TRS administers retirement and related benefits to employees and beneficiaries of employees of the public state supported educational institutions of Texas. It operates primarily under the provisions of Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C.

The system administers the Texas Public School Retired Employees Group Insurance Program and the Texas Active School Employees Uniform Group Benefits Program. These programs provide two separate health care plans, the Retired Plan (TRS-Care) and the Active Plan (TRS-ActiveCare), respectively.

The TRS-Care Retired Plan is considered a postemployment benefit and provides health care coverage for certain persons (and their dependents) who retire under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575.

The TRS-ActiveCare Plan provides health care coverage to employees (and their dependents) of participating public education entities. This plan was mandated by H.B. 3343, 77th Legislature, Regular Session and began operations on September 1, 2002.

Agency funds are used to account for the purchase of savings bonds by participating TRS employees and also garnishments of salaries and wages for child support payments from TRS employees.

TRS has an interagency contract with the Health and Human Services Commission to fund the Children's Health Insurance Program at the commission for those children of school district personnel who are enrolled in the program. This contract was mandated by the 80th Legislature, Regular Session and is effective for the fiscal years 2008 and 2009 biennium.

The system also administers a 403(b) Certification Program mandated by S.B. 273, 77th Legislature, Regular Session. Companies must be certified by TRS in order to offer to public education employees a qualified investment product under IRS Code 403(b) through payroll deduction. This program began operations September 1, 2001 and was expanded by H.B. 2427, 80th Legislature, to include the registration of products.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The accounts of TRS are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a complete set of self-balancing accounts that comprise its assets, liabilities, additions, deductions, revenues and expenses/expenditures. The following fund types are used to reflect the system's transactions:

- Fiduciary Funds – include the Pension Trust Fund, the Health Benefits Trust Fund-Retired Plan, and Agency Funds
- Proprietary Funds – include the TRS-ActiveCare Enterprise Fund, and the 403(b) Certification Program Enterprise Fund which is not considered a major fund.
- Governmental Fund – includes the Children's Health Insurance Program Special Revenue Fund which is not considered a major fund.

Fiduciary funds are used to report assets held in a trustee or agency capacity on behalf of others. The reporting focus is on net assets and changes in net assets. The pension and other employee benefit trust funds are used to report resources held in trust for the members and beneficiaries of the defined benefit pension plan and the other postemployment benefit plan. Agency funds are used to report resources held in a purely custodial capacity by the reporting government.

The proprietary funds account for business-type activities. The reporting focus is on the determination of operating income, changes in net assets, financial position, and cash flows.

The governmental fund accounts for revenues legally restricted for a specified purpose. Sources, uses and balances of financial resources are the reporting focus.

Separate financial statements are provided for each fund. The fiduciary funds' (excluding agency funds) and proprietary funds' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Additions are recognized when earned, and deductions are recognized when the liability is incurred, regardless of the timing of related cash flows. Contributions are recognized in the period in which amounts

NOTES TO THE FINANCIAL STATEMENTS

are due, pursuant to state law. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. All economic resources, including financial and capital assets, and related liabilities, both current and long-term, and the changes therein are reported in the funds' financial statements. Capital assets are depreciated or amortized if appropriate.

The governmental fund's financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred as under accrual accounting.

Agency funds are custodial in nature and do not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting. Agency funds are used to report assets collected and transferred to the state or other entities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary funds' financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to the same limitation. TRS has elected not to follow subsequent private-sector guidance.

C. NEW ACCOUNTING PRONOUNCEMENTS

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* effective for financial statements for reporting periods beginning after June 15, 2009 with earlier application encouraged. The objective of this statement is to reduce the inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization resulting in a more faithful representation of the service capacity of intangible assets. The requirements of this statement will be implemented in fiscal year 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* effective for financial statements for reporting periods beginning after June 15, 2009, with earlier application encouraged. GASB Statement No. 53 establishes uniform financial reporting standards for derivative instruments. The system currently holds only investment derivative instruments. It is anticipated that implementation in fiscal year 2010 will not result in major changes to the Notes to the Financial Statements.

D. COMPARATIVE TOTALS

Total columns on the basic financial statements do not represent consolidated financial information. These totals are not necessary for a fair presentation of the financial statements but are presented to facilitate financial analysis. Certain items from the prior year's financial statements have been reclassified to conform to the presentation in the current year's financial statements. These reclassifications had no effect on previously reported net assets.

E. BUDGETS AND APPROPRIATIONS

The administrative costs and capital outlay for each of the system's funds and programs are controlled by annual budgets approved by the board of trustees.

The Pension Trust Fund receives state contributions for retirement benefits from general revenue appropriations. In fiscal years 2009 and 2008, contributions were made to the retirement system at the rate of 6.58% of the aggregate compensation paid to active retirement system members for each year. Although appropriated by the legislature, administrative expenses and capital outlay for the Pension Trust Fund are paid from the fund's Expense Account, and not from the state's General Fund.

The Health Benefits Trust Fund - Retired Plan (TRS-Care) receives appropriations from the state's General Fund equal to 1.0% of the salaries of public education employees. Administrative expenses for this program are paid from the trust fund.

The TRS-ActiveCare Enterprise Fund's administrative expenses are paid from the enterprise fund, and the program receives no appropriations from the state for these expenses.

Effective September 1, 1997, legislation authorized TRS to administer a governmental excess benefit arrangement under section 415 (m) of the Internal Revenue Code of 1986 (26 U.S.C. section 415 (m)). This legislation created a separate, nonqualified, unfunded excess benefit arrangement outside the trust fund of the retirement system. Contributions to this arrangement are made from the state's general revenue appropriations. These contributions are not held in trust and may not be commingled with other funds of the retirement system. For reporting purposes only, the contributions and benefits are reflected on Exhibit II, Statement of Changes in Fiduciary Net Assets.

NOTES TO THE FINANCIAL STATEMENTS

F. ASSETS, LIABILITIES, NET ASSETS, AND LEGAL RESERVES

Investments

Investments are reported at fair value. The fair value of investments is based on published market prices and quotations at current exchange rates. The fair value of commingled funds is based on the fund's Net Asset Value at the valuation date. For alternative investments where no readily ascertainable market value exists (including private equity, absolute return investments, high yield bond limited partnerships, and real estate), management has determined fair values for the individual investments based on the capital account balance at the closest available reporting period, as communicated by the general partner, adjusted for subsequent contributions, distributions, management fees, and reserves. Management's estimated market values for investments without readily ascertainable market values could differ significantly if a ready market for these assets existed.

Short-term investments are those maturing within one year of purchase date. Investment derivative instruments are reported at fair value. The fair value of derivative instruments traded in active markets is based on published market prices or appropriate model prices. When the fund holds investment derivatives with offsetting market risks, it nets the offsetting positions.

Futures contracts are marked to market daily using the exchanges' settle price. The settle price is the relevant price that is universally used by the broker and the investment management community. The net offsetting positions are reported as accruals, with a daily variation margin (the gain or loss) recorded between the daily value of the contracts and the value on the previous day.

The fair value of forward contracts is the difference between the spot rate and the forward points which indicate the relative premium or discount of the future transaction based on the interest rates of each currency market.

The fair value of swap contracts is determined by using appropriate valuation models. The model prices are independently calculated using applicable index sourcing to correlate to the underlying indices involved. For credit default swaps and other distinct swap instruments, the fair value may be estimated using a proprietary pricing service.

Securities Lending

The system reports loaned securities, the invested cash collateral, and the related liabilities resulting from securities lending transactions on Exhibit I, Statement of Fiduciary Net Assets. The system also reports the earned income from securities lending on Exhibit II, Statement of Changes in Fiduciary Net Assets. Both the loaned securities and the invested cash collateral are reported at quoted market prices.

Liabilities

Accounts payable represents the liability for assets or services received at fiscal year end for which payment is pending.

Benefits payable for the Pension Trust Fund represents the liability for retirement, disability, and death benefits due at fiscal year end and payable within the next 30 days. The health care claims payable for the Health Benefits Trust Fund - Retired Plan and the TRS-ActiveCare Enterprise Fund includes an estimate for health care claims incurred but not reported to the system at August 31, 2009.

Deferred rent represents reduction from rental expenses for the rent abatement and incentives received from the noncancelable operating lease that are being amortized over the lease term.

Investments purchased payable represents the liability for securities purchased prior to fiscal year end for which cash payment will be made after fiscal year end. Foreign investments purchased payable is reported at current exchange rates.

Reinstatement installment receipts are payments for service purchases establishing additional creditable service. Payments are made on a monthly basis for up to five years until sufficient to cover the total cost of the service purchased. Amounts paid, less administrative expenses, are refundable on demand. Revenues will be reported at the time the payments are sufficient to cover the total cost.

Employees compensable leave balances represent the liability that becomes due upon the occurrence of relevant events such as resignations, retirements and uses of leave balances by covered employees. These obligations are normally paid from the same funding source from which each employee's salary or wage compensation was paid. Liabilities are reported separately as either current or noncurrent in the statement of net assets for enterprise funds if appropriate.

Net Assets

Prior to fiscal year 2009, the 403(b) Certification Program Enterprise Fund was accounted for as a governmental fund. The fund type change had no effect on net assets.

NOTES TO THE FINANCIAL STATEMENTS

Legal Reserve Accounts

The Pension Trust Fund has five legally required reserves. The Member Savings Account reserve represents the accumulation of active member deposits plus interest. The State Contribution Account consists of reserves available to fund future active member retirement, death, and survivor benefits. The Retired Reserve Account represents reserves to pay retirement, death, survivor benefits and post-retirement benefit increases. The Deferred Retirement Option Account consists of the accumulation of participating member deposits plus interest less benefits paid out. Net capital gains or losses are accumulated in the Interest Account and transferred to the State Contribution Account together with any other balance remaining in the Interest Account. The Expense Account represents reserves to pay administrative expenses of the Pension Trust Fund that exceed the state's appropriations and that are required to perform the fiduciary duties of the board.

G. INTERFUND/INTERAGENCY TRANSACTIONS AND BALANCES

Transactions between the system's funds have been classified in accordance with the following criteria that are consistent with Generally Accepted Accounting Principles (GAAP).

The Pension Trust Fund provides various administrative services to other TRS programs and accounts for these services as reciprocal interfund activity. These transactions are reported using the appropriate classification accounts for additions/revenues or deductions/expenses/expenditures as if transacted with parties external to the state, i.e., they are not presented as transfers. The interfund receivables and payables related to reciprocal interfund activity are classified as accounts receivable and accounts payable on the financial statements.

Interagency transactions have been classified using the above criteria for reciprocal interfund activity.

II. CAPITAL ASSETS

Capital assets are presented at historical cost or, if not purchased, at fair value at date of acquisition. Depreciation and amortization have been provided over the estimated useful lives of the assets or lease period, whichever is shorter, using the straight-line method. All capital assets belong to the Pension Trust Fund. Capitalization thresholds and useful lives for the capital asset classes are as follows:

Asset Class	Capitalization Threshold	Useful Life
Buildings	\$ 100,000	50 years
Building Improvements and Benefits Project	\$ 100,000	15 years
Leasehold Improvements	\$ 100,000	6 years
Furniture, Equipment and Other Assets	\$ 5,000	5 years

Capital asset balances and current year transactions are presented in the table on the following page.

NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Balance 09/01/2008	Adjustments	Additions	Deletions	Balance 08/31/2009 (Exhibit I)
Non-Depreciable Assets:					
Land and Land Improvements	\$ 1,658,310	\$	\$	\$	\$ 1,658,310
Other Assets	124,136				124,136
Total Non-Depreciable Assets	\$ 1,782,446	\$	\$	\$	\$ 1,782,446
Depreciable Assets:					
Buildings and Building Improvements	\$ 30,697,873	\$	\$ 224,341	\$	\$ 30,922,214
Furniture and Equipment	18,050,268		1,802,590	(759,737)	19,093,121
Vehicles, Boats and Aircraft	45,721				45,721
Leasehold Improvements			3,096,189		3,096,189
Other Assets	220,651	(722)	14,911		234,840
Total Depreciable Assets at Historical Costs	\$ 49,014,513	\$ (722)	\$ 5,138,031	\$ (759,737)	\$ 53,392,085
Less Accumulated Depreciation for:					
Buildings and Improvements	\$ (12,197,075)	\$	\$ (719,774)	\$	\$ (12,916,849)
Furniture and Equipment	(10,444,067)		(1,556,533)	699,041	(11,301,559)
Vehicles, Boats and Aircraft	(45,721)				(45,721)
Leasehold Improvements			(258,016)		(258,016)
Other Capital Assets	(154,390)		(8,658)		(163,048)
Total Accumulated Depreciation	\$ (22,841,253)	\$	\$ (2,542,981)	\$ 699,041	\$ (24,685,193)
Depreciable Assets, Net	\$ 26,173,260	\$ (722)	\$ 2,595,050	\$ (60,696)	\$ 28,706,892
Capital Assets, Net	\$ 27,955,706	\$ (722)	\$ 2,595,050	\$ (60,696)	\$ 30,489,338

III. DEPOSITS AND INVESTMENTS

A. CASH IN BANK AND DEPOSITS

Cash and deposits of the system are maintained in bank accounts or in the State Treasury. Foreign bank deposits are reported at current exchange rates. At August 31, 2009, the carrying amount totaled \$124,042,211 and the bank balance totaled \$124,040,067. The State Treasury invests funds in time deposits, repurchase and reverse repurchase agreements, obligations of the United States, and obligations of various federal credit organizations. The State Treasury has an arrangement with financial institutions to collateralize state deposits in excess of depository insurance.

B. CASH AND CASH EQUIVALENTS

At August 31, 2009, the system had \$2,152,196 in cash on hand. Of this total, \$2,152,194 was related to checks for purchases of special service that were being held pending approval of rollover transfer forms. The remainder was deposited within the first few business days after fiscal year end.

Short-term highly liquid investments with an original maturity of three months or less are considered cash equivalents.

C. CUSTODY OF INVESTMENTS

The system has contracted with State Street Bank and Trust Company to serve as custodian for the system's investments.

D. INVESTMENT LEGAL PROVISIONS AND OTHER CONSTRAINTS

Under the Texas Property Code, Section 117.003, a trustee of the board owes a duty to the beneficiaries of the trust to comply with the prudent investor rule. In making investments, the board shall exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital. Texas Government Code, Section 825.301(a), Texas Property Code, Section 117.004, and the Texas Constitution, Article XVI, Sec-

NOTES TO THE FINANCIAL STATEMENTS

tion 67(a)(3) apply in determining whether a trustee has exercised prudence with respect to an investment decision. Determination shall be made taking into consideration the investment of all the assets of the trust, or the assets of the collective investment vehicle, over which the trustee had management and control.

Trustees follow the guidelines provided by the TRS Investment Policy Statement in establishing specific asset allocations, benchmarks, eligible investments and quantitative criteria with the assistance of their investment counsel and investment advisors. Trustees utilize asset allocations and portfolio standards they believe are prudent and appropriate for the long-term objectives of the fund. Categories of permissible investments include equities, fixed income, asset-backed securities, commercial mortgage-backed securities, collateralized mortgage obligations, cash equivalents, alternative investments including private equity, real assets, absolute return, hedge funds, and the Texas Growth Funds, exchange-traded and over the counter derivative instruments authorized by law, mutual funds, closed-end funds, exchange-traded funds, and commingled funds. Investment categories are based on the risk profiles exhibited by those investments.

The absolute return portfolio is a broad category of investments that includes all assets that have a high probability of generating a positive absolute return regardless of market conditions over a one to three year period. Included in the absolute return portfolio are hedge funds. Hedge fund is a private commingled investment vehicle with the general characteristics as set forth in Texas Government Code, Section 825.3012. Hedge funds include private investment fund of funds or a commingled vehicle that itself invests in hedge funds. TRS investment policy establishes criteria to analyze and determine whether a private investment fund should be classified as a hedge fund. Investment staff is authorized to invest up to 5% of the total fund in hedge funds. Private equity funds build portfolios of private investments in the equity or equity-rights securities of privately-owned operating companies. Real assets include traditional property types, institutional quality traditional property types that offer the opportunity to enhance value through lease-up, rehabilitation, or repositioning, and other real assets providing value enhancement with relatively low expected volatility. Commingled funds are a fund which is (i) exempt under the provisions of Section 501(a) of the Internal Revenue Code of 1986, (ii) is not required to be registered as an investment company under Section 3(c)(1), 3(c)(7) or other provisions of the Investment Company Act of 1940, or (iii) is an investment company registered under the Investment Company Act of 1940, as amended, provided that investment and reinvestment of assets complies with the investment guidelines in all respects.

E. INVESTMENTS

The fair values of investments at August 31, 2009, are shown on the following page.

NOTES TO THE FINANCIAL STATEMENTS

Pension Trust Fund

Investment Type	Fair Value
Short-Term Investments:	
Short-Term Investment Fund	\$ 2,922,384,811
Asset Backed Securities	2,368,427,478
Bank Notes	635,133,441
Certificates of Deposit	760,327,394
Commercial Paper	86,207,451
Corporate Obligations	745,815,561
Repurchase Agreements	1,405,253,620
Other Investments	73,225,618
Domestic Investments:	
Equities	24,234,594,587
Obligations:	
U.S. Treasury	5,371,092,767
U.S. Treasury STRIPS	34,978,616
U.S. Treasury TIPS	6,092,037,287
U.S. Government Agency	20,822,715
Asset and Mortgage Backed	1,295,951,180
Corporate	892,396,254
Commingled Funds	499,770,145
Alternative Investments:	
Private Equity	4,687,747,575
Real Asset	2,827,159,704
Hedge Funds	3,574,303,018
Other Absolute Return	4,492,859,533
Derivatives:	
Forward Contracts	(835,816)
Swap Contracts	303,312,907
International Investments:	
Equities	18,811,952,001
Obligations:	
Government	2,468,961,516
Corporate	401,375,845
Commingled Funds	975,044,048
Alternative Investments:	
Private Equity	1,178,581,054
Real Asset	554,246,515
Swap Contracts	(194,252)
Total Investments (Exhibit I)	\$ 87,712,932,573
Invested Securities Lending Collateral:	
Asset Backed Securities	\$ 8,619,466,787
Bank Notes	2,311,454,181
Commercial Paper	313,736,549
Certificates of Deposit	2,767,075,106
Repurchase Agreements	5,114,168,376
Other Investments	12,705,258
Corporate Obligations	2,714,261,896
Total Securities Lending Collateral (Exhibit I)	\$ 21,852,868,153

NOTES TO THE FINANCIAL STATEMENTS

F. DERIVATIVES

Derivatives are financial instruments the value of which are derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, financial commodities, and currencies). Derivatives include futures contracts; options; options on futures contracts; forward contracts; swap contracts; and any instrument or contract intended to manage transaction or currency exchange risk in purchasing, selling, or holding investments.

The system's investment policy states that derivatives may only be used to efficiently manage and reduce the risk of the overall investment portfolio as set forth in Texas Government Code, Section 825.301(a-1), and must comply with the fiduciary standard of prudence set forth in the Texas Constitution, Article XVI, Section 67(a)(3). Consistent with these objectives, derivative applications may be used to implement investment strategies in a lower cost and efficient manner; efficiently manage the fund's portfolio by altering the portfolio's market exposure in lieu of trading the underlying cash market securities through purchases or short sales, or both, of appropriate derivatives; construct portfolios with risk and return characteristics that could not be created with cash market securities consistently with the objectives in the investment policy and in compliance with applicable law; hedge and control risks so that the fund's risk-return profile is more closely aligned with the fund's targeted risk-return profile through purchases or short sales, or both, of appropriate derivatives; and facilitate transition trading when holdings must be rebalanced or reallocated among permissible investments as a result of changes to applicable benchmark indexes or investment policy changes. Derivatives may not be used for any activity a primary purpose of which is speculation or to profit while materially increasing risk to the system. The tenor of an over-the-counter derivative instrument may not exceed five years. Derivative applications may not be used to invest in asset classes that are not consistent with the system's legally permissible and policy asset categories, implementation strategies, and risk-return characteristics. Derivatives underlain by physical commodities may only be made through investments in funds that issue securities or other structures that also provide limited liability or limited risk of loss to investors.

Any counterparty to an over-the-counter derivative transaction must have a credit rating of at least A- or A3 and is subject to established ISDA Master Agreements. The system and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. The net market value of all over-the-counter derivative positions, less collateral posted, for any individual counterparty may not exceed \$500 million. The combined notional values, net of foreign exchange forward and futures contracts, may not exceed twenty percent of the market value of total investments. In fiscal year 2010, this twenty percent limit is no longer in effect.

International Currency Contracts

At the time the system is notified that an international trade has been consummated, the system trader will buy or sell a foreign currency exchange contract in the currency native to the security transaction for settlement date. This hedges against the risk of currency changes between trade and settlement dates. Risks associated with such contracts include movement in the value of the foreign currency related to the U.S. dollar and the ability of the counterparty to perform. These forward currency contracts with a notional amount of \$30,138,559 are reported at fair value as accruals. Transactions involving foreign currency are accounted for in accordance with American Institute of Certified Public Accountants' Statement of Position 93-4, *Foreign Currency Accounting and Financial Statement Presentation for Investment Companies*.

Forward Contracts

A forward contract is a non-standardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. These forward contracts with a notional amount of \$1,354,251,915 are reported at fair value as investments.

Futures Contracts

Futures contracts are used primarily as a tool to increase or decrease market exposure to various asset classes. These futures contracts have an absolute value of the current notional amount of \$2,368,936,050. The system's futures contracts as of August 31, 2009 are shown on the following page.

NOTES TO THE FINANCIAL STATEMENTS

<u>Futures Contracts</u>	<u>Buy Contracts</u>	<u>Sell Contracts</u>
Non-U.S. Developed	\$ 91,834,271	\$ 38,505,205
Small Cap	47,050,910	
Emerging Market Debt		1,659,656
Other Absolute Return	27,236,469	15,480,917
Global Inflation Linked	9,818,449	13,827,578
U.S. Treasury	708,919,031	31,691,953
Global Developed Debt	121,236,382	110,892,794
Large Cap Growth	1,118,457,945	11,522,610
Large Cap Value	9,279,270	11,522,610
Total Absolute Value of the Current Notional	\$2,133,832,727	\$ 235,103,323

Swap Contracts

The system's swap contracts are a bilateral financial contract in that the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract. These swap contracts with a notional amount of \$6,197,984,702 are reported at fair value as investments. The system's swap contracts as of August 31, 2009 are presented below:

<u>Swap Contracts</u>	<u>Notional Amount</u>	<u>Fair Value</u>
Commodities	\$ 1,809,136,411	\$ (73,768,286)
Non-U.S. Developed	1,090,190,154	139,800,543
Emerging Market	333,275,618	29,701,251
Small Cap	1,868,982,572	220,566,294
Large Cap Growth	264,203,944	2,739,016
REITS/Real Estate	614,077,542	(19,675,862)
U.S. Treasury	201,331,785	4,676,733
Other Absolute Return	16,786,676	(921,034)
Total Swap Contracts	\$6,197,984,702	\$ 303,118,655

G. DEPOSITS AND INVESTMENTS RISK FACTORS

Deposits and investments of state and local governments are exposed to risks that have the potential to result in losses. GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment to GASB Statement No. 3* updated the custodial credit risk disclosure requirements of Statement 3 and established more comprehensive disclosure requirements addressing other common risks of deposits and investments such as credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The required disclosures related to these risks are presented below.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that, in the event of bank failure, the government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The system does not have a formal deposit policy for custodial credit risk. The State Treasury has specific guidelines for cash and deposits that are maintained in the State Treasury.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. As of August 31, 2009, the balance of uncollateralized cash in the non-U.S. bank for investments pending settlement was \$100,587,505.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

All investments are registered in the name of Teacher Retirement System or in the name of the system's custodian which was established through a master trust custodial agreement. The securities are held by the custodian in the name of the system.

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk of Debt Securities and Investment Derivative Instruments

The credit risk for the system's investments in debt securities and over-the-counter derivative instruments in asset positions is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The system's investment policy establishes tracking error limits that are intended to reduce the tracking error of the asset class. In addition, the policy states that for over-the-counter derivatives, the minimum credit rating, based on a nationally recognized statistical rating organization (NRSRO), must be at least A- or better at the inception of the contract. All ISDA Master Agreements provide that netting applies. The system and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. The net market value of all over-the-counter derivative positions, less collateral posted, for any individual counterparty may not exceed \$500 million. The net market value of all over-the-counter derivative positions, without consideration collateral, may not exceed five percent of the total market value of the fund. For any counterparty that experiences deterioration in credit quality that results in a NRSRO rating below the A- level subsequent to the inception of the contract, additional eligible collateral must be posted. Starting fiscal year 2010, the system's investment policy clarifies that termination of the transaction is allowed. Repurchase agreements may not exceed five percent of the market value of the total investment portfolio, including cash and cash equivalents, unless those transactions are covered by a third-party indemnification agreement by an organization that bears a long-term NRSRO credit rating of A- or better and is enhanced by acceptable collateral. A securities lending agent must be an organization rated A- or better by a NRSRO.

The system's rated counterparties on investment derivative instruments in an asset position, and rated debt investments as of August 31, 2009, using the Standard & Poor's (S&P) rating scale, are presented below.

Investment Derivative Instruments:

Although the system executes investment derivative instruments with various counterparties, 18 percent of the net exposure to credit risk are held with one counterparty rated AA and 82 percent of the net exposure to credit risk are held with two counterparties rated A.

Debt Securities:

Investment Type	S&P Rating	Fair Value
Short-Term	AAA	\$ 1,875,516,784
Short-Term	AA	566,062,600
Short-Term	A	3,553,038,560
Short-Term	BBB	5,021,973
Short-Term	BB	1,525,028
Total Credit Risk of Short-Term		\$ 6,001,164,945
Short-Term Investment Fund		\$ 2,922,384,811
Other Investments		73,225,618
Total Short-Term (Exhibit I)		\$ 8,996,775,374
U.S. Government Agency Obligations	AAA	\$ 18,195,073
U.S. Government Agency Obligations	NR	42,790
Total U.S. Government Agency Obligations		\$ 18,237,863
Asset and Mortgage Backed Obligations	AAA	\$ 336,494,546
Asset and Mortgage Backed Obligations	A	4,408,244
Asset and Mortgage Backed Obligations	BBB	32,591,461
Asset and Mortgage Backed Obligations	BB	39,301,767
Asset and Mortgage Backed Obligations	B	126,142,790
Asset and Mortgage Backed Obligations	CCC	551,338,625
Asset and Mortgage Backed Obligations	D	134,722
Asset and Mortgage Backed Obligations	NR	205,539,025
Total Asset and Mortgage Backed Obligations		\$ 1,295,951,180

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NOTES TO THE FINANCIAL STATEMENTS

(concluded)

Investment Type	S&P Rating	Fair Value
Corporate Obligations	AAA	\$ 36,335,131
Corporate Obligations	AA	28,282,188
Corporate Obligations	A	244,081,197
Corporate Obligations	BBB	401,039,938
Corporate Obligations	BB	78,310,002
Corporate Obligations	B	10,060,875
Corporate Obligations	CCC	7,812,618
Corporate Obligations	CC	3,739,200
Corporate Obligations	C	263,520
Corporate Obligations	D	542,500
Corporate Obligations	NR	81,929,085
Total Corporate Obligations		\$ 892,396,254
International Government Obligations	AAA	\$ 1,666,732,570
International Government Obligations	AA	188,353,291
International Government Obligations	A	438,019,852
International Government Obligations	BBB	31,517,589
International Government Obligations	BB	36,924,351
International Government Obligations	NR	107,413,863
Total International Government Obligations		\$ 2,468,961,516
International Corporate Obligations	AA	\$ 29,947,208
International Corporate Obligations	A	65,511,972
International Corporate Obligations	BBB	104,451,115
International Corporate Obligations	BB	19,877,405
International Corporate Obligations	B	506,250
International Corporate Obligations	CC	15,466,050
International Corporate Obligations	NR	165,615,845
Total International Corporate Obligations		\$ 401,375,845
Total Credit Risk of Debt Securities (excluding Short-Term)		\$ 5,076,922,658
U.S. Government Obligations and U.S. Government Agency Obligations		\$11,500,693,522
Total Fixed Income (Exhibit I)		\$ 16,577,616,180

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of a debt investment's exposure to fair value changes arising from changes in interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The system does not have a formal interest rate risk policy.

The table on the next page shows the long-term fixed income investments by investment type, fair value, and the effective weighted duration rate as of August 31, 2009.

NOTES TO THE FINANCIAL STATEMENTS

Investment Type	Fair Value	Effective Weighted Duration Rate*
U.S. Government Obligations	\$ 11,498,108,670	7.74
U.S. Government Agency Obligations	20,822,715	7.64
Asset and Mortgage Backed Obligations	1,295,951,180	7.22
Corporate Obligations	892,396,254	7.42
International Government Obligations	2,468,961,516	7.57
International Corporate Obligations	401,375,845	5.67
Total Fixed Income (Exhibit I)	\$ 16,577,616,180	7.60

* The effective weighted duration rate is an option-adjusted measure of a bond's (or portfolio's) sensitivity to changes in interest rates. It is calculated as the average percentage change in a bond's value (price plus accrued interest) under shifts of the Treasury curve +/-100 bps. It incorporates the effect of embedded options for corporate bonds and changes in prepayments for mortgage backed securities (including pass-throughs, CMOs and ARMs).

The following table shows the short-term fixed income investments by investment type, fair value, and segmented time distributions as of August 31, 2009.

Investment Type	0-30 days	31-90 days	91-180 days	181-365 days	Total
Asset Backed Securities	\$ 1,985,629,886	\$ 382,797,592	\$	\$	\$ 2,368,427,478
Bank Notes	199,508,153	435,625,288			635,133,441
Certificates of Deposit	344,945,749	128,477,434	286,904,211		760,327,394
Commercial Paper	86,207,451				86,207,451
Corporate Obligations	289,652,547	456,163,014			745,815,561
Repurchase Agreements	1,288,702,718	64,819,190	51,731,712		1,405,253,620
Other Investments	73,225,618				73,225,618
Total Short-Term	\$ 4,267,872,122	\$ 1,467,882,518	\$ 338,635,923	\$ -0-	\$ 6,074,390,563
Weightings	70.26%	24.17%	5.57%	0.00%	100.00%

The system may have investments that are highly sensitive to interest rate changes.

The system's investments in long-term Asset and Mortgage Backed Obligations are subject to prepayments by the obligees of the underlying assets in periods of decreasing interest rates. The resultant reduction in expected cash flows will affect the fair value of these securities. Pre-payments by the obligee of the underlying assets in periods of declining interest rates could reduce or eliminate the stream of income that would have been received. As of August 31, 2009, these securities totaled \$1,295,951,180.

The system invests in Commingled Funds which hold a preponderance of investments with fair values that are highly sensitive to market conditions. The fair value of the Commingled Fund fluctuates as market conditions fluctuate. Interest rate changes are a part of changes in market conditions. As of August 31, 2009, these funds totaled \$84,630,303.

The system's investments in the financing leg of its Total Return and Credit Default Swaps have a reference rate based on LIBOR. As LIBOR fluctuates, the payments due to/from the system fluctuate. As of August 31, 2009, these transactions had a notional amount of \$6,197,984,702 and a fair value of \$303,118,655.

Foreign Currency Risk – Deposits and Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit or an investment.

The system does not have a formal deposit policy for foreign currency risk. The risk of holding investments in foreign currency is managed through the asset allocation limits on various international investments and by engaging in currency overlay strategies. The chart on the following page provides the minimum, maximum, and long-term normal allocation percentage of the foreign investments through August 31, 2009.

NOTES TO THE FINANCIAL STATEMENTS

Asset Class	Minimum Range	Maximum Range	Target
Non-U.S. Developed Equity	10%	20%	15%
Emerging Markets Equity	5%	15%	10%
Global Developed Debt	0%	5%	0%
Local Emerging Market Debt	0%	5%	0%
Global Inflation Linked Bonds	0%	10%	5%

The maximum notional exposure of the fund to any single non U.S. dollar developed market currency and any emerging market currency will be limited to 2% and 1% of the market value of the fund respectively.

The system's exposure to foreign currency risk at August 31, 2009, is presented in the tables below and on the following page:

Deposits:

Currency	Cash in Non-U.S. Bank
Australian Dollar	\$ 1,207,072
Brazilian Real	1,310,197
Canadian Dollar	2,783,410
Chilean Peso	184,464
Colombian Peso	52,232
Danish Krone	1,155,275
Egyptian Pound	268,495
Euro	2,257,286
Hong Kong Dollar	836,219
Hungarian Forint	23,985
Indian Rupee	292,273
Indonesian Rupiah	95,146
Israeli Shekel	14,190
Japanese Yen	1,368,648
Malaysian Ringgit	28,327
Mexican Peso	172,572
Moroccan Dirham	230
New Turkish Lira	(232,587) *
New Zealand Dollar	50
Norwegian Krone	81,317
Pakistan Rupee	162,673
Peruvian Nuevo Sol	41,870
Philippine Peso	46,809
Polish Zloty	70,781
Pound Sterling	64,305,031
Singapore Dollar	602,192
South African Rand	848,211
South Korean Won	2,009,336
Swedish Krona	423,091
Swiss Franc	483,735
Taiwan Dollar	19,557,776
Thai Baht	137,199
Total Deposits Subject to Foreign Currency Risk	\$ 100,587,505

* Balance is related to the timing of a trade settlement.

NOTES TO THE FINANCIAL STATEMENTS

Investments:

Currency	Debt	Equity	Alternative Investments	Derivatives	Total Fair Value
Australian Dollar	\$ 11,992,058	\$ 769,333,232	\$	\$	\$ 781,325,290
Botswana Pula		3,712,177			3,712,177
Brazilian Real	1,946,981	651,069,751			653,016,732
Canadian Dollar	69,525,521	892,042,444			961,567,965
Chilean Peso		37,532,578			37,532,578
Colombian Peso	455,067	4,749,830			5,204,897
Croatian Kuna		4,406,120			4,406,120
Czech Koruna		52,079,615			52,079,615
Danish Krone		53,385,406			53,385,406
Egyptian Pound		40,897,597			40,897,597
Euro	1,128,180,321	3,432,604,648	1,128,157,291		5,688,942,260
Ghanaian Cedi		1,290,045			1,290,045
Hong Kong Dollar		1,162,681,677			1,162,681,677
Hungarian Forint	1,753,644	54,270,465			56,024,109
Indian Rupee		106,415,298			106,415,298
Indonesian Rupiah	1,818,948	142,863,096			144,682,044
Israeli Shekel		80,552,787			80,552,787
Japanese Yen	276,684,276	2,397,057,401			2,673,741,677
Jordanian Dinar		4,498,088			4,498,088
Kenyan Shilling		4,376,636			4,376,636
Lithuania Litas		4,413,975			4,413,975
Malaysian Ringgit	3,008,920	94,858,049			97,866,969
Mauritius Rupee		4,204,082			4,204,082
Mexican Peso	2,630,197	216,016,127			218,646,324
Moroccan Dirham		6,028,634			6,028,634
New Turkish Lira	2,655,588	190,534,646			193,190,234
New Zealand Dollar		4,622,895			4,622,895
Nigerian Naira		3,257,666			3,257,666
Norwegian Krone		98,454,372			98,454,372
Pakistan Rupee		9,234,411			9,234,411
Peruvian Nuevo Sol	411,171	2,996,481			3,407,652
Philippine Peso		14,978,170			14,978,170
Polish Zloty	2,595,952	70,928,159			73,524,111
Pound Sterling	798,367,277	2,211,083,507	32,302,242		3,041,753,026
Qatari Rial		6,874,843			6,874,843
Singapore Dollar		158,794,276			158,794,276
South African Rand	2,512,523	522,860,891			525,373,414
South Korean Won		652,323,295			652,323,295
Swedish Krona	98,799,925	180,806,013			279,605,938
Swiss Franc		752,449,828		(194,252)	752,255,576
Taiwan Dollar		458,401,415			458,401,415
Thai Baht	1,003,780	127,560,229			128,564,009
Total Investments Subject to Foreign Currency Risk	<u>\$ 2,404,342,149</u>	<u>\$15,687,500,855</u>	<u>\$1,160,459,533</u>	<u>\$ (194,252)</u>	<u>\$19,252,108,285</u>

H. SECURITIES LENDING

The system is authorized by Texas Government Code, Section 825.303 to contractually lend securities to borrowers in accordance with policy established by the board of trustees and as required by statute. The system has a contract with State Street Bank and Trust Company to administer its securities lending program for domestic and international equity and fixed income securities. Authorized collateral for the program consists of cash or government securities eligible for book entry in either the Federal Reserve System or Participants Trust Company. The required collateral is based upon the lent security's fair value plus accrued income. At a loan's inception, the value of the collateral must be at least 102% of the value of domestic lent securities and at least 105% for international lent securities. Collateral is marked to market daily, and in the case it falls below 100% for domestic or 105% for international, it is reinstated to the original requirements by the borrower.

NOTES TO THE FINANCIAL STATEMENTS

Cash collateral can be invested in a cash collateral pool, U.S. government or U.S. government sponsored entity securities, time deposits, bank certificates of deposit, bankers' acceptances, master notes, repurchase agreements, bank and corporate notes, commercial paper, asset backed securities, and derivative instruments. The system's policies for securities lending provide investment guidelines for different asset classes to limit its exposure to different types of risks.

The par value, dollar-weighted average maturity of the collective cash collateral investment may not exceed 120 days. The expected final maturity of any individual fixed-rate instrument has a limit of 36 months and any floating-rate instrument has a limit of seven years.

Each instrument having a maturity of 13 months or less at the time of purchase must qualify as "first tier securities" within Rule 2a-7 under the Investment Company Act of 1940 and any instrument over 13 months must be rated within the highest major, long-term rating category of an NRSRO, or, if unrated, be determined to be of comparable quality by the trustees.

The system does not have a formal custodial credit risk policy relating to its securities lending program. All investments in the cash collateral pool are held by the counterparty, the securities lending agent, but not in the system's name, and are not insured. The following table shows the underlying securities for non-cash collateral loans which are also held by the counterparty, the securities lending agent, but not in the system's name and are not insured.

Investment Type	Fair Value
U.S. Government Obligations	\$ 16,897,048
Domestic Equities	3,003,317
International Equities	15,781,203
Total	\$ 35,681,568

The system does not have a formal interest rate risk policy relating to its securities lending program. The following table shows the invested cash collateral by investment type, fair value, and the segmented time distribution based upon the expected maturity or the next reset date, whichever is earlier, as of August 31, 2009.

Investment Type	0-30 days	31-90 days	91-180 days	181-365 days	Total
Asset Backed Securities	\$ 7,226,343,645	\$ 1,393,123,142	\$	\$	\$ 8,619,466,787
Bank Notes	726,074,121	1,585,380,060			2,311,454,181
Certificates of Deposit	1,255,368,151	467,570,566	1,044,136,389		2,767,075,106
Commercial Paper	313,736,549				313,736,549
Corporate Obligations	1,054,138,464	1,660,123,432			2,714,261,896
Repurchase Agreements	4,690,002,282	235,897,810	188,268,284		5,114,168,376
Other Investments	12,705,258				12,705,258
Total	\$15,278,368,470	\$ 5,342,095,010	\$ 1,232,404,673	\$ -0-	\$ 21,852,868,153
Weightings	69.91%	24.45%	5.64%	0.00%	100.00%

Also presented on the following page are rated investments in the cash collateral pool as of August 31, 2009 using the Standard & Poor's (S&P) rating scale.

NOTES TO THE FINANCIAL STATEMENTS

Investment Type	S&P Rating	Fair Value
Asset Backed Securities	AAA	\$ 6,197,174,287
	AA	376,141,213
	A-1	2,022,324,649
	BBB	18,276,570
	BB	5,550,068
Bank Notes	AAA	628,432,481
	AA	388,033,835
	A	1,294,987,865
Certificates of Deposit	A	133,284,063
	A-1	2,633,791,043
Commercial Paper	A-1	313,736,549
Corporate Obligations	AA	1,295,908,202
	A	1,418,353,694
Repurchase Agreements	A	235,897,810
	A-1	4,878,270,566
Other Investments	NR	12,705,258
Total Investments		\$ 21,852,868,153

The system earns income from fees paid by the borrowers and interest earned from investing the cash collateral. The contract requires the custodian to indemnify the system if the borrower fails to return the securities or income distributions made while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Substantially all securities loans can be terminated on demand either by the system or the borrower, although, as of August 31, 2009, the weighted average term of these loans was 11 days. As of August 31, 2009, the weighted average maturity of the invested cash collateral was 33 days, and there was no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts owed to the system. During the year there were no significant violations of contractual provisions, no borrower or custodian default losses and no recoveries of prior period losses. Authorized borrowers have specific limits that vary from \$50 million to \$5.5 billion. The total market value of all loans cannot exceed 30% of the portfolio.

The following table represents the fair market values of the securities lending transactions based on type of collateral received as of August 31, 2009.

	Cash	Non-Cash	Total
Securities on Loan	\$ 21,251,137,476	\$ 35,681,568	\$ 21,286,819,044
Collateral Received	21,915,032,131	37,024,347	21,952,056,478
Reinvested Collateral	21,852,868,153		21,852,868,153

For fiscal year 2009, the system earned income of \$242,854,668 from securities lending.

I. OTHER INVESTMENTS AND CONTINGENT COMMITMENTS

The system makes contingent commitments to and investments in entities that manage alternative investment portfolios and high yield fixed income. The categories of other investments on the following page are for August 31, 2009.

NOTES TO THE FINANCIAL STATEMENTS

Category of Investment	Commitment	Remaining Commitment	Adjusted Funded Amount **	Fair Value at August 31, 2009
Private Equity Domestic (70 entities)	\$ 12,586,125,681	\$ 6,183,742,493	\$ 6,402,383,188	\$ 4,687,747,575
Private Equity International (23 entities) *	4,485,920,620	2,684,734,487	1,801,186,133	1,178,581,054
Real Estate Domestic (53 entities)	8,149,659,754	4,133,998,705	4,015,661,049	2,827,159,704
Real Estate International (14 entities) *	2,314,178,816	1,473,364,695	840,814,121	554,246,515
Absolute Return (61 entities)***	8,965,704,841	159,114,499	8,806,590,342	7,817,086,570
Emerging Market Equity (1 entity)	350,000,000	100,000,000	250,000,000	250,075,981
Total Alternative Investments	\$ 36,851,589,712	\$ 14,734,954,879	\$ 22,116,634,833	\$17,314,897,399
Private Equity International in Euros (18 entities)	€ 2,578,730,000	€ 1,435,136,432	€ 1,143,593,568	€ 715,850,856
Private Equity International in UK Pound (2 entities)	£ 153,000,000	£ 125,116,820	£ 27,883,180	£ 19,819,751
Real Estate International In Euros (4 entities)	€ 525,000,000	€ 413,006,849	€ 111,993,151	€ 70,294,271

* 20 of the 23 entities are denominated in foreign currencies.

* 4 of the 14 entities are denominated in foreign currencies.

** The net funded amount for alternative investments equals \$17,498,028,181 which is the adjusted funded amount of \$22,116,634,833 less distributions of \$4,733,531,317 plus expenses paid of \$114,924,665.

*** Absolute Return category of investments consist of a diversified basket of investments typically organized as private investment limited partnership or offshore corporation that invests in a variety of equity and debt securities and employs various strategies and methods for creating positions for profit while managing risk.

IV. EMPLOYEE COMPENSABLE LEAVE

Salary costs related to employees' rights to be compensated for leave balances are accrued as expenses of the period in which the services were rendered. Accumulated compensable leave liabilities are reported in the Statement of Fiduciary Net Assets for the Pension and Other Employee Benefit Trust Funds and in the Statement of Net Assets for the TRS-ActiveCare Enterprise Fund - Active Plan. The employees' compensable leave activity for fiscal year 2009 is shown in the table below.

	Beginning Balance 09/01/08	Additions	Reductions	Ending Balance 08/31/09	Amounts Due Within One Year	Amounts Due Thereafter
Pension Trust Fund	\$ 4,149,123	\$ 1,090,248	\$ 136,593	\$ 5,102,778	\$ 3,434,518	\$ 1,668,260
Health Benefits Trust Fund - Retired Plan	141,724	17,939		159,663	99,265	60,398
TRS-ActiveCare Enterprise Fund - Active Plan	117,701		3,824	113,877	72,508	41,369
Total	\$ 4,408,548	\$ 1,108,187	\$ 140,417	\$ 5,376,318	\$ 3,606,291	\$ 1,770,027

NOTES TO THE FINANCIAL STATEMENTS

V. OPERATING LEASES

During fiscal year 2009, TRS entered into a non-cancelable operating lease agreement for building space which expires March 31, 2015. As part of the building lease, TRS received one month of rent abatement, a construction allowance, and an additional allowance. The rent abatement, construction allowance, and additional allowance are being amortized on a straight-line basis over the life of the lease as a reduction of rental expenses.

Rental expenses for the fiscal year ended August 31, 2009 for the Pension Trust Fund were \$529,502 and include deferred rent of \$196,313.

The future minimum lease payments for the next five years are as follows:

Fiscal Year Ending	Amount
August 31, 2010	\$ 1,676,126
August 31, 2011	\$ 1,696,735
August 31, 2012	\$ 1,743,769
August 31, 2013	\$ 1,790,803
August 31, 2014	\$ 1,838,621
Total	\$ 8,746,054

VI. FRINGE BENEFITS PAID BY THE STATE OF TEXAS AND THE FEDERAL GOVERNMENT

The state has a joint contributory retirement plan for substantially all its employees. The employees of TRS participate in the same plan they administer (Note XII).

For the fiscal year ended August 31, 2009, the state provided retirement contributions totaling \$95,929 on behalf of employees paid from the Health Benefits Trust Fund-Retired Plan and \$64,975 from the TRS-ActiveCare Enterprise Fund - Active Plan.

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D provided retiree drug subsidy reimbursements to the Health Benefits Trust Fund-Retired Plan on behalf of certain plan participants totaling \$61,530,735 for the fiscal year ended August 31, 2009.

Although these fringe benefits were not paid by these funds, GASB Statement No. 24 requires recognition of these benefits as expenses of the programs, with offsetting revenues recorded.

VII. DEFERRED COMPENSATION

Employees of the system may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in the Tex. Gov. Code Ann., Sec. 609.001. Two plans are available for employees. Both plans are administered by the Employees Retirement System. The system has no additional or unfunded liability for this program.

VIII. CONTINGENT LIABILITIES

Sick leave, the accumulation of which is unlimited, is earned at the rate of eight hours per month and is taken only in the event of illness or paid to the estate of an employee in the event of death. The maximum sick leave that may be paid to an employee's estate is one-half of the employee's accumulated entitlement or 336 hours, whichever is less. The system's policy is to recognize the cost of any sick leave when paid.

A Performance Incentive Compensation Plan was adopted effective July 1, 2006, to enable the system to remain competitive in its effort to attract, retain, and motivate high caliber investment division staff. The July 1, 2006 Plan was terminated by the board of trustees September 13, 2007, and a new Plan was adopted effective October 1, 2007. The purpose of the Plans is to provide the opportunity for investment division employees to earn performance incentive pay based on the fund's investment performance and the employee's job performance. As of August 31, 2009, the estimated liability consists of \$608,245 for the plan year ending June 30, 2007, and \$2,312,054 for the plan year ending September 30, 2008. Payments can only become earned following years in which the fund experiences a positive return and employees must be employed by TRS on the designated dates in the Plans to earn and receive payment. The board of trustees may cancel or modify the Plan at any time.

NOTES TO THE FINANCIAL STATEMENTS

The system is contingently liable for benefits payable to retiring members who remain in a pending status longer than 30 days after fiscal year end.

In addition, under Texas Insurance Code, Article 3.51-7, the system is contingently liable to pay a lump sum death benefit not to exceed \$5,000 when added to the death benefit authorized under Texas Government Code, Title 8, Chapter 824, to the beneficiaries of deceased, retired employees.

TRS is a defendant in various litigation involving issues arising from its normal activities. The outcome of this litigation cannot be determined at this time. Based upon consultation with legal counsel, management believes there will be no material adverse effect on the basic financial statements as a result of the ultimate outcome of these matters.

IX. CONTINUANCE SUBJECT TO REVIEW

As provided by Texas Government Code, Title 8, Section 825.006, "The board of trustees of the Teacher Retirement System of Texas is subject to review under Chapter 325 (Texas Sunset Act), but is not abolished under that chapter. The board shall be reviewed during the period in which state agencies abolished in 2019, and every 12th year after that year, are reviewed."

X. POSTEMPLOYMENT HEALTH CARE BENEFITS

TRS Employees

Employees of the system who retire with 10 or more years of eligible service credit and meet the Rule of 80 or are at least 65 years of age continue to receive health care and basic life insurance benefits through the Group Benefits Program of the State Retiree Health Plan (SRHP) in accordance with Texas Insurance Code, Chapter 1551. SRHP is maintained and administered through the Employees Retirement System (ERS) of Texas and is considered a cost-sharing multiple-employer defined benefit postemployment health care plan. ERS issues a publicly available financial report that includes financial statements and required supplementary information for SRHP. That report may be obtained by visiting the ERS Web site at www.ers.state.tx.us, by writing to the Finance Division of the Employees Retirement System of Texas at 1801 Brazos, Austin, Texas 78701, or by calling 1-877-275-4377.

Benefits and contribution provisions of the SRHP are not actuarially determined, but are authorized by State law and may be amended by the Texas Legislature. For the year ended August 31, 2009, the system contributed up to a maximum monthly amount on a pay-as-you-go basis toward a retiree's health and basic life insurance premiums as follows:

Employer Contribution Rates Retiree Health and Basic Life Premium

Type of Coverage	FY 2009	FY 2008	FY 2007
Retiree Only	\$ 360.54	\$ 360.54	\$ 360.54
Employee/Spouse	\$ 566.57	\$ 566.57	\$ 566.57
Employee/Children	\$ 498.49	\$ 498.49	\$ 498.49
Employee/Family	\$ 704.52	\$ 704.52	\$ 704.52

The system covers 100% of a Retiree Only premium and 50% of additional premiums for family coverage. The basic plan includes up to \$2,500 for life insurance for the retiree. The retiree contributes any premium over and above the system's contribution for additional coverage. The board has adopted contributions based on rates set by the Texas Legislature on a biennial basis. At August 31, 2009, there were 182 retirees and their beneficiaries receiving postemployment health care and basic life insurance benefits. For the year ended August 31, 2009, 2008, and 2007 the system recognized expenditures of \$908,334, \$880,846 and \$859,016, respectively, for these benefits.

Public School Employees

TRS, as trustee, administers the Texas Public School Retired Employees Group Insurance Program (TRS-Care) and the related fund in accordance with Texas Insurance Code, Chapter 1575. Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. Section 1575.052 grants the board the authority to establish basic and optional group insurance coverage for participants.

TRS-Care is a cost-sharing multiple-employer defined benefit OPEB plan that is currently funded on a pay-as-you-go basis and is subject to change based on available funding. The Texas Legislature determines the funding of benefits and has no continuing obligation to provide benefits beyond each fiscal year.

At the inception of the plan in fiscal year 1986, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, the appropriations and contributions have been established to be sufficient to provide benefits for the biennium.

NOTES TO THE FINANCIAL STATEMENTS

Eligibility generally includes TRS public school retirees with more than 10 years of service and their dependents. Retirees can receive a free basic level of coverage, and optional coverage is also available. All dependent coverage is optional. Basic coverage is a comprehensive major medical group health insurance plan. During fiscal year 2009, deductibles were \$1,800 for those eligible for Part A of Medicare, \$3,000 for those not eligible for Part A, but eligible for Part B, and \$4,000 for those not eligible for either Part A or Part B.

At August 31, 2009, the number of reporting entities was:

Independent School Districts	1,030*
Charter Schools	200
Regional Education Service Centers	20
Education Districts	<u>8</u>
Total	<u>1,258</u>

**Excludes Windham School District which is not covered by OPEB*

In addition, other contributing entities included the State of Texas and the Federal Government (Medicare Part D).

At August 31, 2009, OPEB membership consisted of the following:

Retirees and beneficiaries receiving benefits	196,843*
Terminated plan members entitled to but not yet receiving benefits	271
Active plan members	<u>681,141</u>
Total	<u>878,255</u>

**Excludes 5,818 dependent children*

Funding for free basic coverage is provided by the program based upon public school district payroll. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll, set at 0.55%, for fiscal year 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Actuarial implications of the overall funding are determined by the system's actuary.

Expenses for the Health Benefits Trust Fund - Retired Plan are recognized as retirees report claims and include a provision for estimated claims incurred but not yet reported. The state and reporting entities contributed \$417,033,912 toward the total plan expenditures of \$928,413,187. Total plan expenditures net of active member contributions of \$173,856,344 and retiree premiums of \$329,723,191 were \$424,833,652.

The actuarial valuation as of August 31, 2009, is similar to the actuarial valuations performed for the pension plan; however, certain economic and behavioral assumptions are unique to medical benefits. The demographic assumptions are identical to those used in the August 31, 2009 valuation for the pension plan. Additional valuation information follows:

Valuation Date	August 31, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market
Actuarial Assumptions:	
Investment Rate of Return *	5.25%
Projected Salary Increases *	4.25% to 26.40%
Weighted Average at Valuation Date.....	5.63%
Health Care Trend Rates *	11.00% to 4.25% **

* Includes Inflation at 3.00%

** Initial rates are 9% for medical and 11% for prescriptions. The ultimate rate is 4.25% for both medical and prescriptions.

NOTES TO THE FINANCIAL STATEMENTS

The results of the actuarial valuation reflect a long-term perspective, are dependent on the actuarial assumptions used, and are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actual results can 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. The actuarial assumptions used are designed to reduce short-term volatility in the liabilities and assets.

The plan provisions used in the actuarial valuation are based on the expectations of cost sharing between the employer and plan members. The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of the benefits for financial reporting does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

See TRS-Care funded status below (dollar amounts in millions):

(1) Valuation as of August 31	(2) Actuarial Valuation of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2009	\$ 800	\$ 24,357	\$ 23,557	3.3%	\$ 29,490	80%

The Required Supplementary Information (RSI), located immediately following the Notes, provides additional actuarial valuation information. Since August 31, 2007 was the date of the first actuarial valuation for TRS-Care, only fiscal years 2007, 2008, and 2009 information are presented in those RSI tables.

XI. RISK MANAGEMENT

The 77th Texas Legislature enacted the Texas Active School Employees Uniform Group Benefits Act (H.B. 3343), establishing a new statewide health coverage program for public school employees and their dependents. TRS began administering this program, known as TRS-ActiveCare, September 1, 2002. The plan is available to all public school districts, charter schools, education service centers and certain other employers. The risk associated with this program is retained by the plan's participants, and no risk is transferred to the plan's administrators, to employers, or to the state.

XII. PENSION DISCLOSURE

A. PLAN DESCRIPTION

TRS is the administrator of a multiple-employer public employee retirement system (PERS). It is a cost-sharing PERS with one exception: risks and costs are generally not shared by the employing district (unless the employing district is a senior college, medical school, or state agency, in which case the employer is considered the state of Texas) but are the liability of the state of Texas. By statute, the state of Texas contributes to the retirement system an amount equal to the current authorized rate times the aggregate annual compensation of all members of the pension trust fund during that fiscal year. However, for fiscal year 2009 the Pension Trust Fund paid the employer's share for its own employees.

For members of the system entitled to the minimum salary for certain school personnel under Section 21.402, Education Code, the employing district shall pay the state's contribution on the portion of the member's salary that exceeds the statutory minimum.

At August 31, 2009, the number of reporting entities was as follows:

Independent School Districts	1,031
Charter Schools	200
Community and Junior Colleges	51
Senior Colleges and Universities	43
Regional Education Service Centers	20
Education Districts	8
Medical and Dental Schools	9
State Agencies	<u>2</u>
Total	<u><u>1,364</u></u>

NOTES TO THE FINANCIAL STATEMENTS

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002, are covered by the system.

At August 31, 2009, TRS gross membership before actuarial adjustments consisted of the following:

Retirees and beneficiaries currently receiving benefits	284,614
Terminated employees entitled to benefits but not yet receiving them	<u>59,884</u>
Total	<u>344,498</u>
Current Active Members:	
Fully-Vested	548,245
Non-Vested	<u>398,229</u>
Total	<u>946,474</u>

A brief statement about benefits follows. Authority under which these benefits are established is located in note I.A.

The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals or exceeds 80 years. Reduced service retirement is at age 55 with 5 years of credited service and any age below 50 with 30 years of credited service.

A member is fully vested after 5 years of creditable service and entitled to any benefit for which eligibility requirements have been met.

The state of Texas contribution rate was 6.58% for fiscal years 2009 and 2008 and 6.0% for fiscal year 2007. The member contribution rate was 6.4% for fiscal years 2009, 2008, and 2007. These rates are set by state statutes. In certain instances, the reporting entity (public school, college, university, medical school or other entity) is required to make all or a portion of the state's and/or member's contribution.

B. CONTRIBUTIONS

Contribution requirements are not actuarially determined but are established pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Actuarial implications of the funding provided in this manner are determined by the system's actuary. Current contribution rates are indicated in section A. of this note. Total contributions paid to the pension plan in 2009 amounted to \$4,276,812,394, of which \$2,107,057,870 was from members, \$1,481,843,941 was from the state of Texas, and \$412,728,096 was from reporting entities, and \$275,182,487 was from federal funds or private grants.

Effective September 1, 2007, H.B. 2358, 80th Legislature, amended Section 825.406(b) of the Government Code and Section 1575.252 of the Insurance Code, requiring that contributions received by an employer from federal or private sources be deposited in the state contribution account and in the retired school employees group insurance fund of TRS, respectively, instead of the general revenue fund of the state treasury.

C. LEGAL RESERVE ACCOUNT BALANCES

The balances in the five legally required reserve accounts are sufficient to meet statutory requirements. As of August 31, 2009, the Member Savings Account had a balance of \$25,908,572,074, the State Contribution Account had a balance of \$7,376,318,196, the Retired Reserve Account had a balance of \$55,224,266,152, the Deferred Retirement Option Account had a balance of \$117,774,106, and the Expense Account had a balance of \$26,041,154.

D. FUNDED STATUS AND FUNDING PROGRESS – PENSION PLANS

The funded status of the Pension Trust Fund as of August 31, 2009, the most recent actuarial valuation date, is as follows (dollar amounts in millions):

NOTES TO THE FINANCIAL STATEMENTS

(1) Valuation as of August 31	(2) Actuarial Valuation of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2009	\$ 106,384	\$ 128,030	\$ 21,646	83.1%	\$ 35,097	61.7%

The schedule of funding progress, presented as Required Supplementary Information located immediately following the Notes, provides multi-year trend information about whether the actuarial values of the plan are increasing or decreasing over time. These indicators and trends may be useful in assessing progress made in accumulating sufficient assets to pay benefits when due for the Pension Trust Fund.

Additional valuation information follows:

Valuation Date.....	August 31, 2009
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Remaining Amortization Period.....	30 years *
Asset Valuation Method.....	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return **	8.00%
Projected Salary Increases **	4.25% to 26.40%
Weighted Average Projected Salary Increases**	5.63%
Cost-of-Living Adjustments.....	None

* The annual required contribution (ARC) by the state would need to increase from 6.4% to 7.72% beginning in fiscal year 2010 in order to amortize the UAAL over the 30-year maximum acceptable amortization period permitted by Governmental Accounting Standards Board Statement No. 25.

** Includes Inflation at 3.00%

XIII. SUBSEQUENT EVENTS

Senate Bill 1 and House Bill 3347 were passed by the 81st Legislature, Regular Session. These bills allow the board of trustees to make a one-time payment to qualified retired public school employees in an amount equivalent to the annuitant's monthly benefit, not to exceed \$500, and require payments to be made from appropriated general revenue funds. The one-time payment is contingent upon a ruling by the Attorney General stating the payments are constitutionally and statutorily permissible. If the payments are determined not to be permissible, the funding shall be used to increase the state contribution rate from 6.4 percent to 6.644 percent. As of November 13, 2009, the Attorney General has not made a ruling.

Required Supplementary Information

PENSION TRUST FUND
FISCAL YEARS 2004-2009

SCHEDULE OF FUNDING PROGRESS

Taking into account only the dollar amounts of aggregate actuarial accrued liabilities and unfunded actuarial accrued liabilities (UAAL) can be misleading. The dollar amounts of these two items can be increasing at a time when their actual substance may be decreasing. Dividing valuation asset dollars by aggregate actuarial accrued liability dollars and dividing UAAL dollars by active member payroll dollars provide clarifying indices. The larger the ratio of valuation assets to aggregate actuarial accrued liabilities, the stronger the system. Observation of these relative indices over a period of years will give an indication of whether the system is becoming stronger or weaker.

(DOLLAR AMOUNTS SHOWN IN MILLIONS)

(1) Valuation as of August 31	(2) Actuarial Valuation of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2004	\$ 88,784	\$ 96,737	\$ 7,953	91.8%	\$ 25,485	31.2%
2005	89,299	102,495	13,196	87.1	25,957	50.8
2006	94,218	107,911	13,694	87.3	28,397	48.2
2007	103,419	115,964	12,545	89.2	31,114	40.3
2008	110,233	121,756	11,523	90.5	33,238	34.7
2009	106,384	128,030	21,646	83.1	35,097	61.7

SCHEDULE OF CONTRIBUTIONS FROM STATE AND REPORTING ENTITIES

State and Reporting Entities Annual Required Contributions

Fiscal Year Ended	Rate	From State General Fund	From State Federal Funds/ Private Grants	From Reporting Entities	Total	Percentage Contributed
2004	7.39%	\$1,529,470,324	\$	\$ 236,967,336	\$1,766,437,660	81%
2005	7.31	1,532,263,348		269,445,311	1,801,708,659	82
2006	7.19	1,596,301,608		316,538,818	1,912,840,426	83
2007	7.02	1,721,223,689		324,945,946	2,046,169,635	85
2008	6.47	1,426,771,115	247,210,170	346,051,153	2,020,032,438	102
2009	6.10	1,373,745,903	255,108,385	382,620,271	2,011,474,559	108

Required Supplementary Information

HEALTH BENEFITS TRUST FUND - RETIRED PLAN
FISCAL YEARS 2007-2009

SCHEDULE OF FUNDING PROGRESS

(DOLLAR AMOUNTS SHOWN IN MILLIONS)

(1) Valuation as of August 31	(2) Actuarial Valuation of Assets	(3) Actuarial Accrued Liability (AAL)	(4) Unfunded AAL (UAAL) (3)-(2)	(5) Funding Ratio Assets as a % of AAL (2)/(3)	(6) Annual Covered Payroll	(7) Unfunded AAL as a % of Covered Payroll (4)/(6)
2007	\$ 623	\$ 19,748	\$ 19,125	3.2%	\$ 26,076	73%
2008	729	22,313	21,584	3.3	27,979	77
2009	800	24,357	23,557	3.3	29,490	80

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING ENTITIES

(DOLLAR AMOUNTS SHOWN IN THOUSANDS)

Annual Required Contributions

(1) Fiscal Year Ended	(2) Annual Required Contributions (ARC)	Actual Contributions			(6) Total (3)+(4)+(5)	(7) Percentage Contributed (6)/(2)
		(3) From State	(4) From Reporting Entities	(5) On-Behalf From Federal Government		
2007	\$ 1,436,756	\$ 238,191	\$ 136,009	\$ 52,330	\$ 426,530	29.7%
2008	1,535,975	254,722	141,673	59,486	455,881	29.7
2009	1,655,647	267,471	149,563	61,531	478,565	28.9

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The August 31, 2007 actuarial valuation was the first actuarial valuation of TRS-Care. This and future valuations will set the ARC on a prospective basis, meaning each valuation will set the ARC for the following fiscal years. The employer ARC was determined by netting the active employee contributions (0.65%) out of the total ARC (6.84%). The ARC for FY2009 was determined by applying the employer ARC determined in the 2008 valuation as a percentage of payroll (6.19%) to the actual payroll paid in FY 2009 (\$26.7 billion).



EXHIBIT A

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

	Balances September 1, 2008	Additions	Deductions	Balances August 31, 2009
Employees' Savings Bond Account				
Assets:				
Cash in State Treasury	\$ 675	\$ 5,850	\$ 6,075	\$ 450
Liabilities:				
Funds Held for Others	\$ 675	\$ 5,825	\$ 6,050	\$ 450
Child Support Employee Deductions				
Assets:				
Cash in State Treasury	\$	\$ 2,970	\$ 108	\$ 2,862
Liabilities:				
Funds Held for Others	\$	\$ 2,970	\$ 108	\$ 2,862
Totals - All Agency Funds				
				(Exhibit I)
Assets:				
Cash in State Treasury	\$ 675	\$ 8,820	\$ 6,183	\$ 3,312
TOTAL ASSETS	\$ 675	\$ 8,820	\$ 6,183	\$ 3,312
Liabilities:				
Funds Held for Others	\$ 675	\$ 8,795	\$ 6,158	\$ 3,312
TOTAL LIABILITIES	\$ 675	\$ 8,795	\$ 6,158	\$ 3,312



Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

SCHEDULE 1

INTEREST ACCOUNT	2009	2008
Additions:		
Interest, Dividends and Other Income:		
Short-Term	\$ 180,799,418	\$ 442,637,053
Equities	1,108,384,911	1,397,529,103
Fixed Income	660,241,400	1,464,639,554
Derivatives	(66,129,511)	(103,312,656)
Securities Lending Program	242,854,668	213,307,712
Miscellaneous	1,764,944	2,029,567
Net Appreciation (Depreciation) in Fair Value of Investments	(16,030,794,035)	(7,992,472,030)
TOTAL ADDITIONS	\$ (13,902,878,205)	\$ (4,575,641,697)
Deductions:		
Operating Transfers Out:		
Allocation of Interest to:		
Member Savings Account	\$ 1,212,861,103	\$ 1,128,761,363
State Contribution Account	(3,389,164,754)	(1,817,195,722)
Retired Reserve Account	4,207,826,373	4,046,720,700
Deferred Retirement Option Account	6,087,962	6,643,992
Expense Account	58,930,000	51,900,000
Transfer to State Contribution Account for Net Appreciation (Depreciation) in Fair Value of Investments	(16,030,794,035)	(7,992,472,030)
External Manager Fees	31,375,146	
TOTAL DEDUCTIONS	\$ (13,902,878,205)	\$ (4,575,641,697)
Net Increase in Account Balance	\$ -0-	\$ -0-
Account Balance - Beginning September 1	\$ -0-	\$ -0-
Account Balance - Ending August 31	\$ -0-	\$ -0-



Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

SCHEDULE 1

MEMBER SAVINGS ACCOUNT	2009	2008
Additions:		
Contributions:		
Member Contributions - Members	\$ 2,104,996,782	\$ 1,996,338,057
Member Contributions - Reporting Entities	4,496,750	3,390,353
Reinstatement of Withdrawals	37,880,721	44,045,625
Operating Transfers In:		
Allocation from Interest Account	1,212,861,103	1,128,761,363
TOTAL ADDITIONS	\$ 3,360,235,356	\$ 3,172,535,398
Deductions:		
Refund of Contributions	\$ 263,610,358	\$ 275,482,331
Operating Transfers Out:		
Transfer to Retired Reserve Account for Dormant Accounts	17,175,734	15,391,190
Transfer to Retired Reserve Account to Fund Benefits	1,196,207,851	1,119,032,705
TOTAL DEDUCTIONS	\$ 1,476,993,943	\$ 1,409,906,226
Net Increase in Account Balance	\$ 1,883,241,413	\$ 1,762,629,172
Account Balance - Beginning September 1	\$ 24,025,330,661	\$ 22,262,701,489
Account Balance - Ending August 31	\$ 25,908,572,074	\$ 24,025,330,661



Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

SCHEDULE 1

STATE CONTRIBUTION ACCOUNT	2009	2008
Additions:		
Contributions:		
State Contributions - General Fund	\$ 1,481,843,941	\$ 1,451,028,429
State Contributions - Federal Funds/ Private Grants	275,182,487	251,413,125
State Contributions - Reporting Entities	410,292,434	351,934,557
Reinstatement Fees	36,661,692	43,161,749
Operating Transfers In:		
Allocation from Interest Account	(3,389,164,754)	(1,817,195,722)
Transfer from Interest Account for Net Appreciation (Depreciation) in Fair Value of Investments	(16,030,794,035)	(7,992,472,030)
Retirement Benefits Forfeited While Member Returned to Teaching	55,486,993	59,181,007
Retirement Benefits Waived by Member	60,330	77,162
TOTAL ADDITIONS	\$ (17,160,430,912)	\$ (7,652,871,723)
Deductions:		
Operating Transfers Out:		
Transfer to Retired Reserve Account to Fund Benefits	\$ 3,046,590,507	\$ 2,885,839,754
Transfer to Retired Reserve Account Based on Actuarial Valuation as of August 31	71,064,118	35,313,538
TOTAL DEDUCTIONS	\$ 3,117,654,625	\$ 2,921,153,292
Net Decrease in Account Balance	\$ (20,278,085,537)	\$ (10,574,025,015)
Account Balance - Beginning September 1 Restatement	\$ 27,655,777,751	\$ 38,229,802,766
	(1,374,018) *	
Account Balance - Beginning September 1 as Restated	\$ 27,654,403,733	\$ 38,229,802,766
Account Balance - Ending August 31	\$ 7,376,318,196	\$ 27,655,777,751

*External manager fees have been reclassified from the expense account to the interest account.



Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

SCHEDULE 1

RETIRED RESERVE ACCOUNT	2009	2008
Additions:		
Operating Transfers In:		
Allocation from Interest Account	\$ 4,207,826,373	\$ 4,046,720,700
Transfer from Member Savings Account for Dormant Accounts	17,175,734	15,391,190
Transfer from Member Savings Account to Fund Benefits	1,196,207,851	1,119,032,705
Transfer from State Contribution Account to Fund Benefits	3,046,590,507	2,885,839,754
Transfer from State Contribution Account Based on Actuarial Valuation as of August 31	71,064,118	35,313,538
TOTAL ADDITIONS	\$ 8,538,864,583	\$ 8,102,297,887
Deductions:		
Benefits Paid:		
Service Retirement Annuities	\$ 5,613,501,298	\$ 5,693,184,467
Partial Lump Sums	348,261,100	363,668,944
Disability Retirement Annuities	138,569,650	146,907,654
Death and Survivor Benefits:		
Accumulated Savings	3,084,718	2,520,283
Annual Salary	43,235,232	42,216,290
Survivor Annuities	79,951,723	78,862,569
Life Annuities	81,764,240	85,576,098
60 Monthly Payments	10,180,012	10,169,530
Remainder of Contributions	3,274,400	3,177,348
Operating Transfers Out:		
Transfer to Deferred Retirement Option Account to Fund Benefits	7,565,137	10,071,289
Retirement Benefits Forfeited While Member Returned to Teaching	55,486,993	59,181,007
Retirement Benefits Waived by Member	60,330	77,162
TOTAL DEDUCTIONS	\$ 6,384,934,833	\$ 6,495,612,641
Net Increase in Account Balance	\$ 2,153,929,750	\$ 1,606,685,246
Account Balance - Beginning September 1	\$ 53,070,336,402	\$ 51,463,651,156
Account Balance - Ending August 31	\$ 55,224,266,152	\$ 53,070,336,402



Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

SCHEDULE 1

DEFERRED RETIREMENT OPTION ACCOUNT	2009	2008
Additions:		
Operating Transfers In:		
Transfer from Retired Reserve Account to Fund Benefits	\$ 7,565,137	\$ 10,071,289
Allocation from Interest Account	6,087,962	6,643,992
TOTAL ADDITIONS	\$ 13,653,099	\$ 16,715,281
Deductions:		
Benefits Paid	\$ 23,272,668	\$ 26,757,772
Net Decrease in Account Balance	\$ (9,619,569)	\$ (10,042,491)
Account Balance - Beginning September 1	\$ 127,393,675	\$ 137,436,166
Account Balance - Ending August 31	\$ 117,774,106	\$ 127,393,675



Comparative Schedule of Changes in Account Balance

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

SCHEDULE 1

EXPENSE ACCOUNT	2009	2008
Additions:		
Miscellaneous Revenues	\$ 3,899	\$ 3,596
Operating Transfers In:		
Allocation from Interest Account	58,930,000	51,900,000
TOTAL ADDITIONS	\$ 58,933,899	\$ 51,903,596
Deductions:		
Administrative Expenses:		
Salaries and Other Personnel Costs	\$ 38,896,355	\$ 34,963,117
Professional Fees and Services	10,958,008	5,897,607
Consumable Supplies and Fuels	433,939	388,525
Utilities	992,256	718,316
Travel	557,357	560,896
Rentals	801,804	209,269
Dues, Fees and Staff Development	255,015	305,789
Subscriptions and Reference Information	171,539	176,610
Printing and Reproduction Services	220,539	465,825
Postage, Mailing and Delivery Services	2,049,466	2,110,350
Software Purchases and Maintenance	2,147,508	2,200,055
Computer Hardware Maintenance	283,373	179,034
Miscellaneous Expenses	700,840	500,017
Insurance Premiums	850,702	839,244
Furniture and Equipment - Expensed	2,456,306	925,465
Maintenance - Buildings and Equipment	675,119	622,095
Compensable Absences	1,090,248	984,399
Depreciation	2,127,429	2,032,181
Amortization	258,016	
External Manager Fees		1,374,018
TOTAL DEDUCTIONS	\$ 65,925,819*	\$ 55,452,812
Net Decrease in Account Balance	\$ (6,991,920)	\$ (3,549,216)
Account Balance - Beginning September 1	\$ 31,659,056	\$ 35,208,272
Restatement	1,374,018**	
Account Balance - Beginning September 1 as Restated	\$ 33,033,074	\$ 35,208,272
Account Balance - Ending August 31	\$ 26,041,154	\$ 31,659,056

* This amount includes investing activity expenses of \$37,615,371 (Schedule 3 total net of external manager fees). Administrative expenses net of investing activity expenses are \$28,310,448 (Exhibit II).

** External manager fees have been reclassified from the expense account to the interest account.



Schedule of Administrative and Capital Expenses - Budget and Actual on Budgetary Basis

AUGUST 31, 2009

SCHEDULE 2

	FIDUCIARY FUND			
	PENSION TRUST FUND			
	Budget	Actual	Variance - Favorable (Unfavorable)	
Expenses:				
Salaries and Wages	\$ 30,884,617	\$ 30,851,734	\$	32,883
Other Personnel Costs:				
Longevity Pay	\$ 561,020	\$ 561,020	\$	
Employer Retirement Contributions	2,005,132	2,000,736		4,396
Employer FICA Contributions	2,749,229	2,128,529		620,700
Employer Health Insurance Contributions	3,814,284	3,171,964		642,320
Benefit Replacement Pay	159,000	149,375		9,625
Other Employee Benefits	41,000	30,545		10,455
Compensable Absences	1,090,248	1,090,248		
TOTAL OTHER PERSONNEL COSTS	\$ 10,419,913	\$ 9,132,417	\$	1,287,496
Professional Fees and Services	\$ 10,577,953	\$ 9,988,029	\$	589,924
Other Operating Expenses:				
Consumable Supplies and Fuels	\$ 442,791	\$ 436,694	\$	6,097
Utilities	930,610	894,292		36,318
Travel	564,824	549,108		15,716
Rentals	929,230	920,800		8,430
Dues, Fees and Staff Development	253,636	248,193		5,443
Subscriptions and Reference Information	176,606	166,194		10,412
Printing and Reproduction Services	238,996	220,539		18,457
Postage, Mailing and Delivery Services	2,062,313	2,049,466		12,847
Software Purchases and Maintenance	2,074,105	2,066,762		7,343
Computer Hardware Maintenance	305,312	297,453		7,859
Miscellaneous Expenses	774,446	765,825		8,621
Insurance Premiums	852,042	850,702		1,340
Furniture and Equipment - Expensed	2,021,935	2,000,072		21,863
Maintenance - Buildings and Equipment	1,671,501	1,602,893		68,608
Amortization	258,016	258,016		
Depreciation and Loss on Disposal of Assets	2,181,736	2,127,429		54,307
TOTAL OTHER OPERATING EXPENSES	\$ 15,738,099	\$ 15,454,438	\$	283,661
TOTAL ADMINISTRATIVE EXPENSES	\$ 67,620,582	\$ 65,426,618	\$	2,193,964
Pension Trust Fund:				
Total From Expense Account - Schedule 1		\$ 65,925,819*		
Less Differences Between GAAP and Budgetary Basis Payables:				
Other Personnel Costs		(2,452)		
Professional Fees and Services		(969,979)		
Travel		8,249		
Other Operating Expenses		839,597		
Less Reclass from Capital Assets		(374,616)		
TOTAL ADMINISTRATIVE EXPENSES PER ABOVE - BUDGETARY BASIS SCHEDULE		\$ 65,426,618		
Capital Expenses:				
Furniture and Equipment - Capitalized	\$ 45,358	\$ 44,619	\$	739
Capital Projects	4,584,191	4,096,928		487,263
TOTAL CAPITAL EXPENSES	\$ 4,629,549	\$ 4,141,547	\$	488,002

*This amount includes investing activity expenses of \$37,615,371 (Schedule 3 total net of external manager fees). Administrative expenses net of investing activity expenses are \$28,310,448 (Exhibit II).

FIDUCIARY FUND		
HEALTH BENEFITS TRUST FUND RETIRED PLAN		
Budget	Actual	Variance - Favorable (Unfavorable)
\$ 1,460,516	\$ 1,433,354	\$ 27,162
\$ 37,360	\$ 37,360	\$
96,099	95,929	170
109,431	107,420	2,011
155,527	145,710	9,817
12,100	11,859	241
16,000		16,000
33,150	17,939	15,211
\$ 459,667	\$ 416,217	\$ 43,450
\$ 1,412,198	\$ 833,129	\$ 579,069
\$ 2,653	\$ 1,695	\$ 958
2,460	1,479	981
19,370	4,796	14,574
144,762	144,762	
7,178	1,202	5,976
850		850
28,170	8,936	19,234
88,021	49,517	38,504
15,311	6,905	8,406
8,150	353	7,797
2,100		2,100
\$ 319,025	\$ 219,645	\$ 99,380
\$ 3,651,406	\$ 2,902,345	\$ 749,061

Health Benefits Trust Fund - Retired Plan:

Total Administrative Expenses - Exhibit II	\$ 2,916,259
Less Differences Between GAAP and Budgetary Basis Payables: Professional Fees and Services	(12,871)
Other Operating Expenses	(1,043)

TOTAL ADMINISTRATIVE
EXPENSES PER ABOVE -
BUDGETARY BASIS
SCHEDULE

\$ 2,902,345

(to next page)



Schedule of Administrative and Capital Expenses - Budget and Actual on Budgetary Basis

AUGUST 31, 2009

(concluded)

SCHEDULE 2

	PROPRIETARY FUND		
	TRS-ACTIVECARE ENTERPRISE FUND		Variance - Favorable (Unfavorable)
	Budget	Actual	
Expenses:			
Salaries and Wages	\$ 1,068,300	\$ 1,061,565	\$ 6,735
Other Personnel Costs:			
Longevity Pay	\$ 22,320	\$ 22,260	\$ 60
Employer Retirement Contributions	65,634	64,975	659
Employer FICA Contributions	81,275	80,301	974
Employer Health Insurance Contributions	119,235	92,853	26,382
Benefit Replacement Pay	2,780	2,543	237
Other Employee Benefits	6,000		6,000
Compensable Absences	12,000	(3,824)	15,824
TOTAL OTHER PERSONNEL COSTS	\$ 309,244	\$ 259,108	\$ 50,136
Professional Fees and Services	\$ 917,000	\$ 434,799	\$ 482,201
Other Operating Expenditures:			
Consumable Supplies and Fuels	\$ 6,000	\$ 3,274	\$ 2,726
Utilities	3,500	1,122	2,378
Travel	13,700	2,466	11,234
Rentals	80,290	80,290	
Dues, Fees and Staff Development	5,750	1,127	4,623
Subscriptions and Reference Information	3,050	1,130	1,920
Printing and Reproduction Services	4,750	1,655	3,095
Postage, Mailing and Delivery Services	9,250	3,973	5,277
Software Purchases and Maintenance			
Computer Hardware Maintenance			
Miscellaneous Expenses	6,700	956	5,744
Insurance Premiums			
Furniture and Equipment - Expensed	9,000	358	8,642
Maintenance - Buildings and Equipment	2,000		2,000
Amortization			
Depreciation and Loss on Disposal of Assets			
TOTAL OTHER OPERATING EXPENSES	\$ 143,990	\$ 96,351	\$ 47,639
TOTAL ADMINISTRATIVE EXPENSES	\$ 2,438,534	\$ 1,851,823	\$ 586,711
TRS-ActiveCare Enterprise Fund:			
Total Administrative Expenses - Exhibit IV	\$ 1,861,949		
Add Differences Between GAAP and Budgetary Basis			
Payables:			
Professional Fees and Services	(10,000)		
Other Operating Expenses	(126)		
TOTAL ADMINISTRATIVE EXPENSES PER ABOVE - BUDGETARY BASIS SCHEDULE	\$ 1,851,823		

PROPRIETARY FUND		
NONMAJOR 403(b) CERTIFICATION PROGRAM ENTERPRISE FUND		
Budget	Actual	Variance - Favorable (Unfavorable)
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$	\$	\$
\$ 88,000	\$ 88,000	\$ -0-
\$	\$	\$
\$	\$	\$
\$ 88,000	\$ 88,000	\$ -0-
Nonmajor 403(b) Certification Program Enterprise Fund:		
Total Administrative Expenses - Exhibit IV	\$	88,000
TOTAL ADMINISTRATIVE EXPENSES PER ABOVE - BUDGETARY BASIS SCHEDULE	\$	88,000



Comparative Schedule of Investing Activity Expenses

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

	2009	2008
Direct Expenses:		
Salaries and Other Personnel Costs	\$ 14,944,045	\$ 13,004,106
Professional Fees and Services	8,918,567	5,183,132
Consumable Supplies	20,390	5,546
Travel	388,688	400,600
Building Lease	546,861	
Dues, Fees and Staff Development	35,520	50,193
Subscriptions and Reference Materials	41,967	28,123
Software Upgrades	239,347	
Telecommunication Services	244,864	
Moving Expenses	16,245	
Furniture and Equipment - Expensed	2,067,620	45,071
Amortization - Leasehold Improvements	258,016	
External Manager Fees	31,375,146	1,374,018
Total Direct Expenses	\$ 59,097,276	\$ 20,090,789
Indirect Expenses:		
Depreciation, Utilities and Building Maintenance	\$ 828,183	\$ 1,164,796
Executive Management Support	1,120,998	757,012
Legal, Audit and Human Resources Support	2,980,488	2,502,047
Fiscal Management Support	1,368,028	942,342
Information Technology Support	2,281,360	2,263,632
Security and Staff Services Support	879,774	892,230
Other Support Services	434,410	717,302
Total Indirect Expenses	\$ 9,893,241	\$ 9,239,361
Total Investing Activity Expenses* (Exh. II)	\$ 68,990,517	\$ 29,330,150

*The investing activity expenses do not include the following expenditures.

During fiscal year 2009, the system paid commissions of \$64,364,227, of which \$7,965,480 was paid to various soft dollars brokers. Soft dollars from commissions were used to acquire on-line data services, professional services and other research services totaling \$7,039,033. Unspent soft dollar credits are held by the receiving broker and will be utilized in the new fiscal year. Another subset of the paid commission balance is \$17,999,526 paid to various Commission Sharing Arrangement (CSA) brokers. CSA proceeds from commissions were used to acquire research services from various investment related firms totaling \$15,498,859. Unspent CSA proceeds are held by either State Street Bank and Trust Company as the system's CSA agent or by the CSA broker as a reserve for future expenses.

Through its contractual agreements with various firms, the system benefited from \$3,777,788 in vendor paid expenses and contractual allowances. Vendor paid expenses are legal arrangements that are used to acquire investment related items other than those paid for with soft dollar commission and CSA proceeds.

Also excluded from investing activity expenses are management fees of \$13,119,354 paid directly by the system during fiscal year 2009 to managers of six (6) of the system's 222 alternative investment entities. These directly paid fees are recorded in the net appreciation account. The management fees of the remaining 216 entities are paid directly by the entities.



Schedule of Payments to Consultants - Budgetary Basis

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

SCHEDULE 4

	Pension Trust Fund	Health Benefits Trust Fund Retired Plan	TRS- ActiveCare Enterprise Fund	Nonmajor 403(b) Certification Program Enterprise Fund	Total
Nature of Service:					
Investment Consultants	\$ 4,080,655	\$	\$	\$	\$ 4,080,655
Legal Counsel	3,735,117	42,799	(70,500)		3,707,416
Audit Services	658,636	51,161	60,934		770,731
Health Care Consultants		425,771	288,808		714,579
Communications Consultants	511,543				511,543
Programming Consultants	474,582				474,582
Temporary Employment Services	326,963				326,963
Consulting Actuary	179,283				179,283
Search Consultants	146,952				146,952
Medical Board	101,609				101,609
Investment Counseling Services	101,458				101,458
Election Services	98,347				98,347
Infrastructure Security Services	39,500				39,500
Pension Administration Survey	35,000				35,000
Professional Tax Services	25,000				25,000
Employee Assistance Program	14,808				14,808
Software Consultants/ Upgrade Services	10,935				10,935
Miscellaneous	7,288				7,288
Architectural Services	(2,692)				(2,692)*
Data Processing Services	(24,795)	21,238	3,557		
Administrative Services	(532,160)	292,160	152,000	88,000	
TOTAL	\$9,988,029	\$ 833,129	\$ 434,799	\$ 88,000	\$11,343,957

* Expense reduction from fiscal year 2008.

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INVESTMENT Section

INVESTMENT OVERVIEW

Portfolio Structure

In 2008, TRS began a transition to a more diversified investment strategy. The transition is on target despite one of the most volatile markets in history. The diversification strategy primarily focuses on three possible economic scenarios. Scenario one is characterized by favorable GDP growth and an average CPI which, since 1948, has been the prevailing economic condition 66% of the time. Scenario two is one of low GDP growth and high CPI, which has occurred 21% of the time. Finally, scenario three would be characterized by stagnant GDP and low CPI, which has occurred 13% of the time. TRS is positioned to take advantage of any of these various market scenarios by allocating 60% to global equity markets, which perform well under scenario one, 20% to real return, which should perform well in scenario two, and 20% to a stable value portfolio, which should perform well and minimize downside risk in scenario three. For the period ending June 30, 2009, the trust comprised of 60.3% global equity, 21.3% stable value, and 18.4% real return.

Results

A historic global equity market advance in the second calendar quarter, after three quarters of dismal market performance, ended the investment year ending June 2009. At their lowest point in early March, the stock market averages were down 25% in 2009 alone; the market decline since the peak in October 2007 represents the sharpest market drop since 1929-1932. During the second calendar quarter ending June 30, 2009, the trust advanced 12.3% primarily because of the strong 21.3% positive return of the global public markets, adding \$2.1 billion to the trust. However, continued advances are still required to eliminate the negative effects of the previous periods. The one-year trust return was -21.9% for the year ending June 30, 2009.

The total value of the trust on August 31, 2009, was \$87.7 billion. The trust's annual rates of return for the one-, three-, five-, and 10-year periods ending August 31, 2009, were -13.06%, -1.68%, 3.60% and 3.39%, respectively.

Additional information about performance is included on the Total Time Weighted Returns and Asset Allocation Charts on pages 79 and 80. The information shown is for the 12-month period ended June 30, 2009, and includes comparisons with established benchmarks for the same time period.

Investment performance is calculated using a time-weighted rate of return. Returns are calculated by State Street Bank and Trust Company, the fund's custodian bank, using industry best practices.

Strategic Initiatives

The Investment Management Division launched TRS LABS in 2008. The purpose of TRS LABS is to continually improve TRS investment management through thought leadership. For example, by producing white papers on issues and themes that have a direct impact on public pension plans and the wider investment community, TRS participates in developing industry standards and best practices for investment management.

The Investment Management Division developed a "headlight system" that will be used as a forecasting tool for economic outliers. The headlights are intended to act as a gauge for warning of changes in the investment environment and predicting which economic environment is most likely to determine asset allocation decisions in the future.

The board reviewed and adjusted its investment policy to aid in achieving the trust's targeted 8% long-term return. The primary adjustment was replacing the Russell Benchmarks with the Morgan Stanley Country Index (MSCI) Benchmarks. This will enable TRS to be more efficient at global public equity diversification.

TRS continues to enhance the Investment Management Division's asset management capabilities. The Investment Management Division continues to add new external managers for public equities as new managers are certified. TRS' certification process, now fully developed, is believed to be one of the most rigorous certification processes required in the investment industry. The results of this process are evident as the Strategic Partnership Network completed its first year and was very successful, adding 1.9% above its benchmark returns.

Private investment markets, which include private equity and real assets, continue to struggle. The TRS trust is well positioned to take advantage of the dislocation in this market. The trust is very liquid and able to capitalize on these market conditions when liquidity is advantageous and valuable. TRS continues to be active in initiatives involving the private markets asset class, participating in several industry and governmental working groups to improve reporting and transparency in the private markets industry.

In summary, the year was characterized by a partial recovery in the second calendar quarter of 2009 after downturns in the 3 prior quarters. The trust was well-positioned for the public market rally and performed strongly in that area, while private markets remained distressed. Looking forward, forecasts across all asset classes are exhibiting signs of a return to "normal" markets.

*Prepared by:
Investment staff of the system*

Total Time Weighted Returns

PENSION TRUST FUND - FOR PERIODS ENDED JUNE 30

Total Portfolio ¹	2004	2005	2006	2007	2008	2009	3 Years	5 Years	10 Years
TRS	15.7%	9.5%	10.4%	17.5%	-2.1%	-21.9%	-3.5%	1.7%	2.4%
Custom Benchmark ²	15.3%	9.3%	9.7%	16.9%	-2.0%	-19.5%	-2.7%	2.0%	2.4%
TRS Public Equity	23.3%	10.2%	14.0%	21.9%	-10.3%	-26.8%	-7.2%	0.1%	0.2%
Public Equity Composite Benchmark ³	23.4%	9.8%	13.5%	22.1%	-10.9%	-27.3%	-7.6%	-0.3%	-0.1%
TRS Private Equity	26.1%	38.4%	45.3%	32.4%	14.8%	-28.8%	2.6%	16.8%	n/a
Private Equity Composite Benchmark ⁴	9.4%	15.3%	19.6%	21.4%	-12.4%	-22.8%	-6.1%	2.7%	n/a
Total TRS Global Equity	23.3%	10.8%	14.8%	22.3%	-8.8%	-27.7%	-6.9%	0.5%	0.4%
Global Equity Composite	22.7%	10.1%	13.9%	22.1%	-10.9%	-27.0%	-7.4%	-0.1%	0.3%
Benchmark ⁵									
TRS Fixed Income	0.3%	7.3%	-0.3%	6.7%	4.4%	-0.7%	3.6%	3.6%	5.7%
Fixed Income Composite Benchmark ⁶	-0.3%	7.1%	-0.5%	6.6%	9.2%	6.6%	7.5%	5.7%	6.7%
TRS Hedge Funds	6.5%	6.2%	11.2%	15.2%	-1.2%	-10.5%	0.6%	3.8%	n/a
Hedge Fund Composite Benchmark ⁷	6.3%	3.7%	5.8%	9.8%	5.9%	3.9%	6.5%	5.8%	n/a
Total TRS Stable Value	0.5%	7.0%	0.5%	7.2%	4.5%	-3.6%	2.6%	3.0%	5.4%
Stable Value Composite	0.1%	6.8%	-0.1%	6.7%	8.4%	6.0%	7.0%	5.5%	5.6%
Benchmark ⁸									
TRS Real Estate	7.0%	-5.0%	11.7%	13.7%	7.1%	-34.9%	-7.5%	-3.4%	n/a
Real Estate Composite Benchmark ⁹	n/a	n/a	n/a	18.8%	9.3%	-30.2%	-3.2%	n/a	n/a
Total TRS Real Return	7.0%	-5.0%	11.7%	13.7%	24.5%	-25.7%	1.2%	1.9%	n/a
Real Return Composite	n/a	n/a	n/a	18.8%	18.6%	-22.3%	3.1%	n/a	n/a
Benchmark ¹⁰									

¹ Time-weighted rates of return adjusted for cash flows.

² 43% S&P 500/ 5% S&P 400/ 2% S&P 600/ 10% International Composite/ 38% SBLPF/ 2% 91-day T-Bill through 12/99; 22% S&P 500/ 3% S&P 400/ 1% S&P 600/ 26% S&P 1500/ 11% EAFE/ 36% SBLPF/ 1% 91-day T-Bill through 6/00; 42% S&P 500/ 7.5% S&P 400/ 3% S&P 600/ 13% MS ACWI Free Ex-US/ 28.5% SB Large Pension Fund/ 1% SB High Yield Market Index/ 3% Private Equity Composite (3 years at 0, then Russell 2000 + 500 bps)/ 1.5% Absolute Return Composite (6-month T-Bill + 300 bps through 3/03; then 70% 3-month LIBOR/ 30% S&P 500)/ 0.5% 91-day T-Bill through 6/04; 42% S&P 500/ 7.5% S&P 400/ 3% S&P 600/ 13% MS ACWI Free Ex-US/ 28.5% LB Aggregate/ 1% SB High Yield Market Index/ 3% Private Equity Composite (3 years at 0, then Russell 2000 + 500 bps)/ 1.5% Absolute Return Composite (70% 3-month LIBOR/ 30% S&P 500)/ 0.5% 91-day T-Bill through 01/05; 50% Total Domestic Equity Composite/ 13.4% MS ACWI Ex-US/ 28.35% LB Aggregate/ 2.06% Citigroup High Yield Index/ 4.12% Private Equity Composite (3 years at 0, then Russell 2000 + 500 bps)/ 1.55% Absolute Return Composite (70% 3-month LIBOR/ 30% S&P 500)/ 0.52% 91-day T-Bill through 9/07; 15% Russell 1000 Growth/15% Russell 1000 Value/5% Russell 2000/15% MSCI EAFE + Canada/5% MSCI EM/5% Russell 3000 + 5%/10% Lehman Long Treasuries/ 4% 3-month LIBOR + 2%/5% Lehman Intermediate Gov-Credit/ 1% Citigroup 90-day US Treasury/ 10% Lehman Global Inflation Linked Bonds/ 4% Real Estate Composite/ 1% US Core CPI + 5%/3% Goldman Sachs Commodity Index/ 2% NAREIT through 9/08; currently 10% Russell 1000 Growth/ 10% Russell 1000 Value/ 5% Russell 2000/ 8% MSCI EAFE + Canada/ 5% MSCI EM/ 15% MSCI World/ 7% Russell 3000 + 5%/ 12% BC Long Treasuries/ 4% 3-month LIBOR + 2%/ 3% BC Intermediate Gov-Credit/ 1% Citigroup 90-day US Treasury/ 5% BC Global Inflation Linked Bonds/ 5% BC US TIPS/ 5% Real Estate Composite/ 1% US Core CPI + 5%/ 2% Goldman Sachs Commodity Index/ 2% NAREIT.

³ 72% S&P 500/ 8% S&P 400/ 3% S&P 600/ 17% International Equity Composite (58% EAFE ex Japan/15% Japan) through 12/99; 35% S&P 500/ 5% S&P 400/ 2% S&P 600/ 41% S&P 1500/ 17% EAFE through 06/00; 64% S&P 500/ 11% S&P 400/ 5% S&P 600/20% MSCI ACWI Free Ex-US through 6/04; 61% S&P 500/ 12% S&P 400/ 6% S&P 600/ 21% MSCI ACWI Free Ex-US through 6/05; 60.16% S&P 500/ 12.2% S&P 400/ 6.5% S&P 600/ 21.14% MSCI ACWI Free Ex-US through 3/06; 59.82% S&P 500/ 11.97% S&P 400/ 5.99% S&P 600/ 22.22% MSCI ACWI Free Ex-US through 9/07; 27.27% Russell 1000 Growth/ 27.27% Russell 1000 Value/ 9.09% Russell 2000/27.27% MSCI EAFE + Canada/ 9.10% MSCI EM through 9/08; currently 18.9% Russell 1000 Growth/ 18.9% Russell 1000 Value/ 9.4% Russell 2000/ 15.1% MSCI EAFE + Canada/ 9.4% MSCI EM/ 28.3% MSCI World.

⁴ 3 years at 0, then Russell 2000 + 500 bps through 9/07, currently Russell 3000 + 5%.

⁵ 72% S&P 500/ 8% S&P 400/ 3% S&P 600/17% International Equity Composite (58% EAFE Ex-Japan/15% Japan) through 12/99; 35% S&P 500/ 5% S&P 400/ 2% S&P 600/ 41% S&P 1500/ 17% EAFE through 06/00; 61.31% S&P 500/ 10.95% S&P 400/ 4.38% S&P 600/ 18.98% MSCI ACWI Free Ex-US/ 4.38% Private Equity Composite (3 years 0, then Russell 2000+5%) through 6/04; 57% S&P 500/ 11% S&P 400/ 6% S&P 600/20% MSCI ACWI Free Ex-US/ 6% Russell 2000+5% through 6/05; 56.5% S&P 500/ 11.5% S&P 400/ 6.1% S&P 600/ 19.8% MSCI ACWI Free Ex-US/ 6.1% Russell 2000+5% through 3/06; 56.00% S&P 500/ 11.21% S&P 400/ 5.6% S&P 600/ 20.8% MSCI ACWI Free Ex-US/ 6.39% Russell 2000+5% through 9/07; 25% Russell 1000 Growth/ 25% Russell 1000 Value/ 8.33% Russell 2000/ 25% MSCI EAFE + Canada/ 8.33% MSCI EM/ 8.34% Russell 3000 + 5% through 9/08; currently 16.67% Russell 1000 Growth/ 16.67% Russell 1000 Value/ 8.33% Russell 2000/ 13.33% MSCI EAFE + Canada/ 8.33% MSCI EM/ 25% MSCI World/ 11.67% Russell 3000 + 5%.

⁶ SB Large Pension Fund through 6/00; 96.61% SB Large Pension Fund/ 3.39% SB High Yield Market Index through 12/03; 96.61% LB Aggregate/ 3.39% SB High Yield Market Index through 06/04; 93.22% LB Aggregate/ 6.78% Citigroup High Yield Index through 03/05; 93.22% LB Aggregate/ 6.78% Lehman US Corp High Yield Index through 03/06; LB Universal through 9/07; 66.67% Lehman Long Treasury/ 33.33% Lehman Intermediate Gov-Credit through 9/08; currently 80% BC Long Treasury/ 20% BC Intermediate Gov-Credit.

⁷ 6-month T-Bill + 300 bps through 3/03; 70% 3-month LIBOR/ 30% S&P 500 through 9/07; currently 3-month LIBOR + 2%.

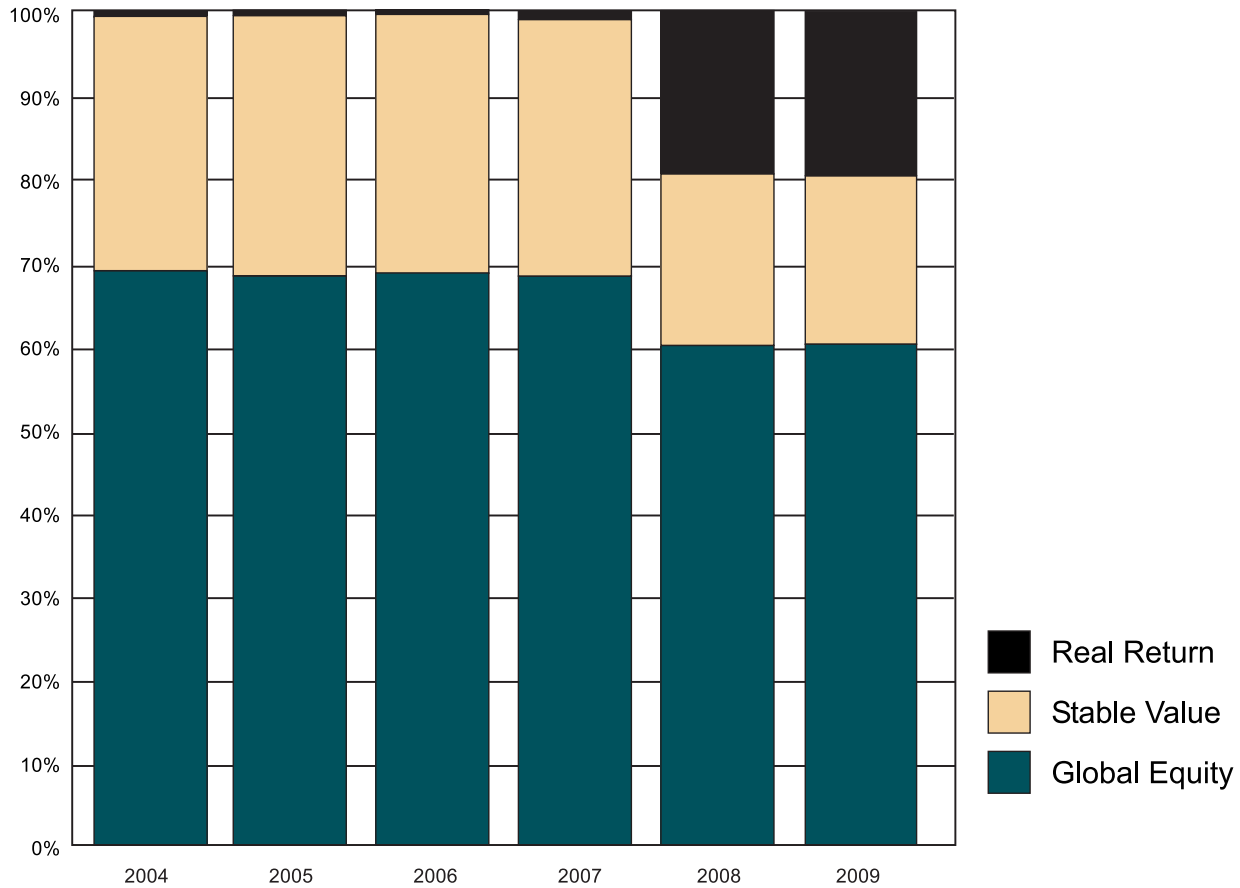
⁸ 95% SB Large Pension Fund/ 5% 91-day T-bill through 12/99; 97.3% SB Large Pension Fund/ 2.7% 91-day T-bill through 6/00; 90.48% SB Large Pension Fund/ 3.17% SB High Yield Index/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 12/03; 90.48% LB Aggregate/ 3.17% SB High Yield Index/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 06/04; 87.3% LB Aggregate/ 6.35% Citigroup High Yield Index/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 03/05; 87.3% LB Aggregate/ 6.35% Lehman High Yield/ 4.76% Hedge Fund Composite/ 1.59% 91-day T-Bill through 03/06; 93.63% LB Aggregate/ 4.77% Hedge Fund Composite/ 1.6% 91-day T-Bill through 9/07; 50% Lehman Long Treasury/ 25% Lehman Intermediate Gov-Credit/ 20% Hedge Fund Composite/ 5% 91-day T-Bill through 9/08; currently 60% Lehman Long Treasury/ 15% Lehman Intermediate Gov-Credit/ 20% Hedge Fund Composite/ 5% 91-day T-Bill.

⁹ Index established 4/2006, NCREIF Property Index (1 quarter lag) + 200 bps through 9/07; Core: NCREIF ODCE/Oppportunistic: NCREIF ODCE +2% through 9/08; currently Core: NCREIF ODCE/Oppportunistic: NCREIF ODCE +2% /Value-Added NCREIF ODCE +1%.

¹⁰ Index established 4/2006, NCREIF Property Index (1 quarter lag) + 200 bps through 9/07; 50% LB Global Inflation Linked Bond Index/ 20% Real Estate Composite Index/ 5% US Core CPI + 5%/ 15% Goldman Sachs Commodity Index/ 10% NAREIT Index through 9/08; currently 25% BC Global Inflation Linked Bond Index/ 25% BC US TIPS Index/ 25% Real Estate Composite Index/ 5% US Core CPI + 5%/ 10% Goldman Sachs Commodity Index/ 10% NAREIT Index.

Asset Allocation

PENSION TRUST FUND - FOR PERIODS ENDED JUNE 30



	2004	2005	2006	2007	2008	2009	Averages		
							3 Years	5 Years	10 Years
Public Equity	68.6%	67.2%	67.1%	66.2%	55.0%	53.7%	58.3%	61.9%	63.9%
Private Equity	1.1%	1.7%	2.2%	2.7%	5.4%	6.6%	4.9%	3.7%	2.1%
TOTAL GLOBAL EQUITY	69.7%	68.9%	69.3%	68.9%	60.4%	60.3%	63.2%	65.6%	66.0%
Fixed Income ¹	27.4%	27.6%	27.7%	26.3%	16.2%	15.3%	18.9%	22.4%	26.9%
Short-Term	1.2%	1.8%	1.1%	1.9%	1.5%	1.7%	2.1%	1.9%	1.4%
Hedge Funds	1.3%	1.4%	1.7%	2.0%	3.7%	4.3%	3.3%	2.6%	1.6%
TOTAL STABLE VALUE	29.9%	30.8%	30.5%	30.2%	21.4%	21.3%	24.3%	26.9%	29.9%
Global Inflation Linked									
Bonds	0.0%	0.0%	0.0%	0.0%	9.9%	10.0%	6.5%	3.9%	2.0%
Commodities	0.0%	0.0%	0.0%	0.0%	4.1%	1.9%	2.0%	1.2%	0.6%
REITS ²	0.0%	0.0%	0.0%	0.0%	1.2%	1.8%	1.1%	0.7%	0.3%
Real Estate	0.4%	0.3%	0.2%	0.9%	2.7%	4.2%	2.6%	1.5%	1.1%
Other Real Assets	0.0%	0.0%	0.0%	0.0%	0.3%	0.5%	0.3%	0.2%	0.1%
TOTAL REAL RETURN	0.4%	0.3%	0.2%	0.9%	18.2%	18.4%	12.5%	7.5%	4.1%

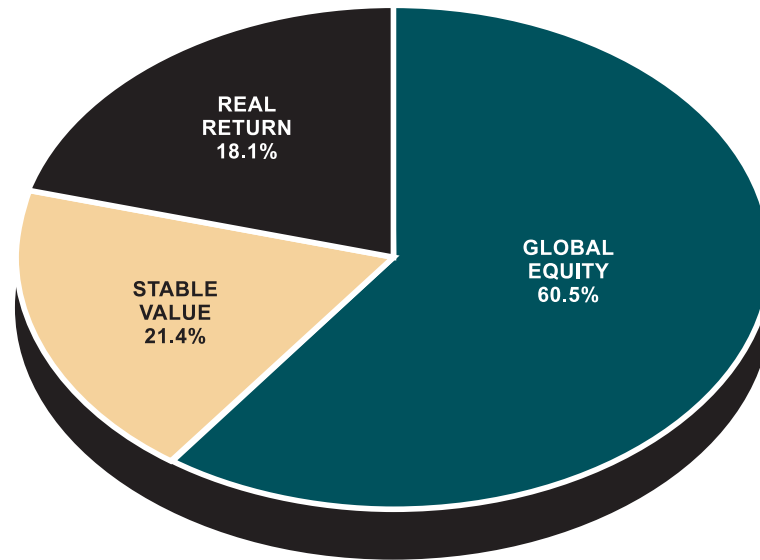
¹ Does not include Global Inflation Linked Bonds in Real Return Portfolio.

² Dedicated portfolio in addition to Global Equity holdings.

Asset Allocation

PENSION TRUST FUND - AUGUST 31, 2009

**Asset Allocation
Actual at Fiscal Year End**



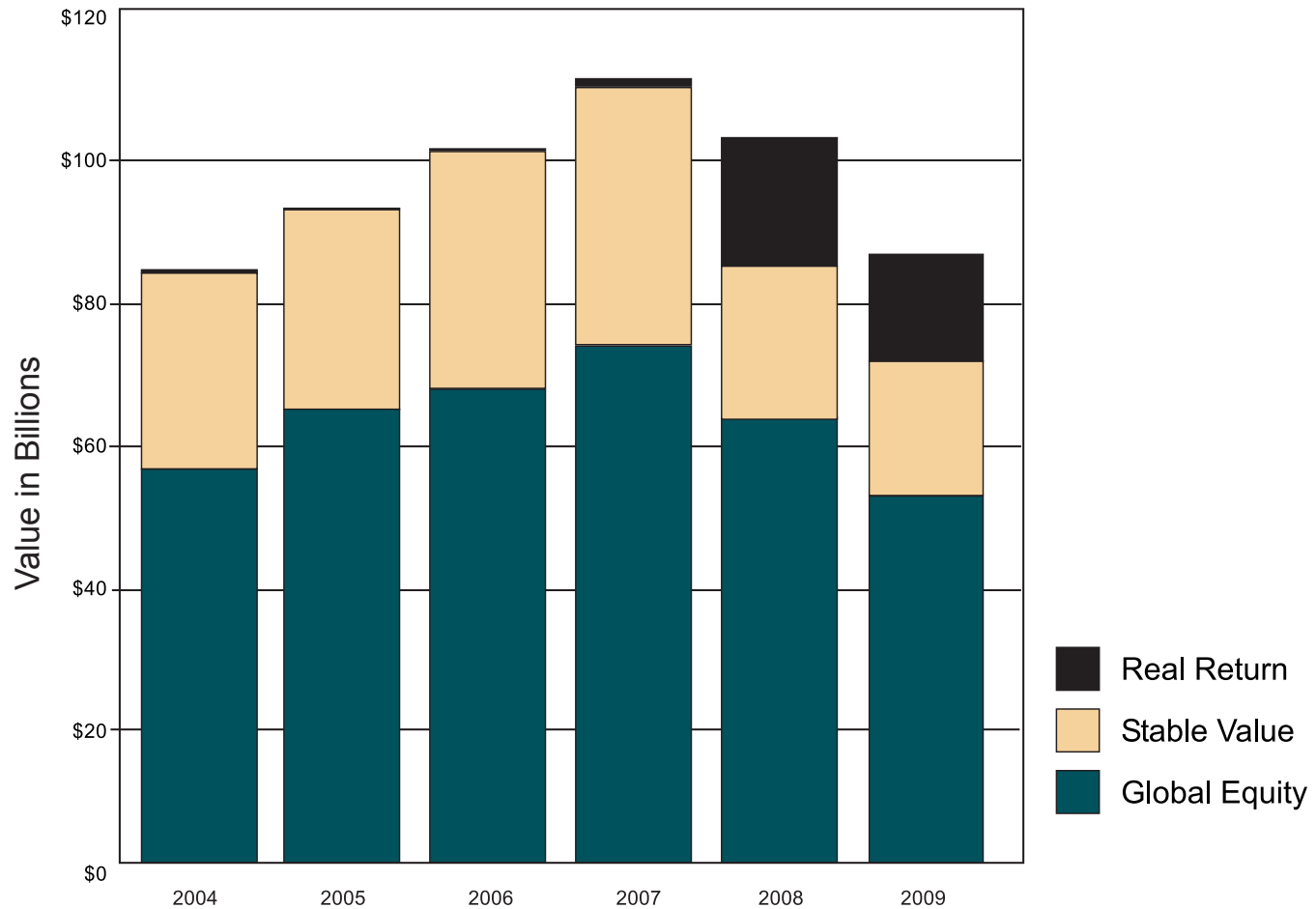
	POLICY RANGES			Actual
	Low	High	Neutral	
Public Equity	48.0%	58.0%	53.0%	53.8%
Private Equity	2.0%	12.0%	7.0%	6.7%
TOTAL GLOBAL EQUITY	55.0%	65.0%	60.0%	60.5%
Fixed Income ¹	10.0%	20.0%	15.0%	14.3%
Short-Term	0.0%	6.0%	1.0%	3.0%
Hedge Funds	0.0%	15.0%	4.0%	4.1%
TOTAL STABLE VALUE	15.0%	25.0%	20.0%	21.4%
Global Inflation Linked Bonds	0.0%	20.0%	10.0%	9.7%
Commodities	0.0%	7.0%	2.0%	1.9%
REITS ²	0.0%	7.0%	2.0%	2.2%
Real Estate	0.0%	10.0%	5.0%	3.6%
Other Real Assets	0.0%	6.0%	1.0%	0.7%
TOTAL REAL RETURN	15.0%	25.0%	20.0%	18.1%
TOTAL				100.0%

¹ Does not include Global Inflation Linked Bonds in Real Return Portfolio.

² Dedicated portfolio in addition to Global Equity holdings.

Investment Summary

PENSION TRUST FUND - AUGUST 31



	2004	2005	2006	2007	2008	2009
Public Equity	\$ 55.836	\$ 63.571	\$ 65.836	\$ 70.255	\$ 58.313	\$ 47.232
Private Equity	1.027	1.753	2.321	3.794	6.055	5.866
TOTAL GLOBAL EQUITY	\$ 56.863	\$ 65.324	\$ 68.157	\$ 74.049	\$ 64.368	\$ 53.098
Fixed Income ¹	\$ 23.070	\$ 24.723	\$ 27.184	\$ 31.358	\$ 15.674	\$ 12.544
Short-Term	3.027	1.921	3.975	1.683	1.128	2.588
Hedge Funds	1.106	1.223	1.681	2.817	3.998	3.575
TOTAL STABLE VALUE	\$ 27.203	\$ 27.867	\$ 32.840	\$ 35.858	\$ 20.800	\$ 18.707
Global Inflation Linked Bonds	\$ n/a	\$ n/a	\$ n/a	\$ n/a	\$ 10.242	\$ 8.536
Commodities	n/a	n/a	n/a	n/a	3.214	1.697
REITS ²	n/a	n/a	n/a	n/a	1.803	1.934
Real Estate	0.345	0.138	0.261	1.214	3.219	3.152
Other Real Assets	n/a	n/a	n/a	n/a	0.429	0.589
TOTAL REAL RETURN	\$ 0.345	\$ 0.138	\$ 0.261	\$ 1.214	\$ 18.907	\$ 15.908
TOTAL	\$ 84.411	\$ 93.329	\$ 101.258	\$ 111.121	\$ 104.075	\$ 87.713

¹ Does not include Global Inflation Linked Bonds in Real Return Portfolio.

² Dedicated portfolio in addition to Global Equity holdings.

Investment Summary

PENSION TRUST FUND - AUGUST 31

	PERCENTAGE OF MARKET VALUES					
	2004	2005	2006	2007	2008	2009
Public Equity	66.2%	68.1%	65.0%	63.3%	56.0%	53.8%
Private Equity	1.2%	1.9%	2.3%	3.4%	5.8%	6.7%
TOTAL GLOBAL EQUITY	67.4%	70.0%	67.3%	66.7%	61.8%	60.5%
Fixed Income ¹	27.3%	26.5%	26.8%	28.2%	15.1%	14.3%
Short-Term	3.6%	2.1%	3.9%	1.5%	1.1%	3.0%
Hedge Funds	1.3%	1.3%	1.7%	2.5%	3.8%	4.1%
TOTAL STABLE VALUE	32.2%	29.9%	32.4%	32.2%	20.0%	21.4%
Global Inflation Linked Bonds	n/a	n/a	n/a	n/a	9.9%	9.7%
Commodities	n/a	n/a	n/a	n/a	3.1%	1.9%
REITS ²	n/a	n/a	n/a	n/a	1.7%	2.2%
Real Estate	0.4%	0.1%	0.3%	1.1%	3.1%	3.6%
Other Real Assets	n/a	n/a	n/a	n/a	0.4%	0.7%
TOTAL REAL RETURN	0.4%	0.1%	0.3%	1.1%	18.2%	18.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

¹ Does not include Global Inflation Linked Bonds in Real Return Portfolio.

² Dedicated portfolio in addition to Global Equity holdings.

Largest Holdings

PENSION TRUST FUND - AUGUST 31, 2009

Top Ten Domestic Equity Market Holdings

<u>Issuer Name</u>	<u>Market Value</u>	<u>Total Shares</u>
ISHARES - Russell 2000 Index	\$ 1,594,850,760	27,906,400
ISHARES - Dow Jones US Real Estate Index	945,457,654	23,281,400
Exxon Mobil Corp.	576,434,815	8,336,006
Microsoft Corp.	471,106,585	19,111,829
Apple, Inc.	409,449,549	2,434,157
Johnson & Johnson	379,865,219	6,284,997
International Business Machines	378,638,292	3,207,440
Cisco Systems, Inc.	318,741,394	14,756,546
Procter & Gamble Co.	304,905,684	5,634,923
JP Morgan Chase & Co.	298,274,715	6,863,201
	<u>\$ 5,677,724,667</u>	<u>117,816,899</u>

Top Ten International Equity Market Holdings

<u>Issuer Name</u>	<u>Market Value</u>	<u>Total Shares</u>
ISHARES - MSCI EAFE Index Fund	\$ 656,146,363	12,455,322
ISHARES - MSCI Emerging Market Index Fund	534,171,940	15,128,064
BP p.l.c.	198,442,454	22,886,980
HSBC Hldgs	159,783,699	14,586,937
Samsung Electronic	150,335,431	243,520
Nestle SA	133,550,554	3,209,252
Vodafone Group	129,350,754	59,763,555
Toyota Motor Corp.	127,815,789	2,971,637
Sanofi Aventis	125,867,031	1,853,533
Telefonica SA	116,210,797	4,603,771
	<u>\$ 2,331,674,812</u>	<u>137,702,571</u>

Largest Holdings

PENSION TRUST FUND - AUGUST 31, 2009

Top Ten Fixed Income Market Holdings

<u>Description</u>	<u>Market Value</u>	<u>Par Value</u>
U.S. TREASURY 3.000% due 15 Jul 2012	\$ 533,189,525	\$ 506,742,628
U.S. TREASURY 2.375% due 15 Jan 2025	374,930,874	366,232,844
U.S. TREASURY 1.875% due 15 Jul 2015	363,533,959	358,380,448
U.S. TREASURY 2.000% due 15 Jul 2014	351,230,858	343,660,028
U.S. TREASURY 3.625% due 15 Apr 2028	349,991,314	290,487,794
U.S. TREASURY 2.000% due 15 Jan 2014	339,460,808	332,856,926
U.S. TREASURY 3.875% due 15 Apr 2029	322,726,958	257,345,708
U.S. TREASURY 2.000% due 15 Jan 2016	298,383,045	292,578,292
U.S. TREASURY 2.125% due 15 Jan 2019	291,365,584	282,322,785
U.S. TREASURY 2.625% due 15 Jul 2017	285,810,882	268,012,192
	<u>\$ 3,510,623,807</u>	<u>\$ 3,298,619,645</u>

Note: A complete listing of portfolio holdings is available by contacting the TRS Communications Department.

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

Fund Name	Fees
32 Capital Fund LTD	\$ 1,574,411
Acadian Asset Management, LLC	520,564
ACI Multi-Strategy Market Neutral Fund LTD	1,166,397
Advent Convertible Arbitrage Fund	79,339
Advent International GPE VI-A, L.P.	2,763,573
AEW Senior Housing Investors, L.P.	41,065
AllianceBernstein, L.P.	564,374
Alpha Private Equity Fund V, L.P.	174,942
Alterna Core Capital Assets Fund, L.P.	1,174,451
AMB Institutional REIT III, Inc.	1,453,512
Amici Fund International LTD	5,535,866
Apax Europe V	1,162,734
Apax Europe VII-A	5,284,238
Apollo Credit Opportunity Fund II, L.P.	266,298
Apollo Investment Fund VII, L.P.	6,582,805
AQR Global Stock Selection Fund	1,043,293
ARA Asia Dragon LTD	2,217,793
Artio Global Investment Management, LLC	522,253
Artisan Partners Limited Partnership	1,285,641
Austin Ventures VIII, L.P.	669,003
Avenue International LTD	294,314
Avenue Special Situations Fund V, L.P.	6,874,992
Bain Capital Fund VIII, L.P.	775,844
Bain Capital VII Coinvest Fund, L.P.	289,465
Bain Capital VIII Coinvest Fund, L.P.	744,879
Baring International Investment LTD	359,718
Bay Resource Partners Offshore Fund LTD	383,691
Black Diamond Relative Value LTD	2,429,866
BlackRock Diamond Property Fund, Inc.	2,188,167
BlackRock Financial Management, Inc.	1,189,960
BlackRock Retail Opportunity Fund, LLC	2,510,117
Blackstone Capital Partners V, L.P.	3,342,381
Blackstone RE Partners Europe III	3,120,765
Blackstone Real Estate V	1,669,157
Blackstone Real Estate VI	3,750,000
Bluebonnet Iam LTD	933,446
BlueTrend Fund LTD	732,337
Brencourt Arbitrage International II LTD	291,600
Bridgepoint Europe IV	3,023,415

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Fund Name	Fees
Camden Multifamily Value Add Fund, L.P.	\$ 1,800,000
Candover 2001 Fund, L.P.	73,024
Cantillion Pacific LTD	48,698
Capmark Comm Realty Partners II, L.P.	967,842
Capmark Commercial Realty Partners III, L.P.	1,990,868
Capmark Structured RE Partners, L.P.	1,497,261
Capri Urban Investors, LLC	1,124,960
Carlyle Europe Partners III, L.P.	2,156,246
Carlyle Europe Real Estate Partners III, L.P.	2,118,238
Carlyle Partners III, L.P.	216,314
Carlyle Partners IV, L.P.	1,144,982
Carlyle Partners V, L.P.	5,714,664
Carlyle Realty Partners V, L.P.	1,500,000
CBRE Strategic Partners U.S. Opp V	646,623
CBRE Strategic Partners U.S. Value Fund 5, L.P.	326,909
Cerberus Institutional (Series Four), L.P.	1,478,112
Charterhouse Capital Partners IX, L.P.	2,747,248
Charterhouse Capital VIII, L.P.	1,256,742
CIM Fund III, L.P.	2,812,500
CIM Urban REIT, LLC	1,188,528
Clayton, Dubilier & Rice Fund VIII, L.P.	1,754,753
Colony Distressed Credit Fund, L.P.	274,533
Colony Investors VIII, L.P.	3,133,467
Congress Avenue Partners	26,565
CPI Capital Partners Europe, L.P.	1,583,419
Credit Suisse CFG Middle Market Buyout	1,263,587
Credit Suisse CFG RE-UP Bridge Program	88,375
Crestview Partners II, L.P.	5,590,626
CSFB Emerging Opportunities Fund, L.P.	3,005,854
CVC Capital Partners Asia Pacific III, L.P.	4,779,779
CVC European Equity Partners IV, L.P.	214,634
CVC European Equity Partners Tandem Fund	744,230
CVC European Equity Partners V, L.P.	4,200,412
Deephaven Global Multi-Strategy Fund LTD	932,672
DePrince, Race & Zollo, Inc.	353,605
Dimensional Fund Advisors, L.P.	911,029
Double Black Diamond Ltd - Series A - Unrestricted	3,775,179
Eaton Vance Management	724,087
EnCap Energy Capital Fund VII, L.P.	1,465,733

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Fund Name	Fees
EnCap Energy Infrastructure Fund, L.P.	\$ 1,086,874
ESL Limited	2,867,628
FC Co-Investment Partners, L.P.	1,000,000
First Reserve Fund X, L.P.	454,852
First Reserve Fund XI, L.P.	1,370,000
First Reserve Fund XII, L.P.	691,667
Five Arrows Securities V, L.P.	1,589,376
Five Mile Capital Partners II, L.P.	3,000,000
Focus Select Fund LTD	1,382,523
Footbridge Captital Fund, Inc.	122,456
ForeERISA Fund Class E	1,879,887
Forum Asian Realty Income II, L.P.	1,129,929
Forum Europe Realty Income III, L.P.	1,436,466
GCM Little Arbor Partners (Cayman) LTD	1,432,981
GoldenTree High Yield Fund LTD	1,016,949
Goldman Sachs Asset Management, L.P.	154,735
Gores Capital Partners II	750,295
Gramercy Emerging Markets Fund	392,001
Green Equity Investors V, L.P.	1,697,687
GSO Special Situations Fund, L.P.	1,084,586
Halcyon European Structured Opportunities Offshore Fund LTD	473,422
Halcyon Offshore Fund LTD	2,352,052
Heitman America Real Estate Trust, L.P.	471,564
Hellman & Friedman Capital Partners V	333,378
Hellman & Friedman Capital Partners VI	744,790
Henderson Japan Absolute Return Fund LTD	647,381
Henderson Japan Select Absolute Return Fund LTD	353,977
HgCapital 5, L.P.	683,438
Highland Capital Partners VI - B, L.P.	937,639
Hunter Global Investors Offshore Fund	529,692
Investcorp Waterloo Macro Fund LTD	1,371,381
Iron Point Real Estate Partners-TE, L.P.	1,212,619
Ivory Offshore Flagship Fund LTD	1,850,505
Ivory Offshore Long-Term Fund LTD	481,558
J.H. Whitney V, L.P.	868,185
J.H. Whitney VI, L.P.	1,001,430
JP Morgan Asset Management, Inc.	1,856,417
Jennison Associates, LLC	317,819
JL Partners, L.P.	331,748

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Fund Name	Fees
Kelso Investment Associates VII, L.P.	\$ 272,251
Kelso Investment Associates VIII, L.P.	4,448,324
KKR FI Partners I, L.P.	982,654
Kohlberg TE Investors VI, L.P.	1,963,299
L&B Diversified Strategy Partners, L.P.	1,224,595
Lazard Asset Management, LLC	1,712,791
Lee Equity Partners, L.P.	2,883,225
Lehman Brothers Mezzanine Partners II	1,563,282
Level Global, L.P.	751,946
Level Global Overseas Institutional LTD	2,269,740
Lindsay Goldberg III, L.P.	4,085,372
Lion Capital Fund I, L.P.	812,044
Lion Capital Fund II, L.P.	5,151,382
Longacre International LTD	642,640
MacFarlane Urban Real Estate Fund II, L.P.	1,125,000
Madison Dearborn Capital Partners IV, L.P.	252,889
Marathon Asset Management	843,560
McDonnell Loan Opportunity Fund (Offshore)	133,889
MKP Credit Offshore	1,070,557
Mondrian Investment Partners LTD	558,357
Morgan Stanley Infrastructure Partners, L.P.	3,000,000
Morgan Stanley Investment Management, Inc.	1,906,582
Morgan Stanley RE Mezzanine Partners A, L.P.	282,329
Nautic Partners V, L.P.	550,080
Neuberger Berman, LLC	1,175,392
New Enterprise Associates XIII, L.P.	497,467
Nordic Capital Fund V	202,153
NuWave Offshore Fund LTD	663,056
Oak Investment Partners X, L.P.	1,295,586
Oak Investment Partners XI, L.P.	1,493,961
Oak Investment Partners XII, L.P.	2,052,735
Oaktree Loan Fund 2x, L.P.	1,244,986
Oaktree TT Multi-Strategy Fund, L.P.	1,163,309
OCM Opportunities Fund VI, L.P.	306,796
OCM Opportunities Fund VII, L.P.	838,716
OCM Opportunities Fund VIIb, L.P.	1,558,477
O'Connor Global Fundamental Market Neutral L/S LTD	4,510,118
Omega Advisors, Inc.	985,357
Onex Partners II, L.P.	1,194,965

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Fund Name	Fees
Onex Partners III, L.P.	\$ 3,177,886
Onex Partners, L.P.	347,911
Permira Europe III	651,529
Permira IV	2,549,499
Perry Partners Class D	689,712
Perry Partners Class F	1,216,698
Perry Partners Class S	88,166
Perry Partners Class SB	29,801
Pimco Distressed Mortgage Fund, L.P.	4,534,408
PLA Residential Fund III, L.P.	1,772,723
PLA Residential Fund IV	1,342,881
PLA Retail Fund I, L.P.	561,908
Platinum Equity Capital Partners II, L.P.	1,575,666
Polaris Venture Partners IV, L.P.	1,078,289
PREI Mezzanine Fund I, L.P.	760,115
Prime Property Fund, LLC	2,092,507
Principal Green Property Fund I, L.P.	613,717
Principal Green Property Sidecar I, L.P.	23,814
Principal RE Strategic Debt Fund I, L.P.	293,711
PRISA	304,983
PRISA II	739,181
ProLogis Mexico Industrial Fund I, L.P.	460,117
Providence Equity Partners V, L.P.	3,853
Providence Equity Partners VI, L.P.	998,387
Quad-C Partners VI, L.P.	5,963
Quad-C Partners VII Co-Investment, L.P.	140,379
Quad-C Partners VII, L.P.	1,146,138
RAB-Northwest Fund LTD	763,928
Red River HYPI	3,003,482
Republic Loan Funding LTD	1,710,120
RLJ Real Estate Fund III	2,234,204
RMBS Opportunities Fund, L.P.	1,405,911
RREEF America REIT III, Inc.	1,056,415
RWC Pilgrim Fund	96,961
Sasco Capital, Inc.	500,915
Satellite Overseas Fund	1,236,418
Security Capital Income Opportunity	88,493
Shepherd Investments International LTD	1,332,471
Sidus Investments LTD	193,961

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Fund Name	Fees
Square Mile Partners III, L.P.	\$ 1,561,229
SteelRiver Infrastructure Fund NA	4,211,507
STG Capital Fund LTD	797,813
Stockbridge Real Estate Fund II, L.P.	1,169,547
Stockbridge Real Estate Fund III A, L.P.	2,570,166
Stratford Land Fund III, L.P.	1,793,322
TA X, L.P.	596,374
TPG [STAR], L.P.	2,366,999
TPG Partners IV, L.P.	1,833,028
TPG Partners V, L.P.	1,386,839
TPG Partners VI, L.P.	4,314,910
Tricon IX, L.P.	1,175,000
Triton Fund II, L.P.	140,465
Vicis Capital Fund (International)	2,795,982
Walker Smith International Fund	1,014,017
Walton Street Real Estate Fund Sidecar V, L.P.	181,873
Walton Street Real Estate Fund V, L.P.	1,110,819
Walton Street Real Estate Fund VI	1,147,147
Warburg Pincus Private Equity X, L.P.	3,749,985
Wayzata Opportunities Fund II, LLC	3,502,308
Westwood Management Corp.	394,827
Willis Stein & Partners III, L.P.	443,680
Wolverine Convertible Arbitrage Fund LTD	3,754,851
Zaxis Institutional Offshore	186,496
Zaxis Offshore LTD	609,803
Zazove Offshore Hedged Convertible	343,111
Total	\$ 317,624,032

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Abel Noser Corporation	7,291,948	\$ 217,565	\$ 0.024
ABN AMRO Bank NV	2,479,820	106,063	0.044
Alfa Capital	2,662,076	148	0.008
American Technology Research, Inc.	40,700	1,506	0.037
Auerbach Grayson	337,305	13,492	0.040
Automated Trading Desk Financial Service	274	5	0.020
Avondale Partners, LLC	130,259	4,821	0.037
Baird, Robert W. & Company, Inc.	722,730	30,797	0.045
Bank of America Securities, LLC	10,588,923	205,144	0.019
Barclays Capital, Inc.	210,837,813	5,642,432	0.022
Baypoint Trading, LLC	1,596,000	21,578	0.023
Benchmarkco, Inc.	13,900	417	0.030
Bley Investment Group	6,007,856	180,236	0.030
Bloombergtradebook, LLC	2,487,682	47,608	0.013
Bluefin Research Partner, Inc.	5,442	201	0.036
BMO Capital Markets	4,582,581	130,117	0.038
BNY Brokerage, Inc.	15,245,090	752,442	0.037
BNY Convergenx	15,296,325	630,422	0.033
BOE Securities, Inc./Broadcort Cap Corp.	2,537,100	47,850	0.029
Broadpoint Capital	6,800	252	0.037
Brockhouse & Cooper, Inc. Montreal	55,137	900	0.020
B-Trade Services, LLC	32,688,799	417,407	0.019
Buckingham Research Group, Inc.	73,800	2,768	0.038
BZW New Zealand, LTD	2,160	97	0.045
Cabrera Capital Markets	2,838,320	85,150	0.030
Calyon Direct Access	200	4	0.020
Canaccordadams, Inc.	16,100	725	0.045
Cantor Fitzgerald & Co.	22,512,466	501,690	0.029
Capital Institutional Services, Inc.	4,241,417	212,071	0.050
Chapdelaine Institutional	33,100	993	0.030
CIBC World Markets Corp.	36,350	1,454	0.040
Citation Group	98,100	1,862	0.024
Citigroup Global Markets, Inc.	122,861,692	2,418,090	0.020
CLSA LTD, HK	15,095	679	0.045
Collins Stewart, Inc.	64,500	1,290	0.020
Compass Point Research & Trading	72,900	2,916	0.040
Cowen & Company, LLC	2,821,990	90,746	0.037
CPR Paris	3,093,178	92,795	0.030

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Credit Agricole Indosuez	219,960	\$ 451	\$ 0.020
Credit Research & Trading, LLC	35,600	1,317	0.037
Credit Suisse First Boston	178,872,943	4,943,085	0.020
Credit USA	1,282,605	28,990	0.024
CSI US Institutional Desk	16,186	606	0.038
Cuttone & Co, Inc.	14,200	284	0.020
Davidson D.A. & Company, Inc.	35,400	1,593	0.045
Dematted Monness, LLC	85,200	852	0.010
Desjardins Securities International, Inc.	20,489	758	0.037
Deutsche Bank Securities, Inc.	43,859,539	744,879	0.021
Direct Trading Institutional, Inc.	397,653	11,930	0.030
East Shore Partners, Inc.	23,100	924	0.040
Euroclearbank SA, NV	35,650	334	0.009
Fidelity Capital Markets	37,600	876	0.026
Financial Brokerage Group	102,400	2,789	0.027
First Analysis Securities Corp.	2,739	101	0.036
First Clearing, LLC	50,000	2,000	0.040
Fortis Clearing Americas, LLC/Retail	601,909	15,048	0.025
Fox-Pitt Kelton, Inc.	204,046	5,693	0.038
Friedman, Billings & Ramsey	206,900	8,031	0.044
Gabelli & Company	8,161	302	0.037
Goldman Sachs & Co.	137,617,612	2,684,229	0.021
Gordon, Haskett & Co.	96,200	3,836	0.036
Gunnallen Financial	370,400	8,209	0.023
Guzman & Co.	6,152,500	147,716	0.026
Harris Nesbitt Corp.	6,028,786	182,372	0.035
Howard Weil Division Legg Mason	99,900	4,125	0.045
HSBC Securities, Inc.	21,715,535	112,662	0.027
ICAP Securities LTD	6,664	119	0.017
ING Bank	1,471,967	7,211	0.021
Instinet	28,760,110	375,656	0.016
Invemed Associates	2,704	100	0.037
Investment Technology Group, Inc.	33,946,382	656,964	0.019
ISI Group, Inc.	643,161	25,267	0.040
JP Morgan Securities, Inc.	307,487,974	5,827,638	0.022
Jackson Securities	5,081,243	152,791	0.031
Janco Partners, Inc.	5,408	200	0.037
Janney Montgomery, Scott, Inc.	93,300	4,051	0.045

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Jefferies & Company, Inc.	24,309,402	\$ 645,033	\$ 0.029
Johnson Rice & Co.	3,200	144	0.045
Jones & Associates, Inc.	1,865,800	46,829	0.028
Kas-Associatie NV	50,000	2,000	0.029
Kaufman Brothers	2,739	101	0.036
Keefe Bruyette & Woods, Inc.	314,243	10,823	0.032
Kevin Dann Partners, LLC	15,700	707	0.045
Keybank Capital Markets, Inc.	342,390	14,752	0.044
King, CL & Associates, Inc.	7,684	231	0.030
Knight Securities	13,601,066	343,181	0.028
Labranchefinancial Services, LLC	555,525	13,850	0.026
Lazard Capital Markets, LLC	1,305,592	11,770	0.016
Leerink Swann & Company	198,210	7,751	0.039
Lehman Brothers, Inc.	50,399	2,180	0.026
Lighthouse Financial Group, LLC	300	11	0.037
Liquidnet, Inc.	8,492,996	169,390	0.024
Longbow Securities, LLC	59,200	2,368	0.040
Loop Capital Markets, LLC	4,122,905	123,687	0.030
Macquariebank Limited	958,583	30,302	0.039
Magavceo Lee & Co	102,300	4,092	0.040
Magna Securities Corp.	5,132,232	152,938	0.025
Merrill Lynch	90,553,154	1,702,324	0.028
Mesirow & Company	1,406,700	28,134	0.020
Midwest Research Securities	77,230	3,089	0.040
Midwood Securities	54,132	2,082	0.037
Miller Tabak & Company, LLC	132,000	5,382	0.033
Morgan Stanley Co., Inc.	219,776,521	4,834,402	0.041
M.R. Beal & Company	689,900	20,697	0.030
Natexis Bleichroeder, Inc.	63,100	2,678	0.043
National Financial Services Corp.	1,355,800	52,892	0.043
Needham & Company	2,250	90	0.040
Nomura Securities International, Inc.	238,900	6,532	0.020
Nutmeg Securities	22,700	908	0.040
Nyfix Transaction Services	8,900	89	0.010
O'Connor & Co., LLC Retail	680,595	15,694	0.025
Oppenheimer & Co., Inc.	718,582	24,389	0.044
Oscar Gruss & Son, Inc.	5,535	205	0.037
Pacific Crest Securities	30,900	1,151	0.043

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
Pali Capital, Inc.	103,614	\$ 3,909	\$ 0.042
Pension Financial Services, Inc.	373,727	15,300	0.042
Pershing, LLC	10,604,331	325,825	0.037
Peters & Co. LTD	900	41	0.045
Pickering Energy Partners, Inc.	149,200	6,391	0.043
Pipeline Trading Systems, LLC	1,163,149	21,723	0.018
Piper Jaffray	1,411,530	50,699	0.042
Portales Partners, LLC	441,100	10,791	0.034
Pulse Trading, LLC	240,730	4,683	0.017
Raymond James & Associates, Inc.	754,000	32,147	0.044
RBC Capital Markets	13,006,340	280,634	0.055
Renaissance Capital LTD	5,750,807	18,061	0.019
Reynders, Gray & Company, Inc.	108,550	4,342	0.040
Ridge Clearing & Outsourcing Solutions	1,290,519	52,864	0.042
Rochdale Sec Corp.	855,950	32,956	0.036
Salomon Bros, Inc.	1,707,900	51,220	0.022
Samuel A Ramirez & Company, Inc.	525,100	13,089	0.025
Sanders Morris Harris	21,050	842	0.040
Sandler, O'Neill & Part, L.P.	6,100	305	0.050
Sanford C. Bernstein Co., LLC	10,977,837	259,575	0.021
Scotia Capital (USA), Inc.	13,800	552	0.040
Scott & Stringfellow, Inc.	100	5	0.045
SG Americas Securities, LLC	8,250	305	0.026
Sidoti & Company, LLC	7,961	239	0.030
Simmons & Company International	176,300	6,545	0.041
SMF Trading, Inc.	8,600	172	0.020
Sound Securities, LLC	3,600	72	0.020
Spear, Leeds & Kellogg	3,400	27	0.008
Stanford Group Co.	92,810	4,176	0.045
State Street Global Markets, LLC	9,600	324	0.030
Stephens, Inc.	99,416	4,106	0.044
Sterne, Agee & Leach, Inc.	30,991	1,147	0.037
Stifel Nicolaus & Co., Inc.	1,543,263	54,114	0.042
Suntrust Capital Markets, Inc.	450,940	18,051	0.040
Thinkequity Partners, LLC	26,300	973	0.037
Thomas Weisel Partners, LLC	222,300	8,060	0.037
Tristone Capital USA, Inc.	52,600	2,048	0.039
Troika Dialog (UK) Limited	433,953	9,616	0.031

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - Domestic	Shares Traded	Commissions Paid	Average Commission per Share
UBS AG	60,372,113	\$ 1,066,371	\$ 0.021
Utendahl Capital Partners, L.P.	510,000	15,300	0.030
Veritas Securities	18,500	370	0.020
VTB Bank Europe PLC	1,063,700	2,262	0.002
Wachovia Securities, LLC	252,500	10,446	0.044
Warburg Dillon Read Securities LTD	94,679,503	1,558,453	0.019
Wedbush Morgan Securities, Inc.	124,200	4,880	0.038
Weeden & Co.	35,713,509	636,935	0.026
Wells Fargo Securities, LLC	51,070	2,043	0.040
Wien Securities Corp.	219,300	2,193	0.010
William Blair & Company, LLC	171,300	7,503	0.044
Williams Capital Group, L.P.	1,393,710	38,353	0.030
Total	1,874,641,442	\$ 40,752,638	\$ 0.024

Futures Contracts Brokerage Firm - Domestic	Contracts Traded	Commissions Paid	Average Commission per Contract
Goldman Sachs & Co.	538,545	\$ 1,313,174	\$ 2.54
Morgan Stanley Co., Inc.	5,068	12,108	2.16
Total	543,613	\$ 1,325,282	\$ 2.35

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Abacus Securities Corporation	1,112,400	\$ 2,009	\$ 0.001
ABG Securities	442,138	10,309	0.756
ABM AMRO Securities, Inc.	130,373,738	91,758	0.043
Adams Harkness & Hill, Inc.	3,271	121	0.036
Agora Corde Titul E Val Mob	78,300	1,720	0.019
Alpha Finance	6,295	355	0.056
Arbuthnot Securities LTD	80,696	1,626	0.027
AS Hansapank	321,700	819	0.002
ATA Securities, Inc. (Istanbul)	584,580	3,963	0.028
Atlantik Financni Trhy	11,115	2,551	0.335
Banca Commerciale Italiana Milan	37,931	1,155	0.030
Banco Bilbao Vizcaya Argentari	403,260	11,811	0.037
Banco De Chile Santiago	33,407	552	0.016
Banco Pactual S.A.	1,581,365	22,537	0.031
Banco Santander	4,599,962	48,726	0.019
Banco Schahin S.A.	41,000	1,356	0.032
Bank Am Bellevue	155,249	6,408	0.052
Bank Austria Creditanstalt AG	662,544	9,552	0.043
Bank J.Vontobel Und, Co. AG	25,555	559	0.303
Bank Of China International UK LTD	2,202,200	7,815	0.003
Bank Of New York Brussels	2,685	18	0.006
Banque Paribas Frankfurt	31,208	1,935	0.062
Barclays Capital	12,800	471	0.036
Barnard Jacobs Mellet UK	93,310	1,285	0.025
BMO Capital Markets	158,400	3,388	0.021
BNP Paribas	1,252,124	18,936	0.033
BOE Stockbrokers (PTY) LTD	329,105	6,244	0.025
Bradesco S.A. CTVM	360,456	12,270	0.030
Brockhouse & Cooper, Inc., Montreal	1,376,482	10,373	0.009
CA LB Investment Bank AG	1,176,897	24,201	0.056
Canaccord Capital Corp.	20,800	708	0.033
Canadian Imperial Bank Of Commerce	123,802	3,960	0.031
Cantor Fitzgerald & Co.	6,207,298	16,572	0.018
Capital Institutional Services	2,010,127	18,583	0.063
Capital Markets Brokers LTD	473,400	6,673	0.018
Carnegie Bank	135,150	2,701	0.486
Casa De Bolsa Inverlat, S.A. DE C.V.	32,400	117	0.003
Cazenove & Co.	6,985,401	77,146	0.041

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Celfin International LTD	5,088,800	\$ 5,666	\$ 0.012
Central Securities Clearing System LTD	21,219,250	24,349	0.001
Centro Internationale Handelsbank	18,169	337	0.018
CIBC World Mkts, Inc.	19,888	651	0.032
Citigroup	151,631,510	743,283	0.073
CLSA Securities	24,674,090	35,528	0.190
Collins Stewart & Co.	136,464	2,292	0.013
Commerzbank AG	1,735	61	0.035
Credit Agricole Cheuvreux	180,000	6,228	0.034
Credit Agricole Indosuez	70,348,402	464,654	0.031
Credit Lyonnais Securities	82,922,649	118,278	0.111
Credit Suisse First Boston	273,851,722	1,315,106	0.005
Crestco LTD	4,089,348	41,705	0.015
D Carnegie AG	168,970	3,786	0.029
Daewoo Securities, Co. LTD	27,173	4,966	0.184
Daiwa Securities, Inc.	22,641,712	43,457	0.139
Databank Brokerage LTD	2,062,602	18,408	0.296
Davy	198,913	4,129	0.025
Den Norske Bank	43,382	2,185	0.069
Deutsche Bank	196,265,156	691,167	0.048
Deutsche Morgan Grenfell Securities	158,845	2,873	0.017
DNB Nor Markets Custody DNB Norbank ASA	178,822	5,676	0.070
Dongwon Securities	4,067	1,391	0.341
Dresdner Kleinwort Wasserstein	860,212	12,088	0.050
Dundas Unlu Securities, Inc.	657,170	2,821	0.007
Ekspres Yatirim Mankul	330,500	405	0.001
Erste Bank Der Oesterreichischen	5,300	1,345	0.255
ESN Northamerica, Inc.	88,122	4,088	0.055
Eugene Investment & Securities Co. LTD	93,497	21,298	0.329
Euroclearbank S.A.	739,380	5,374	0.010
Euromobiliare Sim S.P.A.	2,497,663	13,308	0.015
Evolution Beeson Gregory LTD	872,679	3,142	0.005
Exane S.A.	776,367	19,595	0.056
Execution LTD	265,282	1,496	0.015
Fearnly Fond AS	44,955	500	0.011
Financial Brokerage Group (FBG)	735,416	16,093	0.050
Finsettle Services PTY LTD	23,495	2,068	0.088
First Rand	25,400	500	0.019

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Fox-Pitt Kelton LTD	1,163,961	\$ 17,888	\$ 0.030
G Trade Services LTD	177,430	948	0.010
Garban Equities LTD London	771	21	0.027
GBM Grupobursatil Mexicano	355,176	1,808	0.005
Global Equities	212,858	2,034	0.010
Goldman Sachs & Co.	95,780,408	558,286	0.085
Goodbody Stockbrokers	45,449	1,488	0.032
Harris Nesbitt Corp.	621,000	5,780	0.014
HC Istanbul	3,283,496	20,054	0.008
Hedging Griffio Cor de Val S.A.	27,400	1,008	0.036
HSBC Securities, Inc.	231,753,422	579,016	0.103
HVB Capital Markets, Inc.	206,336	6,636	0.070
ICAP Securities LTD	93,213	1,668	0.025
Icatu DTVM LTDA	146,000	2,128	0.020
Ing Bank N.V.	1,808,646	34,322	0.130
Instinet	46,190,386	89,948	0.040
Interdin Bolsa S.V.B., S.A.	42,452	835	0.019
Intermonte Sec Sim Spa	259,507	3,681	0.011
Investec Securities	5,794,976	39,182	0.018
Investment Technology Group, Inc.	55,756,593	167,521	0.021
J B Were & Son	202,367	4,511	0.019
JP Morgan Securities, Inc.	801,586,250	4,010,164	0.105
Jefferies & Company, Inc.	3,174,989	22,741	0.028
Joh Berenberg Gossler & Co.	22,053	356	0.014
K & N Kenanga Sdn Bhd	138,700	828	0.005
Kas-Associatie N.V.	675,043	4,854	0.031
KB Securities N.V.	35,445	651	0.033
KBC Financial Products	528,127	11,048	0.293
Keefe Bruyette & Wood LTD	1,523,940	6,206	0.024
Kempen & Co. N.V.	550,732	5,728	0.011
Kepler Equities	332,130	11,318	0.055
Kestrel Capital East Africa LTD	9,825,100	27,855	0.007
KGI Securities (Hong Kong) LTD	3,378,575	6,832	0.004
Kleinwort Benson Securities LTD	55,095	956	0.017
Knight Securities International	270,560	1,559	0.004
Lazard Capital Markets, LLC	4,181,393	15,541	0.370
Leader & Co. Investments	94,260	957	0.010
Lehman Brothers International (Europe)	107,671	2,923	0.016

Schedule of Fees and Commissions

PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(continued)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Liquidnet, Inc.	1,715,960	\$ 9,850	\$ 0.019
Macquariebank LTD	125,654,478	210,788	0.111
Magna Securities Corp.	38,449,211	106,622	0.025
Mainfirst Securites	14,966,589	4,210	0.018
Man Financial LTD	2,193,461	25,105	0.030
MBI Corredores de Bolsa S.A.	9,817,323	3,496	0.003
Mediobanca Spa	298,190	4,420	0.019
Merrill Lynch & Co., Inc.	378,603,009	1,567,359	0.034
Mitsubishi UFJ Securities (USA)	481,700	4,784	0.016
Mizuho Securities USA, Inc.	5,378,249	22,973	0.205
Morgan Grenfell New York	98,500	1,536	0.027
Morgan Stanley	1,246,159,895	7,332,072	0.136
MSAS Singapore PTC LTD	72,000	94	0.001
Natexis Bleichroeder, Inc.	143,496	4,342	0.051
NBC Clearing Services Incorporated	104,326	828	0.008
NCB Stockbrokers LTD	419,919	4,984	0.026
Nesbitt Burns	9,406,765	217,145	0.025
Nomura International PLC	18,509,879	130,197	0.261
Nordea Bank Norge ASA	30,911	1,604	0.119
Nordic Partners	1,391	29	0.021
Numis Securities LTD	63,207	841	0.013
NZB Neue Zuercher Bank	71,341	3,130	0.502
Oddo Finance	31,587	1,107	0.048
Oppenheim, Sal., Jr Und Cie Koeln	481,863	15,042	0.051
Parel	20,062	75	0.003
Pareto Fonds	7,186	619	0.057
Paribas	18,083	227	0.012
Penson Financial Services Canada, Inc.	606,225	9,618	0.024
Pereire Tod Limited	108,299	1,092	0.010
Pershing Securities Limited	59,497,654	256,671	0.038
Petercam S.A.	614,804	8,134	0.046
Pt. Mandiri Sekuritas	179,000	1,915	0.010
Rabobank Netherland	23,380	1,505	0.254
Raiffeisen Bank Rt	401,221	3,470	0.015
Raymond James & Associates, Inc.	110,375	6,637	0.056
Rbc Dominion Securities	592,176	12,936	0.030
Redburn Partners, LLP	893,139	16,187	0.042
Ringfloorlimited	179,365	2,054	0.012

Schedule of Fees and Commissions

PENSION TRUST FUND

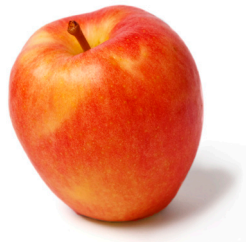
FOR THE FISCAL YEAR ENDED AUGUST 31, 2009

(concluded)

Brokerage Firm - International	Shares Traded	Commissions Paid	Average Commission per Share
Saloman Brothers, Inc.	708,264	\$ 2,529	\$ 0.003
Samsung Securities Co., LTD	104,490	11,244	0.256
Sanford C. Bernstein LTD	5,226,915	44,784	0.016
Santandercentral Hispano Bolsa	489,325	5,018	0.046
Scotia Capital Mkts	4,793	175	0.036
Seoul Securities Co. LTD	105,935	10,979	0.272
Sg Americas Securities, LLC	84,540,668	54,695	0.011
Sis Segaintersettle AG	16,790	1,060	0.113
Skandinaviska Enskilda Banken	614,481	16,395	0.310
Smith Barney Harris Upham & Co., Inc.	2,514,000	2,194	0.001
Societe Generale	7,368,766	58,304	0.018
Sprott Securities Limited	11,660	451	0.038
Standard Charter Bank Indonesia	31,000	118	0.003
State Of Israel Develop Corp.	155,700	505	0.003
State Street Bank & Trust Co.	3,401,011	41,441	0.041
Stockbrokers Botswana LTD	3,565,000	23,676	0.010
Svenska Handelsbanken	713,681	14,500	0.037
Swedbank	245,240	4,551	0.045
Teb Yatirim Menkul Degerler A.S.	908,622	5,668	0.005
Tel Aviv Stock Exchange Clearing House	5,560	561	0.059
Toronto Dominion Bank	3,443	119	0.034
UBS AG	568,367,860	1,206,739	0.033
Upline International S.A.	139,036	33,755	1.018
Vidacos Nominees Limited	754,828	404	0.001
Warburg Dillon Read and Associates	124,809,141	689,179	0.020
Wood and Company	297,902	4,706	0.144
Woori Investment Securities	549,508	12,484	0.150
Zannex Securities	416,998	4,041	0.019
Total	5,020,362,404	\$ 21,984,833	\$ 0.080

Futures Contracts Brokerage Firm - International	Contracts Traded	Commissions Paid	Average Commission per Contract
Goldman Sachs & Co.	65,575	\$ 288,715	\$ 5.58
Morgan Stanley Co., Inc.	4,465	12,759	3.32
Total	70,040	\$ 301,474	\$ 4.45

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ACTUARIAL Section



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November 5, 2009

BOARD OF TRUSTEES

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

Subject: Actuary's Certification of the Actuarial Valuation as of August 31, 2009

We certify that the information included herein and contained in the 2009 Actuarial Valuation Report is accurate and fairly presents the actuarial position of the Teacher Retirement System of Texas (TRS) as of August 31, 2009.

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

Actuarial Valuations

The primary purpose of the valuation report is to determine the adequacy of the current State contribution rate through measuring the resulting funding period, to describe the current financial condition of the System, and to analyze changes in the System's condition. In addition, the report provides information required by the System in connection with Governmental Accounting Standards Board Statement No. 25 (GASB No. 25), and it provides various summaries of the data.

Valuations are prepared annually, as of August 31 of each year, the last day of the System's plan and fiscal year.

Financing Objective of the Plan

Contribution rates are established by Law that, over time, are intended to remain level as a percent of payroll. The employee and State contribution rates have been set by Law and are intended to provide for the normal cost plus the level percentage of payroll required to amortize the unfunded actuarial accrued liability over a period not in excess of 31 years.

Progress Toward Realization of Financing Objective

The actuarial accrued liability, the unfunded actuarial accrued liability (UAAL), and the calculation of the resulting funding period illustrate the progress toward the realization of financing objectives. Based on this actuarial valuation as of August 31, 2009, the System's under-funded status has increased to \$21.6 billion from \$11.5 billion as of August 31, 2008. This increase in the UAAL is due to a loss on the actuarial value of assets of the System.

This valuation shows a normal cost equal to 10.42% of pay. The State set its contribution rate to 6.40% of pay as of September 1, 2009, which combined with the member contribution rate of 6.40% of pay provides a total contribution rate of 12.80% of pay. Therefore, there is 2.38% of pay available to amortize the UAAL. If payroll grows as expected, the contributions provided by this portion of the contribution rate are insufficient to amortize the current unfunded actuarial accrued liabilities of the System over any period of time (i.e. the funding period is never). Further, if the current assumptions are met (the trust earns an average 8.0% per annum) and the current 6.40% member and 6.40% State contribution rates continue, the fund is projected to remain solvent until the year 2058, after which the funding would return to a pay-as-you-go status. Therefore, for the current benefit structure to be sustainable, it is likely an increase in the contribution requirement will be needed.

The actuarial valuation report as of August 31, 2009 reveals that while the System has an unfunded liability in excess of \$21 billion, it still has a funded ratio (the ratio of actuarial assets to actuarial accrued liability) of 83.1%. However, because of the significant shortfall in investment income in FY2009, the System is now deferring net investment losses of \$17.7 billion compared to the last valuation when the System was deferring \$5.3 billion in net investment losses. Therefore, in the absence of actuarial gains in the future, the funded status of the System should decline as these deferred investment losses are recognized.

However, there has been a significant recovery since the February 28th update. As of the update, the UAAL was \$40.4 billion and the funded ratio was 67.7%. The increase from a 67.7% funded ratio to the current 83.1% is almost as dramatic as the decrease from the prior valuation. This illustrates the unique volatility during the past 24 months.

The System earned a negative (13.5)% return on a dollar-weighted market value of assets basis for the plan year ending August 31, 2009. The System experienced a loss on the actuarial value of assets of \$10.3 billion and a gain on the actuarial liabilities of \$0.3 billion for a total experience related loss of \$10.0 billion.

We normally only recognize 20% of a given year's investment income excess/(shortfall) in the valuation. However, with the sharp decline in the market value of assets this year, the preliminary actuarial value of assets was outside the 80%-120% market value corridor. Therefore, the actuarial value of assets was decreased until it was equal to 120% of the market value of assets. This resulted in the additional recognition of \$5.4 billion in investment losses in this valuation (or more than ½ of the actuarial loss on assets).

In the absence of significant actuarial gains in the near future, the contribution rate needed to amortize the UAAL over 30 years will increase over the next few valuation cycles.

Plan Provisions

The plan provisions used in the actuarial valuation are described in Table 21 of the valuation report. This valuation would reflect any changes to plan provisions as enacted by the 81st Texas Legislature, but there were no material changes passed by the legislature. Therefore, there have been no changes to the benefit provisions of the System since the prior valuation.

Disclosure of Pension Information

Effective for the fiscal year ending August 31, 1996, the Board of Trustees adopted compliance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 25. The required disclosure information is included in the body of the valuation report.

Actuarial Methods and Assumptions

The actuarial methods and assumptions have been selected by the Board of Trustees of the Teacher Retirement System of Texas based upon our analysis and recommendations. These assumptions and methods are detailed in Table 22 of the valuation report. The Board of Trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions are based on a study of actual experience for the four year period ending August 31, 2007 and were adopted on April 11, 2008. There have been no changes to these assumptions since the prior valuation.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. The actuarial calculations are intended to provide information for rational decision making.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are internally consistent and reasonably related to the experience of the System and to reasonable expectations. The actuarial assumptions and methods used in this report comply with the parameters for disclosure that appear in GASB 25.

Data

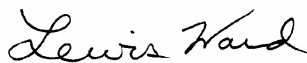
In preparing the August 31, 2009 actuarial valuation, we have relied upon member and asset data provided by the Teacher Retirement System of Texas. We have not subjected this data to any auditing procedures, but have examined the data for reasonableness and for consistency with prior years' data.

The schedules shown in the actuarial section and the trend data schedules in the financial section of the TRS financial report include selected actuarial information prepared by TRS staff. Six year historical information included in these schedules was based upon our work. For further information please see the full actuarial valuation report.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



W. Michael Carter, FSA, EA, MAAA
Senior Consultant



Lewis Ward
Consultant



Joseph P. Newton, FSA, EA, MAAA
Senior Consultant

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November 5, 2009

BOARD OF TRUSTEES

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

Subject: GASB 43 Actuarial Valuation as of August 31, 2009 for TRS-Care

Submitted in this report are the results of an Actuarial Valuation of the liabilities associated with the employer financed retiree health benefits provided through TRS-Care, a benefit program designed to provide post retirement medical benefits for certain members of the Teacher Retirement System of Texas (TRS). The date of the valuation was August 31, 2009. This report was prepared at the request of TRS.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements 43 and 45 of the Governmental Accounting Standards Board (GASB). The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the financial reporting requirements of TRS-Care and participating employers may produce significantly different results.

The valuation was based upon information, furnished by TRS, concerning retiree health benefits, members' census, and financial data. Data was checked for internal consistency but was not otherwise audited. Certain demographic and economic assumptions are identical to the set of demographic and economic assumptions adopted by the Board based on the 2008 Experience Study of TRS. Assumptions applicable only to TRS-Care have not changed since the prior report, and they are disclosed in the assumptions section of this report.

To the best of our knowledge, this report is complete and accurate and was made in accordance with generally recognized actuarial methods.

One or more of the undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein.

Respectfully submitted,

William J. Hickman
Senior Consultant

Joseph P. Newton, FSA, MAAA
Senior Consultant

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Actuarial Present Value of Future Benefits

PENSION TRUST FUND

ACTUARIAL VALUATION - AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

	2009	2008
Present Value of Benefits Presently Being Paid:		
Service Retirement Benefits	\$ 53,709,973,268	\$ 51,453,985,083
Disability Retirement Benefits	879,916,286	874,471,160
Death Benefits	766,356,875	754,788,755
Present Survivor Benefits	198,255,242	195,511,577
TOTAL PRESENT VALUE OF BENEFITS PRESENTLY BEING PAID	\$ 55,554,501,671	\$ 53,278,756,575
Present Value of Benefits Payable in the Future to Present Active Members:		
Service Retirement Benefits	\$ 91,873,230,382	\$ 87,025,085,373
Disability Retirement Benefits	1,208,634,286	1,142,684,668
Termination Benefits	5,708,049,103	5,331,386,735
Death and Survivor Benefits	1,446,008,078	1,359,266,421
TOTAL ACTIVE MEMBER LIABILITIES	\$ 100,235,921,849	\$ 94,858,423,197
Present Value of Benefits Payable in the Future to Present Inactive Members:		
Inactive Vested Participants		
Retirement Benefits	\$ 1,658,895,358	\$ 1,486,427,638
Death Benefits	115,999,840	106,067,772
TOTAL INACTIVE VESTED BENEFITS	\$ 1,774,895,198	\$ 1,592,495,410
Refunds of Contributions to Inactive Non-vested Members	\$ 279,784,905	\$ 257,432,662
Future Survivor Benefits Payable on Behalf of Present Annuitants	\$ 1,054,137,786	\$ 1,011,941,816
TOTAL INACTIVE LIABILITIES	\$ 3,108,817,889	\$ 2,861,869,888
TOTAL ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS	\$ 158,899,241,409	\$ 150,999,049,660

Summary of Cost Items

	2009	2008
Actuarial Present Value of Future Benefits	\$ 158,899,241,409	\$ 150,999,049,660
Present Value of Future Normal Costs	(30,869,937,598)	(29,242,507,363)
Actuarial Accrued Liability	\$ 128,029,303,811	\$ 121,756,542,297
Actuarial Value of Assets	(106,383,566,018)	(110,233,419,723)
UNFUNDED ACTUARIAL ACCRUED LIABILITY	\$ 21,645,737,793	\$ 11,523,122,574

Actuarial Present Value of Future Benefits

HEALTH BENEFITS TRUST FUND - RETIRED PLAN

ACTUARIAL VALUATION - AUGUST 31, 2009 (With Comparative Totals for August 31, 2008)

	2009	2008
Present Value of Benefits Being Paid:		
Future Medical Claims	\$ 6,943,767,460	\$ 6,415,785,531
Future Rx Claims	6,975,762,195	7,682,912,536
Retiree Premiums Collected	(4,277,647,489)	(4,780,209,360)
NET PRESENT VALUE OF BENEFITS FOR CURRENT RETIREES	\$ 9,641,882,166	\$ 9,318,488,707
Present Value of Benefits Payable in the Future to Present Active Members:		
Future Medical Claims	\$ 20,759,485,903	\$ 19,813,365,411
Future Rx Claims	20,543,501,184	20,014,551,561
Retiree Premiums Collected	(12,427,826,780)	(13,724,782,116)
NET PRESENT VALUE OF BENEFITS FOR FUTURE RETIREES	\$ 28,875,160,307	\$ 26,103,134,856
TOTAL ACTUARIAL PRESENT VALUE OF FUTURE BENEFITS	\$ 38,517,042,473	\$ 35,421,623,563

Summary of Cost Items

	2009	2008
Actuarial Present Value of Future Benefits	\$ 38,517,042,473	\$ 35,421,623,563
Present Value of Future Normal Costs	(14,159,550,909)	(13,108,725,516)
Actuarial Accrued Liability	\$ 24,357,491,564	\$ 22,312,898,047
Actuarial Value of Assets	(800,148,392)	(728,839,325)
UNFUNDED ACTUARIAL ACCRUED LIABILITY	\$ 23,557,343,172	\$ 21,584,058,722

Actuarial Information

PENSION TRUST FUND
AS OF AUGUST 31, 2009

The actuarial valuation of TRS is prepared by Gabriel, Roeder, Smith & Company. The actuary relies on membership data and asset information provided by TRS staff. While not verifying the data at their source, the actuary performs such tests for consistency and reasonableness as deemed necessary to be satisfied with the appropriateness of using the data supplied.

A summary of the actuarial assumptions and methods used by the actuary are as follows:

The entry age normal actuarial cost method of valuation was used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (“actuarial gains and losses”) become part of the actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest) which are level percents of payroll contributions.

Disability Annuity - Investment Return Rate: 8.00% per annum, compounded annually. Mortality: The PBGC Male Disabled Mortality Table for plan terminations after December 1, 1980, with a six-year setback and the PBGC Female Disabled Mortality Table for plan terminations after December 1, 1980, with a four-year setback.

Actuarial Assumptions - Investment Return Rate: 8.00% per annum, compounded annually, composed of an assumed 3.00% inflation rate and a 5.00% real rate of return. Mortality, Withdrawal, Disability Retirement, and Service Retirement Rates: Rates and scales developed in the actuarial investigation as of August 31, 2007, with values at specimen ages shown in the tables below:

PROBABILITY OF DECREMENT DUE TO							
Age	MALE MEMBERS			Age	FEMALE MEMBERS		
	Death	Disability	Retirement		Death	Disability	Retirement
20	.000297	.000003		20	.000189	.000006	
30	.000624	.000042		30	.000291	.000065	
40	.000849	.000381		40	.000449	.000234	
50	.001458	.001287		50	.000923	.001256	
60	.003979	.002455		60	.002084	.002436	
70	.012940	.001760		70	.007621	.001658	

PROBABILITY OF DECREMENT DUE TO WITHDRAWAL										
MALE MEMBERS										
Age	Years of Service									
	0	1	2	3	4	5	6	7	8	9
20	0.2606	0.2266	0.1716	0.1335	0.1050	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.2173	0.1890	0.1560	0.1233	0.0952	0.0789	0.0652	0.0648	0.0628	0.0536
40	0.2172	0.1888	0.1430	0.1253	0.0873	0.0833	0.0690	0.0608	0.0542	0.0464
50	0.1937	0.1684	0.1245	0.0993	0.0754	0.0684	0.0644	0.0544	0.0512	0.0466
60	0.2021	0.1757	0.1324	0.1160	0.0751	0.0664	0.0518	0.0495	0.0426	0.0341
70	0.2371	0.2062	0.1724	0.1174	0.1017	0.0000	0.0000	0.0000	0.0000	0.0000

FEMALE MEMBERS										
Age	Years of Service									
	0	1	2	3	4	5	6	7	8	9
20	0.1938	0.1685	0.1438	0.1263	0.1075	0.0000	0.0000	0.0000	0.0000	0.0000
30	0.1948	0.1694	0.1435	0.1218	0.1007	0.0935	0.0825	0.0724	0.0564	0.0570
40	0.1807	0.1571	0.1235	0.1052	0.0826	0.0743	0.0641	0.0578	0.0560	0.0459
50	0.1755	0.1526	0.1199	0.0971	0.0792	0.0708	0.0638	0.0549	0.0472	0.0402
60	0.1959	0.1703	0.1356	0.1082	0.0846	0.0660	0.0671	0.0509	0.0463	0.0438
70	0.2483	0.2159	0.1929	0.1994	0.1254	0.0000	0.0000	0.0000	0.0000	0.0000

PROBABILITY OF DECREMENT DUE TO RETIREMENT								
MALE MEMBERS								
Age	Years of Service							
	5-9	10-14	15-18	19	20-24	25-29	30+	
50	0.000	0.000	0.000	0.000	0.000	0.000	0.370	
55	0.010	0.010	0.010	0.010	0.010	0.190	0.190	
60	0.020	0.020	0.020	0.020	0.240	0.240	0.240	
65	0.250	0.250	0.250	0.250	0.250	0.250	0.250	
70	0.200	0.200	0.200	0.200	0.200	0.200	0.200	
74	1.000	1.000	1.000	1.000	1.000	1.000	1.000	

FEMALE MEMBERS								
Age	Years of Service							
	5-9	10-14	15-18	19	20-24	25-29	30+	
50	0.000	0.000	0.000	0.000	0.000	0.000	0.300	
55	0.010	0.010	0.010	0.010	0.010	0.200	0.200	
60	0.030	0.030	0.030	0.030	0.250	0.250	0.250	
65	0.250	0.250	0.250	0.250	0.250	0.250	0.250	
70	0.250	0.250	0.250	0.250	0.250	0.250	0.250	
74	1.000	1.000	1.000	1.000	1.000	1.000	1.000	

RATES OF SALARY INCREASE

Years of Service	Annual Step Rate/ Promotional Rates of Increase		Total Annual Rate of Increase	
	Males	Females	Males	Females
1	22.15%	22.15%	26.40%	26.40%
2	3.00	3.00	7.25	7.25
3	2.75	2.75	7.00	7.00
4	2.50	2.50	6.75	6.75
5	2.25	2.25	6.50	6.50
6	2.00	2.00	6.25	6.25
7-8	1.75	1.75	6.00	6.00
9-10	1.50	1.50	5.75	5.75
11	1.25	1.25	5.50	5.50
12	1.00	1.00	5.25	5.25
13-18	0.75	0.75	5.00	5.00
19-21	0.50	0.50	4.75	4.75
22-24	0.25	0.25	4.50	4.50
25 or more	0.00	0.00	4.25	4.25

Service Retirement Annuitants, Nominees and Survivors - Investment Return Rate: 8.00% per annum, compounded annually (benefit increase reserve account eliminated by the 1995 legislative session). Mortality: Client specific tables; used for service retirement annuitants, beneficiaries and survivors. These tables are selected to best reflect the experience developed in the actuarial investigation as of August 31, 2007.

Age	Probability of Mortality		Life Expectancy (Years)	
55	0.003854	0.002935	27.03	30.76
65	0.011394	0.006398	18.48	21.85
75	0.033686	0.020317	11.25	13.72
85	0.099593	0.071770	5.94	7.58
95	0.242395	0.170753	3.19	4.49

Actuarial Value of Assets - The actuarial value of assets is equal to the market value of assets less a five-year phase in of the excess (shortfall) between expected investment return and actual income with the resulting value not being less than 80% or more than 120% of the market value of assets.

Funding of Unfunded Actuarial Accrued Liability - Funded by the excess of future State contributions required by Law over the amount of such contributions required to fund the normal cost of benefits. Based on a study of all new entrants hired in the period from 2003 through 2007 and taking into account all changes in benefit provisions, the normal cost for benefits provided by the System is 10.42% of payroll (6.40% by members plus 4.02% by the State), which is 2.38% of payroll less than the total contributions required by Law. It is intended that the excess amount of 2.38% of payroll will be used to amortize any unfunded actuarial accrued liabilities of the System, assuming that total payroll increases by 3.50% per year.

As of the valuation as of August 31, 2009, these excess contributions of 2.38% of pay are insufficient to amortize the UAAL under the required time period.

Assumed State Contribution Rate - Effective September 1, 2009, the Appropriations Act decreased the State contribution rate to 6.40%. For purposes of determining the funding period, it was assumed that the current state contribution rate (6.40%) would remain in place indefinitely.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Year	Number	Annual Payroll In Thousands	Average Annual Pay	Annual Percentage Increase In Average Pay
2004	729,411	\$25,484,585	\$34,939	2.4%
2005	715,495	25,956,807	36,278	3.8
2006	761,658	28,397,283	37,284	2.8
2007	777,789	31,114,096	40,003	7.3
2008	801,455	33,237,904	41,472	3.7
2009	817,537	35,096,890	42,930	3.5

Actuarial Information

AS OF AUGUST 31, 2009

SOLVENCY TEST

A short-term solvency test is one means of checking a retirement system's progress under its funding program. The schedule below provides a historical illustration of a short-term solvency test for TRS wherein present assets are compared with: (1) active member contributions on deposit; (2) the liabilities for future benefits to present annuitants; (3) the liabilities for active members under the entry age normal actuarial cost method including a projection of future salary increases and anticipated future service.

Under the level percent of payroll financing followed by TRS, liabilities for active member contributions on deposit and the liabilities for future benefits to present retirees and beneficiaries will be fully covered by present assets except in rare circumstances. In addition, liabilities for active member benefits earned or to be earned in the future will be partially covered by the remainder of present assets. Generally, if the system has been using level cost financing, the funded portion of active member benefits will increase over time.

(MONEY AMOUNTS SHOWN IN MILLIONS)

Valuation As Of August 31	Aggregate Actuarial Accrued Liabilities For			Portion of Aggregate Actuarial Accrued Liabilities Covered By Valuation Assets			
	1 Active* Member Contri- butions	2 Retirees* And Benefi- ciaries	3 Active Members (State Financed Portion)	1 Valuation Assets	2 Active Member Contri- butions	3 Retirees And Benefi- ciaries	3 Active Members (State Financed Portion)
2004	\$17,698	\$45,796	\$33,242	\$ 88,784	100%	100%	76.1%
2005	19,071	47,410	36,013	89,299	100	100	63.4
2006	20,590	49,144	38,177	94,128	100	100	64.1
2007	22,236	51,293	42,435	103,419	100	100	70.4
2008	23,928	53,243	44,585	110,233	100	100	74.2
2009	23,914	55,484	48,632	106,384	100	100	55.5

*Adjusted for pending transfers to retired reserve at August 31 for pending retirements.

A Schedule of Funding Progress including a 6-Year Summary of Actuarial Accrued Liabilities and Unfunded Actuarial Accrued Liabilities can be found in the Required Supplementary Information found immediately following the Notes to the Financial Statements.

Analysis of Financial Experience

Changes in Unfunded Actuarial Accrued Liabilities (UAAL)* Resulting from Differences Between Assumed Experience and Actual Experience

	Increase/(Decrease) for Year (in Billions)						
	2009	2008	2007	2006	2005	2004	
Investment (Gains)/Losses	\$ 10.321	\$ (1.232)	\$ (4.140)	\$ (.264)	\$ 4.068	\$ 4.719	
Legislative Changes/ Benefit Increases			.360		1.143		
Contribution Experience	(0.545)	.192	.496	.508	.462	.088	
Assumption Changes		(.676)				(2.025)	
Liability Experience	0.347	.694	2.135	.254	(.430)	(.059)	
Net Increase/(Decrease)	\$ 10.123	\$ (1.022)	\$ (1.149)	\$.498	\$ 5.243	\$ 2.723	
Beginning UAAL	11.523	12.545	13.694	13.196	7.953	5.230	
Ending UAAL	\$ 21.646	\$ 11.523	\$ 12.545	\$ 13.694	\$ 13.196	\$ 7.953	

* Calculated on a 5-year smoothed market basis.

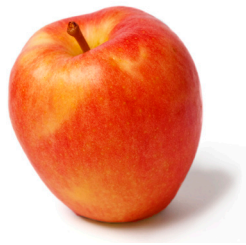
Retirees, Beneficiaries, and Disabled Participants Added to and Removed from Rolls

PENSION TRUST FUND

ACTUARIAL VALUATION - AUGUST 31, 2009

Valuation as of August 31	Added to Rolls		Removed from Rolls		Rolls - End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances	Number	Annual Allowances	Number	Annual Allowances		
2004	30,288	\$640,407,566	7,138	\$ 108,483,938	240,627	\$ 4,913,278,428	12.1%	\$ 20,419
2005	15,153	292,452,315	7,271	127,291,874	248,509	5,078,438,869	3.4%	20,436
2006	15,810	324,292,542	7,175	120,623,840	257,144	5,282,107,571	4.0%	20,541
2007	15,861	336,348,640	7,698	131,295,705	265,307	5,487,160,506	3.9%	20,682
2008	17,727	391,920,863	7,806	135,160,090	275,228	5,743,921,279	4.7%	20,870
2009	17,326	392,452,923	7,940	136,537,511	284,614	5,999,836,691	4.5%	21,081

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BENEFITS

Section

2009 CHANGES IN TRS LAW

STATE

The 81st Texas Legislature, Regular Session, met in 2009 and enacted several laws affecting TRS participants and programs. Listed below is a summary of TRS-related legislation enacted during the last session:

Funding

- Under SB 1, the General Appropriations Act, the state contribution rate to the retirement plan for the biennium decreased from 6.58 percent to 6.4 percent of payroll, effective September 1, 2009. Other contribution rates for the retirement plan and for TRS-Care remained the same.

Supplemental Payment to Annuitants

- Under HB 3347 and SB 1, eligible annuitants may receive a one-time supplemental payment (13th check) paid from the state's general revenue fund rather than the TRS trust fund. However, the General Appropriations Act requires that the Attorney General issue an opinion on whether the one-time payment funded by general revenue is constitutionally and statutorily permissible. If the payment is found to be unconstitutional, the money appropriated would be directed to the TRS trust fund as a state contribution, for a total state contribution rate of 6.644 percent, and no one-time supplemental payment would be made. If the Attorney General finds that the payment is constitutional, a payment to eligible retirees and other annuitants in an amount equal to their monthly annuity payment but no greater than \$500 is to be made in January 2010.

Retirement Plan Qualification and Other Tax-Related Matters

- HB 3347 amended the TRS retirement plan to reflect new federal requirements for qualified retirement plans. The amended provisions reflect federal requirements relating to rollovers from TRS to other eligible retirement plans; active member death benefits for TRS members who die while on active duty in the armed forces; and differential pay (payment by an employer of the difference between regular salary and military pay for an employee serving on active military duty) as creditable compensation. This bill also enacted authority for the deduction of premiums from TRS annuity payments for public safety officer retiree health benefits under the University of Texas and Texas A&M retiree plan, so that participating eligible public safety officer retirees may take advantage of income exclusion of up to \$3,000 under the Pension Protection Act of 2006.

Other Retirement Plan Matters

- Under SB 2324, only a nonparticipant's community property interest in a public retirement plan benefit, as established in a qualified domestic relations order, is subject to a claim for criminal restitution owed by the nonparticipant spouse.
- Under HB 3646, the description of TRS creditable compensation is modified to reflect changes to certain education incentive programs. Additionally, provisions addressing employer contributions on salary above statutory minimums were updated.

Health Benefit Programs

- HB 1191 provides that an eligible TRS retiree may select TRS-Care coverage during the first 90 days after retirement.
- HB 1138 specifies information required on pharmacy benefit identification cards.
- HB 806 expands coverage for certain orthotics under both TRS-Care and TRS-ActiveCare.
- HB 2000 requires health benefit plan coverage for certain amino acid-based elemental formulas used in the diagnosis and treatment of certain food allergies and disorders.
- HB 451 requires coverage of autism spectrum disorder through age ten.
- SB 39 requires coverage of certain routine patient care required due to participation in a clinical trial.
- SB 704 establishes new requirements relating to pharmacy benefit manager contracting.

TRS Administration & Investments

- HB 1259 provides that the TRS Board of Trustees may not employ outside legal counsel except as provided by Texas Government Code, Section 402.0212 (providing for approval by the Attorney General), regardless of the source of funds to be used to pay the outside counsel.
- SB 1071 provides that information concerning the employment of an employee or service as a trustee of a public pension system is public information under Texas Government Code, Chapter 552.
- Under a rider in the General Appropriations Act, TRS and ERS are to make a good faith effort to use emerging managers for investments and report to the 82nd Legislature on their efforts.
- SB 1589 requires TRS to provide participant information annually to the Comptroller for use in identifying persons entitled to unclaimed property.

2009 CHANGES IN TRS LAW

403(b) Company Certification

- HB 3480 amended the laws governing the program of certification of companies offering 403(b) retirement plan investment products to employees of school districts and open enrollment charter schools. New provisions modify procedures relating to violations of the law; allow certification of platform companies that offer investment products issued by other companies; and add requirements for third party administrators of 403(b) plans.

FEDERAL

Tax Laws, Regulations, and Guidance

Federal tax law changes often have significant influence on the TRS pension plan because under state law, the TRS pension plan is intended to operate as a “qualified” retirement plan. A qualified plan must meet specific federal tax law requirements in order to enable members’ funds to obtain certain favorable tax treatments. Additionally, TRS is subject to federal tax law requirements regarding reporting and withholding of income paid to annuitants and other participants, as well as requirements applicable to investment activity.

- **American Recovery and Reinvestment Act of 2009 (ARRA)** The ARRA enacted the new “Making Work Pay” tax credit for wage earners. Subsequently, the Internal Revenue Service (IRS) released Publication 15-T in March 2009 establishing new wage withholding tables, which were also deemed applicable to pension income.

The ARRA also created a subsidy for health benefit premiums paid by employees who are involuntarily terminated between September 1, 2008, and December 31, 2009, and who elect to continue health benefit plan coverage through COBRA (Consolidated Omnibus Budget Reconciliation Act of 1986). TRS administers the subsidy for qualified individuals participating in TRS-ActiveCare.

Another area affected by the ARRA is the privacy and security of protected health information under HIPAA (Health Insurance Portability and Accountability Act of 1996). Changes include:

- Duty to notify affected individuals of a breach (unauthorized use or disclosure) of protected health information and requirement to report all breaches.
- Requirement for covered entities to log all uses and disclosure of electronic protected health information.
- Applicability of HIPAA privacy and security requirements to business associates.

Finally, the ARRA delays implementation of a 3% income tax withholding requirement for federal, state, and local government payers. This requirement was enacted in 2005 and applies to government entities making certain payments to a person providing any property or services. Implementation is delayed for one year to apply to payments after December 31, 2011. The Internal Revenue Service has published proposed regulations and continues to evaluate public comments on this matter.

- **Worker, Retiree, and Employer Recovery Act of 2008 (WRERA)** This law, enacted in December 2008, provides numerous technical corrections to the Pension Protection Act of 2006 (PPA) and other relief applicable to governmental plans.

- WRERA amended the Internal Revenue Code to require, rather than merely to permit (as was enacted in the PPA), plans to allow rollovers of eligible distributions by non-spouse beneficiaries.

- WRERA clarified a PPA provision known as the “HELPS” income exclusion of up to \$3,000 annually for qualified health insurance premiums deducted from retirement plan payments to eligible retired public safety officers. According to clarification, the exclusion is available for premiums under a self-funded health plan.

- WRERA amended the Age Discrimination in Employment Act (ADEA) to address another PPA amendment relating to rates of return or methods of crediting interest on accounts in certain retirement plans. Under the PPA requirement to use a market rate of return, certain governmental plan provisions for the crediting of interest could have been perceived as a technical violation of ADEA. WRERA generally treats a rate of return or method of crediting interest established pursuant to a provision of Federal, State, or local law as a “market rate of return” for the purpose of the ADEA provision.

- WRERA addressed the applicability of previously promulgated mortality tables in applying the benefit limitation provisions of Internal Revenue Code §415(b).

- **Heroes Earnings Assistance and Relief Tax Act of 2008 (“Heroes Act” or “HEART”)** This legislation was enacted into law in June 2008 to provide various targeted tax relief to members of the military and their families and to require

2009 CHANGES IN TRS LAW

certain retirement plan changes relating to members serving on active duty. The 81st Legislature, Regular Session (2009) enacted TRS retirement plan amendments through HB 3347, Sections 1 and 3, to address these provisions. Section 1 provides for TRS creditable compensation to include differential pay that an employer may pay its employee who is on active duty (i.e., the difference between the regular salary of the employee and the military pay). Section 3 authorizes TRS to pay an active member death benefit to a member who dies while performing qualified military service, as though the member had resumed employment in Texas public education and been so employed at the time of death.

• **Normal Retirement Age Regulations** In October 2008, the IRS issued Notice 2008-98 to provide that the IRS and Treasury intend to extend the date when governmental plans must comply with final regulations concerning distributions from a pension plan upon attainment of “normal retirement age.” The extension will change the effective date to plan years beginning on or after January 1, 2011, giving governmental plans two additional years to comply with the normal retirement age regulations. The regulations have caused considerable discussion in the governmental plan community due to concern that the regulations do not allow a definition of “normal retirement age” that is conditioned directly or indirectly on the completion of a stated number of years of service, a common method of determining eligibility for unreduced service retirement benefits in governmental plans. A distribution prior to “normal retirement age” as defined by the IRS could be considered an “in service” distribution, not permitted for qualified plans.

• **Remedial Amendment Period – Rev. Proc. 2009-36** The Internal Revenue Code and relevant regulations provide for a remedial amendment period for qualified retirement plans to amend their plans to comply with qualification requirements. IRS recognized that the standard remedial period may not allow enough time for governmental plans to be amended to adopt retroactive remedial amendments that have been determined by IRS to be necessary for the issuance of a favorable determination letter on plan qualification. This is because a governmental body with authority to amend the plan may not meet within the required time frame or may be prevented by applicable laws and procedures from considering necessary changes within the required time frame. Therefore, the IRS issued Rev. Proc. 2009-36 to extend the remedial period for governmental plans. If

a timely application for a determination letter is submitted, the remedial period will not end before the expiration of the 91st day after the close of the first legislative session that begins more than 120 days after a determination letter is issued for the plan or other triggering events. TRS timely submitted an application for a determination letter in September 2008.

• **Report of Foreign Bank and Financial Accounts (FBAR)** In October 2008, the IRS revised the FBAR Form TD F 90-22.1 and accompanying instructions. This form is used to report a relationship between a U.S. person with a financial interest in, or signature authority over, any foreign financial accounts in a foreign country if the aggregate value exceeds \$10,000 at any time during a calendar year. The form must be filed by June 30 of the succeeding year. IRS guidance relating to the revised form indicated that the form was required from entities or individuals who previously had not interpreted the FBAR filing requirements as applicable to them. Public pension plan employees with relevant signatory authority were among those to whom the IRS guidance arguably applied. Due to public confusion regarding the filing requirements, in August 2009 the IRS issued Notice 2009-62 extending the FBAR filing requirement until June 30, 2010 for the 2008, 2009, and earlier calendar years. The relief was extended to persons with signature authority over, but no financial interest in, a foreign financial account, and persons with a financial interest in, or signature authority over, a foreign commingled fund. The notice also indicated that IRS intends to issue regulations clarifying FBAR filing requirements pertaining to those persons with respect to these financial accounts. IRS is soliciting public comments relating to FBAR filing requirements.

SUMMARY OF BENEFITS

The Teacher Retirement System of Texas (TRS) administers a defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The pension trust fund provides service and disability retirement, as well as death and survivor benefits, to eligible employees of public education in Texas and their beneficiaries. A general information booklet, *TRS Benefits Handbook*, is provided to each TRS member and annuitant. Retirement benefits are financed by member, state, and employer contributions, and through investment earnings of the pension trust fund.

TRS administers TRS-ActiveCare, the statewide health benefits program for eligible public education employees of participating entities. The program is financed by plan participant premium payments and investment income from the assets of the trust. In addition to TRS-ActiveCare, the system administers a separate trust that provides comprehensive health benefits coverage for retired members through TRS-Care. This program is financed by contributions from the state, active public school employees, reporting entities (employers), premium payments from plan participants, and investment income from the assets of the trust.

TRS also administers an optional long-term care insurance program for eligible retirees and public school employees. Certain family members are also eligible. The plan is available on an enrollee-pay-all basis.

RETIREMENT PLAN BENEFITS

This summary of benefits is based on statutory provisions of the plan effective for FY 2009.

The major retirement plan benefits are:

Service Retirement

Normal Retirement Eligibility - Age 65 with at least five years of credited service, or when the sum of member's age and years of credited service (five years minimum) equals or exceeds 80 for members who established membership before September 1, 2007 and maintained membership until retirement.

Age 65 with five years of credited service, or age 60 and the sum of member's age and years of credited service (five years minimum) equals or exceeds 80 for members who established TRS membership on or after September 1, 2007.

For grandfathered members, age 55 with at least 20 years of service credit and the sum of member's age and years of credited service equals or exceeds 80.

Standard Annuity - A monthly benefit payable at retirement throughout the retiree's lifetime and calculated according to the statutory benefit formula.

Benefit Formula - 2.3 percent times the average of the five highest annual creditable salaries times years of credited service equals an annual standard annuity. For members who are grandfathered, the three highest annual salaries are used.

Minimum Benefit - \$150 per month less any reduction for early age or optional annuity selection.

Early Retirement Eligibility - Age 55 with at least five years of credited service, or any age below 50 with 30 or more years of credited service, provided the sum of the member's age and years of credited service is less than 80 for members who established membership before September 1, 2007 and maintained membership until retirement.

Age 55 with at least five years of credited service, age and credited service total 80 but less than age 60, or 30 years of credited service but less than age 60 for members who established TRS membership on or after September 1, 2007.

Early Retirement Benefit - The standard annuity calculated under the benefit formula (or the minimum benefit, if applicable) reduced for early retirement. The amount of the reduction varies depending on age, years of service credit, and whether a member is grandfathered.

Disability Retirement

Eligibility - Physical or mental disability precludes the member's continued performance of current duties and the disability is probably permanent, as certified by the TRS Medical Board.

Benefit - For disabled members with at least 10 years of credited service, the greater of the standard annuity unreduced for early age or \$150 per month minimum benefit, less any reduction for the selection of an optional annuity. For disabled members with fewer than 10 years of credited service, \$150 per month.

Duration - For retirees with 10 or more years of credited service, payments continue for as long as the disability continues. For those with fewer than 10 years of

SUMMARY OF BENEFITS

credited service, payments continue for the life of the retiree, the duration of the disability, or the number of months of credited service, whichever is shorter.

Earnings Limit – Disability retirees who retired after August 31, 2007 are subject to an annual limit on earnings from any employment. Excess earnings will cause benefits to be forfeited until such time as the excess earnings cease or are reduced to an allowable amount.

Annuity Payment Options

All service and eligible disability retirees may select an optional form of payment that reduces the standard annuity by application of age-related actuarial reduction factors in order to continue payment to a beneficiary after the retiree's death. Actuarial factors for disability retirees are different from those for service retirees because of different assumptions about life expectancy for the two groups. The available options include 100, 75, and 50 percent joint and survivor annuities, and five- and 10-year guaranteed period annuities. Selection of a 100 or 75 percent joint and survivor annuity may be unavailable to certain retirees based on the minimum distribution provisions of federal tax law.

The Pop-Up Provision

If a designated beneficiary under any of the joint and survivor options dies while the retiree is still living, the retiree's future monthly payment increases to the amount of the standard annuity.

Partial Lump Sum Option

Under the Partial Lump Sum Option (PLSO), at the time of retirement, qualifying members may elect to receive an actuarially reduced service retirement annuity plus a cash lump sum distribution.

Members may participate in the PLSO if they are eligible for service retirement, meet the Rule of 90 (age and years of service credit equal at least 90), are not participating in the Deferred Retirement Option Plan (DROP), and are not retiring with disability retirement benefits. Grandfathered members may elect PLSO at retirement if they are eligible for normal age service retirement, are not participating in DROP, and are not retiring with disability retirement benefits. Members retiring under the proportionate retirement program are not eligible to elect the PLSO.

Partial lump sum distributions equal to 12, 24, or 36 months of a standard service retirement annuity may be selected. When a member selects this option, the monthly annuity is actuarially reduced to reflect the lump sum distribution. Flexible distribution options are available, including rollovers to another eligible retirement plan.

Deferred Retirement Option Plan

The Deferred Retirement Option Plan (DROP), which is closed to new participants, is a pre-retirement benefit provision for active members who are eligible for normal age service retirement and have at least 25 years of credited service.

Members who elected to participate in DROP (before enrollment was closed effective December 31, 2005) chose to freeze their salary amounts and service credit used to calculate their retirement benefits and to have a portion of the standard annuity amount deposited into a DROP account while continuing to work for a TRS-covered employer. Interest on DROP accounts is credited at the rate of five percent per annum. Members are not considered to be retired while participating in DROP.

Members who elected DROP chose to participate in 12-month increments for up to five years. During DROP participation, the member does not accrue additional service credit, nor is any compensation earned during DROP participation to be considered in calculating the standard annuity. Also, during DROP participation, the member's statutory contributions to TRS continue; however, contributions are not credited to the member's contribution account and are not subject to refund.

Participation in DROP ends at the earliest of the expiration of the election period, retirement, or death. The accumulated DROP account may be distributed at the member's election as a single lump sum or in monthly or yearly installments covering five or 10 years; distributions commence at retirement or in the event the member dies before retiring, at the member's death. Eligible distributions may be rolled over to another eligible retirement plan.

Minimum Service Credit Required for Service Retirement Benefits

Under current law, a member who has completed at least five years of credited service has earned a right to service retirement benefits after reaching

SUMMARY OF BENEFITS

eligible retirement age, provided that the member's accumulated contributions are not withdrawn from the system. An eligible member must apply for benefits and meet other requirements, such as termination of Texas public education employment, in order to begin receiving benefits.

Death and Survivor Benefits

Active Members - The beneficiary of an active member may elect to receive one of the following benefits in the event of the member's death before retirement, if the member dies during a school year in which the member performed service or if the member dies while performing qualified military service as defined by applicable federal law. These benefits also are available due to death when the member is absent from service as described by law, such as when the absence is due to sickness, accident, or other involuntary cause or when the member is within five years of being eligible to retire when leaving employment:

1. A lump sum payment equal to twice the member's annual compensation or \$80,000, whichever is less.
2. Sixty monthly payments equal to the member's standard annuity without reduction for early age, provided the member had at least five years of service credit at the time of death.
3. For a sole beneficiary, lifetime payments equal to a 100 percent joint and survivor annuity, provided the member had at least five years of service credit subject to any reduction applicable for early age.
4. An amount equal to a return of the member's contributions with accumulated interest.
5. Survivor benefits of \$2,500 lump sum payment plus a monthly benefit. For example, \$350 per month to a beneficiary spouse with minor children, continuing until the youngest child reaches age 18. At age 65, the spouse would begin receiving \$250 per month for life.

In addition to these five options, a lump sum death benefit of \$160,000 is available if the active member is employed in a TRS-covered position and dies as the result of a physical assault during the performance of the employee's regular job duties.

Also, the DROP beneficiary of a DROP participant will receive the accumulated DROP account balance, payable as a lump sum or in periodic installments.

Retirees - In addition to any joint and survivor or guaranteed period annuity that may be payable under an optional form of payment a retiree elected, the beneficiary of a service or disability retiree is entitled to a \$10,000 lump sum payment. In certain circumstances, eligible survivors may select alternate payment options in lieu of the lump sum benefit. The alternate payment options include a lump sum payment of \$2,500 and an applicable monthly survivor benefit payment.

If total payments made before death to a retiree and, when applicable, to a beneficiary for an optional service retirement annuity are less than accumulated contributions at retirement, an amount equal to the remainder is paid to the beneficiary or as otherwise provided by law. Should a retiree die prior to receiving all PLSO payments that are due, TRS will pay any remaining PLSO payments in a single lump sum payment to the beneficiary. If the retiree participated in DROP and died before receiving all DROP distributions, any unpaid DROP payments are paid to the beneficiary designated by the retiree.

Grandfather Provisions

A person who, as a member, met any one of the following criteria on or before August 31, 2005, is grandfathered in how certain benefits are determined under plan provisions repealed with respect to non-grandfathered members:

- The member was at least 50 years old, or
- The member's age and years of service credit equaled at least 70 ("Rule of 70"), or
- The member had at least 25 years of service credit

Members who are grandfathered will have their benefits determined in the following manner:

- **Final Average Salary** at retirement will be determined by the highest three years (instead of five years) of salary.
- **Preservation of certain early retirement reduction factors** means that members age 55 or older with 20 to 24 years of credited service who take early retirement will receive a lesser reduction to their annuities than those members who are not grandfathered.
- **Partial Lump Sum Option** eligibility will require either age 65 with at least five years of

SUMMARY OF BENEFITS

service credit, or a combined age plus years of credited service that equals at least 80 (“Rule of 80”) instead of 90.

HEALTH BENEFITS

The major health benefits and long-term care provisions are:

Health Benefits for Active Public School Employees

TRS-ActiveCare, the statewide health benefits program for employees of school districts, open enrollment charter schools, regional education service centers, and other educational districts whose employees are members of TRS, went into effect on September 1, 2002. The program initially addressed the most critical areas of the state with regard to availability and affordability of health benefits for public school employees and therefore focused on smaller districts. The program has now been expanded to include larger school districts and more than 1,095 entities participated in the program in fiscal year 2009. Employees of participating entities can choose from four preferred provider organization plans, and employees of certain areas also have the option of choosing coverage under a health maintenance organization.

Retiree Health Coverage

The program under the Texas Public School Retired Employees Group Benefits Act, known as TRS-Care, makes available a basic level of health coverage without cost to eligible TRS public school retirees. Eligible retirees and their eligible dependents may pay premiums and participate in one of two plans of more comprehensive benefits and coverage. For information on TRS-Care eligibility, please refer to the TRS Web site.

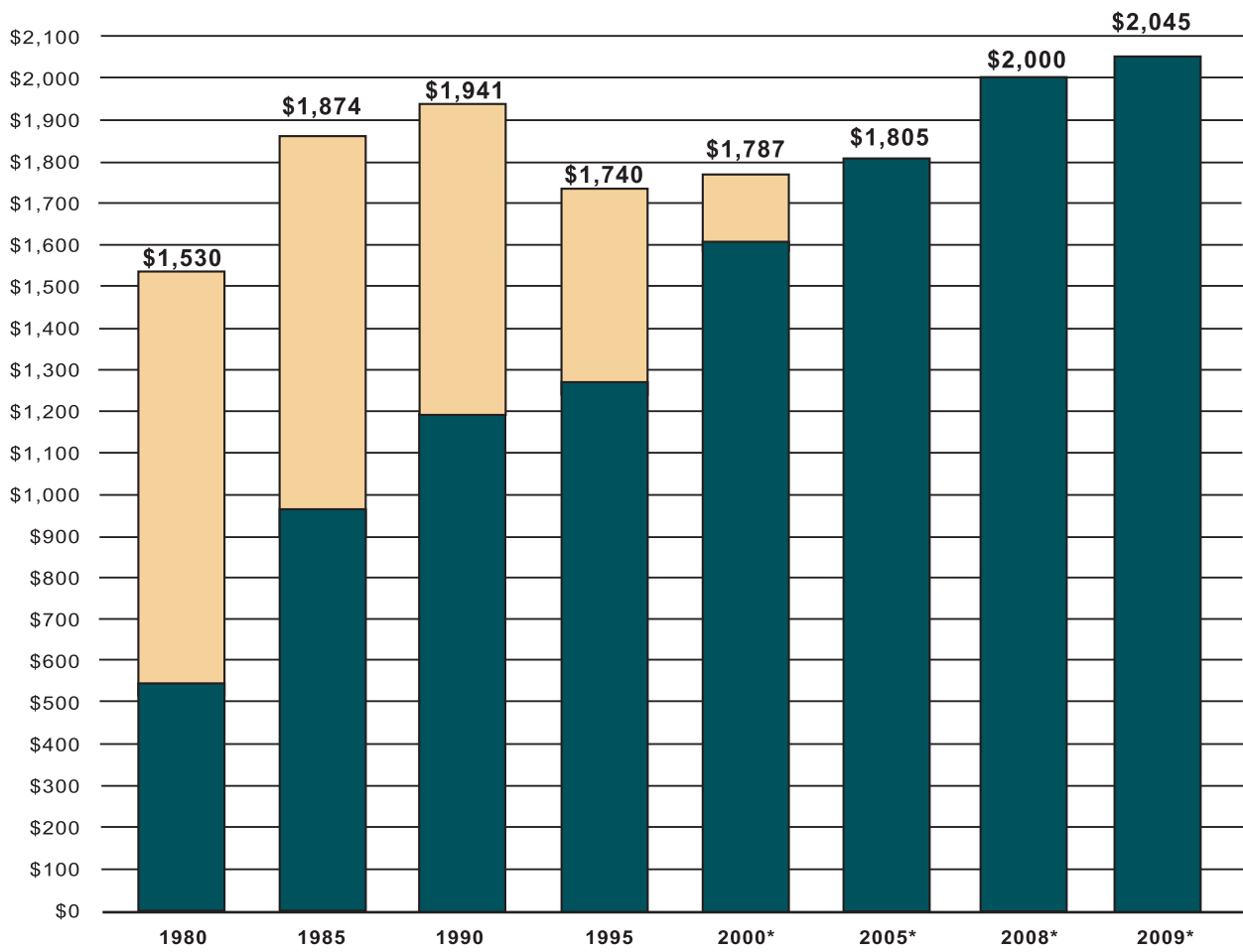
Long-Term Care Insurance Program

Eligible active and retired members, their dependents, and certain other family members may participate in the TRS long-term care insurance program. The plan pays benefits if the participant becomes unable to perform at least two activities of daily living without substantial assistance from another person. The plan also pays benefits as a result of a severe cognitive impairment that requires supervision or verbal direction from another person in order to protect the member or others from serious injury.

AVERAGE MONTHLY BENEFIT

Current Average Monthly Benefit by Year of Retirement

Service Retiree Accounts as of August 31, 2009



	1980	1985	1990	1995	2000*	2005*	2008*	2009*
Original Benefits	\$ 541	\$ 963	\$ 1,196	\$1,277	\$1,608	\$1,803	\$2,000	\$ 2,045
Benefit Increases	989	911	745	463	179	2	-	-
Current Benefits	\$ 1,530	\$1,874	\$ 1,941	\$1,740	\$1,787	\$ 1,805	\$ 2,000	\$ 2,045

Number of Retirees**	1,200	3,264	5,506	7,110	11,874	11,560	14,875	13,077
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* Before adjustment for the Partial Lump Sum Option, average original benefits were \$1,742, \$1,972, \$2,189 and \$2,215 for fiscal years 2000, 2005, 2008 and 2009, respectively.

** For each of the retirement years shown, number of service retirees currently receiving benefits.

GROWTH OF THE SYSTEM

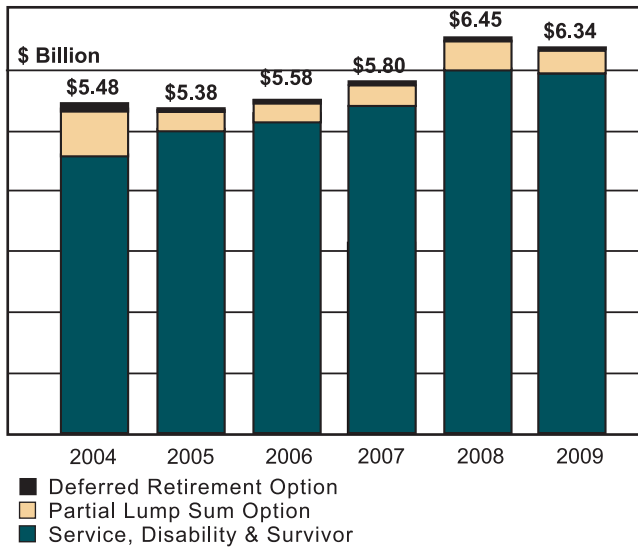
Benefit payments during fiscal year 2009 totaled approximately \$6.34 billion, a decrease of \$109 million from the previous year. As of August 2009, the monthly annuity payroll had grown to approximately \$493 million, and TRS was paying benefits to 284,614 recipients.

Service recipients include retirees and beneficiaries receiving continuing monthly annuity payments. Disability recipients are disabled members who are receiving continuing monthly disability payments. Survivor recipients are beneficiaries who have elected to receive death benefits in the form of monthly benefits.

The number of retiree accounts increased by 9,386 during fiscal year 2009.

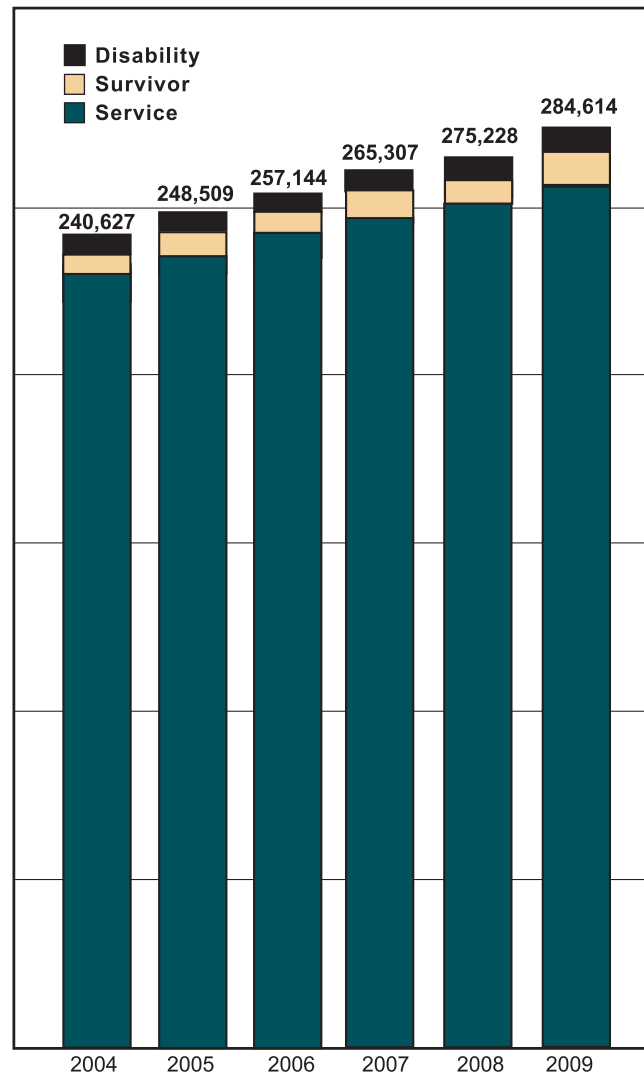
Of the current TRS member accounts, 840,198 (active contributing and deferred retirement option participants) were employed during fiscal year 2009 and made contributions to the system. The remaining 148,770 members are no longer employed by TRS-covered employers but have maintained their membership in TRS by leaving their contributions with the system. The number of current member accounts increased by 22,925 during fiscal year 2009.

Benefit Payments*

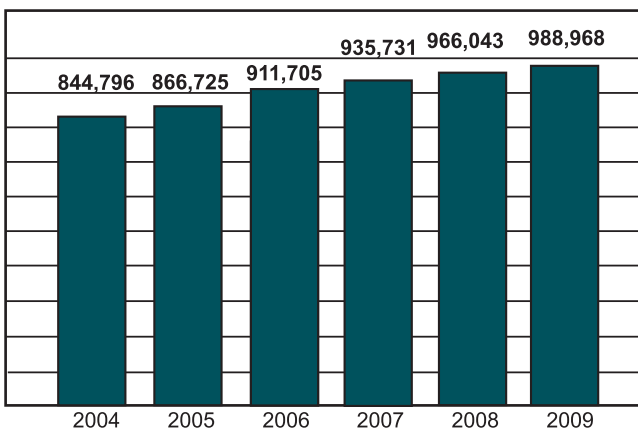


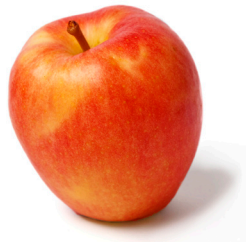
* Effective fiscal year 2009 the Accumulated Savings that was previously included in the Benefits Payments total is now included with Refund of Contributions.

Annuities



Member Accounts





STATISTICAL Section

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STATISTICAL SECTION OVERVIEW

The Statistical Section presents additional information to provide financial statement users with added historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the system's financial condition. Information is presented for Pension Trust Fund, Health Benefits Trust Fund-Retired Plan, TRS-ActiveCare Enterprise Fund-Active Plan, and the Nonmajor 403(b) Certification Program Enterprise Fund.

Financial Trends Information

The schedules on pages 128-137 show financial trends information that assists users in understanding and assessing how the system's financial position has changed over time. The financial trend schedules presented are:

- Changes in Fiduciary Net Assets
- Revenues, Expenses, and Changes in Net Assets
- Benefits and Refund Deductions from Net Assets by Type
- Health Care Claims Deductions/Expenses from Net Assets by Type

Operating Information

The schedules presented on pages 138-143 contain benefit and reporting operating information to provide contextual data about the system's operations and resources to assist users in using financial statement information to understand the benefit services provided by the system. The operating information schedules presented are:

- Average Benefit Payments
- Average Health Care Claims
- Retired Members by Type of Benefit
- Health Care Claims by Benefit Range
- Principal Participating Reporting Entities

In addition, a complete listing of participating reporting entities has been included. The information in this section was derived from internal sources and the CAFR for the relevant year.

FINANCIAL TRENDS INFORMATION



Changes in Fiduciary Net Assets

PENSION TRUST FUND

FOR THE FISCAL YEARS ENDED AUGUST 31

10-YEAR SUMMARY

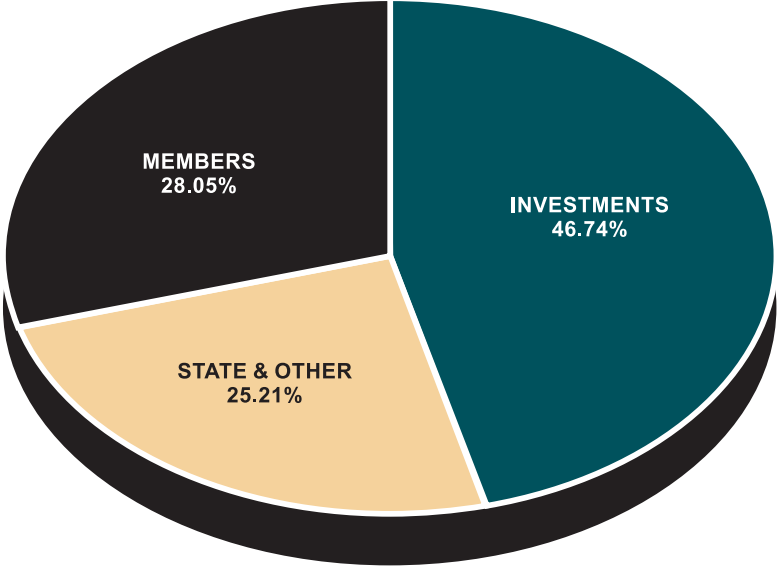
	2009	2008	2007	2006
Additions:				
Member Contributions	\$ 2,181,600,283	\$ 2,085,345,861	\$ 1,949,093,276	\$ 1,853,971,836
State Contributions	1,758,579,809	1,704,088,048	1,472,584,963	1,333,143,442
Reporting Entities Contributions	412,728,096	353,524,480	282,077,713	267,399,619
Investment Income:				
Interest and Dividends	2,127,915,830	3,416,830,333	3,087,059,810	2,643,912,620
Net Appreciation (Depreciation) in Fair Value	(16,030,794,035)	(7,992,472,030)	11,232,429,170	6,326,056,726
Less: Investing Activity Expenses	(68,990,517)	(29,330,150)	(20,942,402)	(19,099,395)
Other	3,899	3,596	5,405	769
TOTAL ADDITIONS	\$ (9,618,956,635)	\$ (462,009,862)	\$ 18,002,307,935	\$ 12,405,385,617
Deductions:				
Benefits	\$ 6,343,563,704	\$ 6,452,167,166	\$ 5,804,963,413	\$ 5,579,984,101
Refunds of Contributions *	266,695,076	278,002,614	280,005,584	267,810,017
Administrative Expenses, Net of Investing Activity Expenses	28,310,448	26,122,662	27,502,276	26,444,405
TOTAL DEDUCTIONS	\$ 6,638,569,228	\$ 6,756,292,442	\$ 6,112,471,273	\$ 5,874,238,523
Net Increase (Decrease)	\$ (16,257,525,863)	\$ (7,218,302,304)	\$ 11,889,836,662	\$ 6,531,147,094
Net Assets - Beginning of Year	\$ 104,910,497,545	\$ 112,128,799,849	\$ 100,238,963,187	\$ 93,707,816,093
Restatements				
Beginning of Year, As Restated	\$ 104,910,497,545	\$ 112,128,799,849	\$ 100,238,963,187	\$ 93,707,816,093
Net Assets - End of Year	\$ 88,652,971,682	\$ 104,910,497,545	\$ 112,128,799,849	\$ 100,238,963,187

* Effective fiscal year 2009 the Accumulated Savings that was previously reported as Benefits is now presented as Refund of Contributions.

FINANCIAL TRENDS INFORMATION

2005	2004	2003	2002	2001	2000
\$ 1,728,333,818	\$ 1,721,504,445	\$ 1,672,212,387	\$ 1,560,700,102	\$ 1,433,037,813	\$ 1,357,940,313
1,258,597,882	1,242,305,696	1,239,532,126	1,201,948,321	1,143,109,908	1,092,217,514
221,158,942	192,395,672	182,536,228	157,781,530	136,247,871	119,060,600
2,363,014,107	2,137,672,861	2,147,493,368	2,416,466,898	2,713,579,401	2,835,498,681
9,607,205,397	7,024,439,015	5,673,389,054	(8,477,880,514)	(12,070,530,812)	8,278,136,788
(17,394,917)	(16,252,645)	(14,604,331)	(12,921,671)	(11,852,877)	(9,494,024)
21,315	1,909	1,501	491	6,733	15,101
\$ 15,160,936,544	\$ 12,302,066,953	\$ 10,900,560,333	\$ (3,153,904,843)	\$ (6,656,401,963)	\$ 13,673,374,973
\$ 5,385,838,471	\$ 5,485,389,067	\$ 4,752,552,139	\$ 4,364,533,707	\$ 3,666,802,710	\$ 3,359,335,694
245,148,971	221,857,340	187,379,932	187,925,863	215,343,593	215,780,478
25,114,716	24,841,300	23,428,162	24,597,361	20,795,129	21,654,384
\$ 5,656,102,158	\$ 5,732,087,707	\$ 4,963,360,233	\$ 4,577,056,931	\$ 3,902,941,432	\$ 3,596,770,556
\$ 9,504,834,386	\$ 6,569,979,246	\$ 5,937,200,100	\$ (7,730,961,774)	\$(10,559,343,395)	\$ 10,076,604,417
\$ 84,202,981,707	\$ 77,633,002,461	\$ 71,695,802,361	\$ 79,427,814,814	\$ 89,987,158,209	\$ 79,910,553,792
			(1,050,679)		
\$ 84,202,981,707	\$ 77,633,002,461	\$ 71,695,802,361	\$ 79,426,764,135	\$ 89,987,158,209	\$ 79,910,553,792
\$ 93,707,816,093	\$ 84,202,981,707	\$ 77,633,002,461	\$ 71,695,802,361	\$ 79,427,814,814	\$ 89,987,158,209

**PENSION TRUST FUND ADDITIONS
Ten-Year Average (2000-2009)**



FINANCIAL TRENDS INFORMATION



10-YEAR SUMMARY

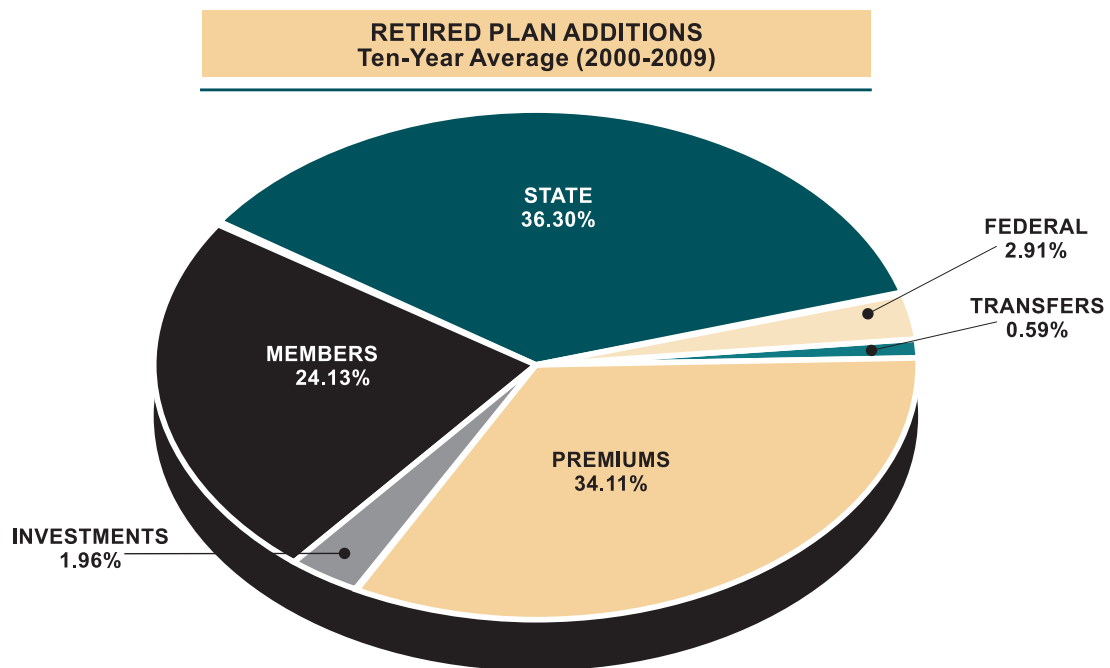
Changes in Fiduciary Net Assets

HEALTH BENEFITS TRUST FUND - RETIRED PLAN
FOR THE FISCAL YEARS ENDED AUGUST 31

	2009	2008	2007	2006
Additions:				
Health Care Premiums	\$ 329,723,191	\$ 328,505,433	\$ 323,957,945	\$ 326,844,982
State Contributions	267,567,228	254,814,119	238,246,652	215,720,223
Member Contributions	173,856,344	165,569,413	154,823,968	140,183,511
Reporting Entities Contributions	149,562,613	141,672,630	136,008,512	118,607,527
On Behalf Fringe Benefits - Federal Government	61,530,735	59,486,239	52,329,617	34,611,607
Legislative Appropriations Transfer from TRS-ActiveCare Enterprise Fund				
Investment Income:				
Interest	17,482,143	29,252,347	32,671,539	21,435,792
Net Appreciation in Fair Value				
TOTAL ADDITIONS	\$ 999,722,254	\$ 979,300,181	\$ 938,038,233	\$ 857,403,642
Deductions:				
Health Care Claims	\$ 885,132,865	\$ 833,509,538	\$ 742,293,147	\$ 687,086,291
Health Care Claims Processing	40,364,063	36,747,710	33,407,937	31,975,150
Legislative Appropriations Transfer to TRS-ActiveCare Enterprise Fund				
Administrative Expenses	2,916,259	3,000,536	2,526,189	2,513,102
TOTAL DEDUCTIONS	\$ 928,413,187	\$ 873,257,784	\$ 778,227,273	\$ 721,574,543
Net Increase (Decrease)	\$ 71,309,067	\$ 106,042,397	\$ 159,810,960	\$ 135,829,099
Net Assets - Beginning of Year	\$ 728,839,325	\$ 622,796,928	\$ 462,985,968	\$ 327,156,869
Restatements				
Beginning of Year, As Restated	\$ 728,839,325	\$ 622,796,928	\$ 462,985,968	\$ 327,156,869
Net Assets - End of Year	\$ 800,148,392	\$ 728,839,325	\$ 622,796,928	\$ 462,985,968

FINANCIAL TRENDS INFORMATION

	2005	2004	2003	2002	2001	2000
\$	322,780,191	\$ 248,552,679	\$ 162,917,666	\$ 143,797,748	\$ 131,213,445	\$ 120,227,960
	266,611,727	454,828,830	265,038,205	380,307,062	166,400,568	85,505,637
	101,198,783	99,297,097	49,170,399	47,378,092	45,059,393	42,738,069
	80,914,228	79,457,387				
		42,000,000				
	11,258,874	4,803,809	3,394,956	7,140,560	5,789,973	6,775,986
					34,161	147,499
\$	782,763,803	\$ 928,939,802	\$ 480,521,226	\$ 578,623,462	\$ 348,497,540	\$ 255,395,151
\$	660,559,083	\$ 581,354,957	\$ 571,744,362	\$ 451,709,670	\$ 390,466,745	\$ 313,933,218
	31,262,147	23,914,851	19,388,818	16,828,256	16,017,167	14,682,301
			42,000,000			
	2,070,863	2,417,349	2,301,516	2,163,441	2,220,596	2,154,826
\$	693,892,093	\$ 607,687,157	\$ 635,434,696	\$ 470,701,367	\$ 408,704,508	\$ 330,770,345
\$	88,871,710	\$ 321,252,645	\$ (154,913,470)	\$ 107,922,095	\$ (60,206,968)	\$ (75,375,194)
\$	238,285,159	\$ (82,967,486)	\$ 71,945,984	\$ (35,950,516)	\$ 24,256,452	\$ 99,631,646
				(25,595)		
\$	238,285,159	\$ (82,967,486)	\$ 71,945,984	\$ (35,976,111)	\$ 24,256,452	\$ 99,631,646
\$	327,156,869	\$ 238,285,159	\$ (82,967,486)	\$ 71,945,984	\$ (35,950,516)	\$ 24,256,452



FINANCIAL TRENDS INFORMATION



Revenues, Expenses, and Changes in Net Assets

TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN *

FOR THE FISCAL YEARS ENDED AUGUST 31

10-YEAR SUMMARY

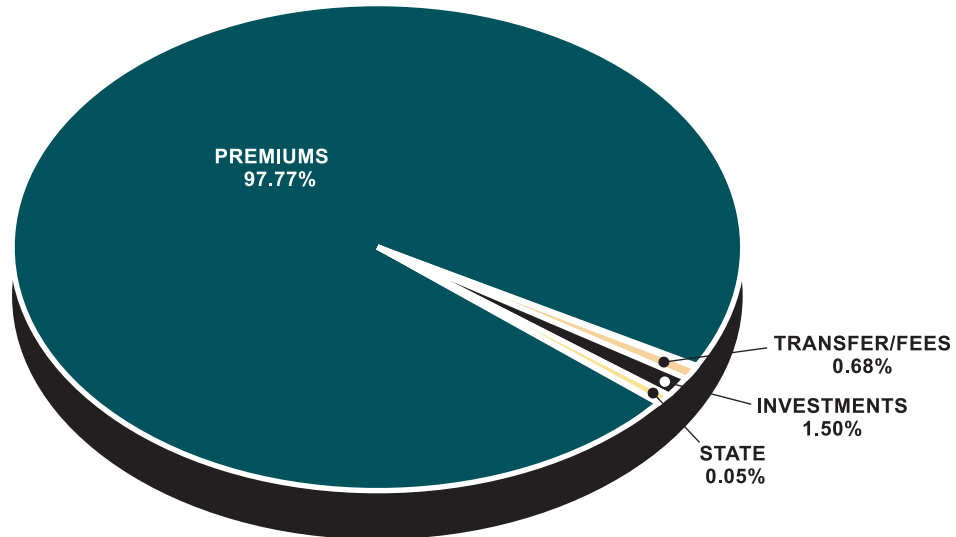
	2009	2008	2007	2006
Revenues/Additions:				
Health Care Premiums	\$ 1,172,011,048	\$ 1,096,537,022	\$ 939,694,028	\$ 861,464,205
State Contributions	64,975	61,894	46,446	40,979
Administrative Fees	187,813	186,844	184,937	183,470
ARRA Cobra Reimbursements	170,219			
Investment Income:				
Interest	11,597,992	21,164,640	26,016,380	18,650,516
Net Appreciation (Depreciation) in Fair Value				
Legislative Appropriations Transfer From Retired Plan				
TOTAL REVENUES/ADDITIONS	\$ 1,184,032,047	\$ 1,117,950,400	\$ 965,941,791	\$ 880,339,170
Expenses/Deductions:				
Health Care Claims	\$ 1,122,646,958	\$ 952,156,339	\$ 801,148,962	\$ 708,972,484
Health Care Claims Processing	60,934,432	54,583,499	48,177,777	53,013,214
Premium Payments to HMOs	64,820,440	68,204,743	58,742,363	49,466,150
Legislative Appropriations Transfer to Retired Plan				
Administrative Expenses	1,861,949	1,830,258	1,775,831	1,680,952
TOTAL EXPENSES/DEDUCTIONS	\$ 1,250,263,779	\$ 1,076,774,839	\$ 909,844,933	\$ 813,132,800
Change in Net Assets	\$ (66,231,732)	\$ 41,175,561	\$ 56,096,858	\$ 67,206,370
Net Assets - Beginning of Year	\$ 476,470,624	\$ 435,295,063	\$ 379,198,205	\$ 311,991,835
Restatements				
Beginning of Year, As Restated	\$ 476,470,624	\$ 435,295,063	\$ 379,198,205	\$ 311,991,835
Net Assets - End of Year	\$ 410,238,892	\$ 476,470,624	\$ 435,295,063	\$ 379,198,205

* The TRS-ActiveCare Program, enacted by H.B. 3343, 77th Legislature, began operations in fiscal year 2003 and is accounted for as a proprietary fund. Prior to fiscal year 2003, TRS administered the Health Care Trust Fund-Active Plan which was accounted for as a fiduciary fund. The net assets of the Active Plan were transferred to TRS-ActiveCare on September 1, 2002.

FINANCIAL TRENDS INFORMATION

2005	2004	2003	2002	2001	2000
\$ 823,726,341	\$ 758,062,552	\$ 584,572,852	\$	\$	\$ 152,001
35,626	24,050	31,266	2,698,422	5,382	7,175
183,317	192,763	136,288	108,198	70,340	2,164
8,915,711	3,641,100	2,459,154	590,967	1,392,821	1,425,548
				20,909	(20,840)
		42,000,000			
\$ 832,860,995	\$ 761,920,465	\$ 629,199,560	\$ 3,397,587	\$ 1,489,452	\$ 1,566,048
\$ 663,361,138	\$ 520,998,423	\$ 473,450,544	\$ (34,455)	\$ 41,066	\$ 142,569
53,697,572	53,564,510	42,411,388		92	21,281
42,574,641	40,210,539				
	42,000,000				
1,607,113	918,619	1,771,441	2,750,107	474,961	855,829
\$ 761,240,464	\$ 657,692,091	\$ 517,633,373	\$ 2,715,652	\$ 516,119	\$ 1,019,679
\$ 71,620,531	\$ 104,228,374	\$ 111,566,187	\$ 681,935	\$ 973,333	\$ 546,369
\$ 240,371,304	\$ 136,421,779	\$ 24,855,592	\$ 24,179,853	\$ 23,206,520	\$ 22,660,151
	(278,849)		(6,196)		
\$ 240,371,304	\$ 136,142,930	\$ 24,855,592	\$ 24,173,657	\$ 23,206,520	\$ 22,660,151
\$ 311,991,835	\$ 240,371,304	\$ 136,421,779	\$ 24,855,592	\$ 24,179,853	\$ 23,206,520

**ACTIVE PLAN REVENUES
Ten-Year Average (2000-2009)****



** ARRA Cobra reimbursements of 0.003% cannot be viewed but are included in the averaged calculations.

FINANCIAL TRENDS INFORMATION



Revenues, Expenses, and Changes in Net Assets

NONMAJOR 403(b) CERTIFICATION PROGRAM ENTERPRISE FUND *
FOR THE FISCAL YEARS ENDED AUGUST 31

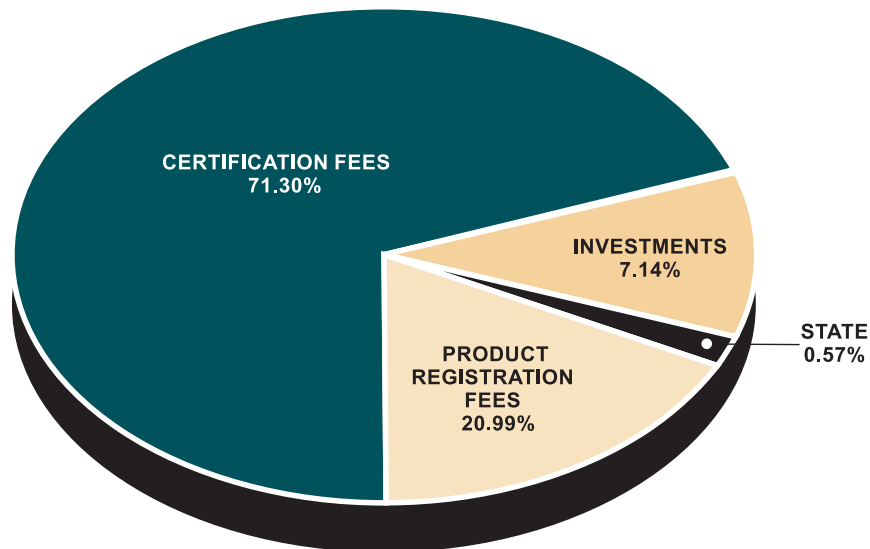
	2009	2008	2007	2006
Revenues:				
Certification Fees	\$ 6,000	\$ 30,000	\$ 171,000	\$ 30,000
Product Registration Fees	9,000	180,000		
State Contributions				
Investment Income	8,558	19,337	12,070	9,532
TOTAL REVENUES	\$ 23,558	\$ 229,337	\$ 183,070	\$ 39,532
Expenses:				
Administrative Expenses	\$ 88,000	\$ 192,000	\$ 24,000	\$ 24,000
TOTAL EXPENSES	\$ 88,000	\$ 192,000	\$ 24,000	\$ 24,000
Change in Net Assets	\$ (64,442)	\$ 37,337	\$ 159,070	\$ 15,532
Net Assets - Beginning of Year	\$ 419,702	\$ 382,365	\$ 223,295	\$ 207,763
Net Assets - End of Year	\$ 355,260	\$ 419,702	\$ 382,365	\$ 223,295

* The 403(b) Certification Program, enacted by S.B. 273, 77th Legislature, began operations on September 1, 2001 and is accounted for as a proprietary fund. Prior to fiscal year 2009, TRS accounted for the 403(b) Certification Program as a governmental fund.

FINANCIAL TRENDS INFORMATION

2005	2004	2003	2002
\$ 10,000	\$ 15,000	\$ 55,000	\$ 325,000
		1,197	3,953
5,529	3,495	4,617	1,164
\$ 15,529	\$ 18,495	\$ 60,814	\$ 330,117
\$ 24,000	\$ 24,000	\$ 45,074	\$ 124,118
\$ 24,000	\$ 24,000	\$ 45,074	\$ 124,118
\$ (8,471)	\$ (5,505)	\$ 15,740	\$ 205,999
\$ 216,234	\$ 221,739	\$ 205,999	\$
\$ 207,763	\$ 216,234	\$ 221,739	\$ 205,999

403(b) CERTIFICATION PROGRAM REVENUES Average Since Inception (2002-2009)



FINANCIAL TRENDS INFORMATION

Benefits and Refund Deductions from Net Assets by Type

PENSION TRUST FUND
LAST TEN FISCAL YEARS

	2009	2008	2007	2006
Type of Benefit				
Service Retirements	\$ 5,613,501,298	\$ 5,693,184,467 *	\$ 5,104,816,272	\$ 4,896,156,393
Deferred Retirement Option	23,272,668	26,757,772	31,939,855	36,033,028
Partial Lump Sum Option	348,261,100	363,668,944	325,688,244	313,359,714
Disability Retirements	138,569,650	146,907,654	134,866,736	132,155,505
Death and Survivor Benefits:				
Annual Salary	43,235,232	42,216,290	38,928,295	37,880,818
Survivor Annuities	79,951,723	78,862,569	76,116,829	74,115,776
Life Annuities	81,764,240	85,576,098	78,322,931	77,537,970
60 Monthly Payments	10,180,012	10,169,530	9,386,943	8,581,053
Remainder of Contributions	3,274,400	3,177,348	3,443,703	3,121,883
TOTAL BENEFITS	\$ 6,342,010,323	\$ 6,450,520,672	\$ 5,803,509,808	\$ 5,578,942,140
Type of Refund				
Death **	\$ 3,084,718	\$ 2,520,283	\$ 2,073,365	\$ 2,322,538
Separation	263,610,358	275,482,331	277,932,219	265,487,479
TOTAL REFUNDS	\$ 266,695,076	\$ 278,002,614	\$ 280,005,584	\$ 267,810,017

* A one-time supplemental payment that is capped at \$2,400 was distributed to eligible retirees in January 2008.

** Effective fiscal year 2009 the Accumulated Savings that was previously reported as a Type of Benefit is now presented as Death, a Type of Refund.

Health Care Claims Deductions from Net Assets by Type

HEALTH BENEFITS TRUST FUND - RETIRED PLAN
LAST TEN FISCAL YEARS

	2009	2008	2007	2006
Type of Claim				
Medical	\$ 531,239,020	\$ 498,767,038	\$ 437,519,746	\$ 427,553,404
Prescription Drugs	353,893,845	334,742,500	304,773,401	259,532,887
TOTAL	\$ 885,132,865	\$ 833,509,538	\$ 742,293,147	\$ 687,086,291

Health Care Claims Expenses from Net Assets by Type

TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN
LAST SEVEN FISCAL YEARS (SINCE PLAN INCEPTION)

	2009	2008	2007	2006
Type of Claim				
Medical	\$ 934,733,927	\$ 788,240,087	\$ 659,478,760	\$ 587,513,767
Prescription Drugs	187,913,031	163,916,252	141,670,202	121,458,717
TOTAL	\$ 1,122,646,958	\$ 952,156,339	\$ 801,148,962	\$ 708,972,484

FINANCIAL TRENDS INFORMATION

2005	2004	2003	2002	2001	2000
\$ 4,709,693,259	\$ 4,321,718,025	\$ 3,917,349,171	\$ 3,612,311,394	\$ 3,065,933,596	\$ 2,879,795,791
55,152,336	139,047,656	89,305,527	48,697,687	36,929,725	18,785,833
288,088,743	696,201,755	427,944,774	386,442,648	280,942,321	184,452,896
129,331,288	125,992,690	122,409,366	119,913,327	107,030,338	105,225,801
40,838,680	41,669,051	41,284,946	43,685,098	39,887,958	36,761,945
74,325,670	74,320,247	70,611,609	71,664,740	63,441,321	63,895,597
76,113,908	75,839,736	74,581,837	72,919,628	65,154,382	63,479,659
7,583,719	7,089,131	6,385,087	5,649,671	4,475,175	4,011,753
3,784,681	2,994,247	2,217,897	2,558,781	2,651,578	2,704,357
\$ 5,384,912,284	\$ 5,484,872,538	\$ 4,752,090,214	\$ 4,363,842,974	\$ 3,666,446,394	\$ 3,359,113,632
\$ 1,766,957	\$ 1,460,631	\$ 1,297,262	\$ 1,504,798	\$ 908,801	\$ 780,487
243,382,014	220,396,709	186,082,670	186,421,065	214,434,792	214,999,991
\$ 245,148,971	\$ 221,857,340	\$ 187,379,932	\$ 187,925,863	\$ 215,343,593	\$ 215,780,478

2005	2004	2003	2002	2001	2000
\$ 431,036,095	\$ 366,840,457	\$ 368,462,963	\$ 287,729,917	\$ 250,691,897	\$ 203,029,971
229,522,988	214,514,500	203,281,399	163,979,753	139,774,848	110,903,247
\$ 660,559,083	\$ 581,354,957	\$ 571,744,362	\$ 451,709,670	\$ 390,466,745	\$ 313,933,218

2005	2004	2003
\$ 546,106,804	\$ 425,394,453	\$ 392,085,280
117,254,334	95,603,970	81,365,264
\$ 663,361,138	\$ 520,998,423	\$ 473,450,544

OPERATING INFORMATION

Average Benefit Payments

PENSION TRUST FUND
LAST TEN FISCAL YEARS

Retirement Effective Dates	Years Credited Service					
	5-10	11-15	16-20	21-25	26-30	30+
9-1-99 to 8-31-00						
Average Monthly Benefit *	\$ 246.08	\$ 456.66	\$ 920.08	\$ 1,399.40	\$ 2,180.53	\$ 2,989.58
Average Final Average Salary	\$ 19,266	\$ 22,711	\$ 28,423	\$ 33,267	\$ 42,721	\$ 49,503
Number of Retirees	1,119	1,198	1,402	2,398	3,498	3,208
9-1-00 to 8-31-01						
Average Monthly Benefit *	\$ 236.58	\$ 430.48	\$ 901.74	\$ 1,377.49	\$ 2,131.89	\$ 2,902.37
Average Final Average Salary	\$ 20,075	\$ 23,399	\$ 29,570	\$ 34,843	\$ 44,767	\$ 51,307
Number of Retirees	1,064	1,168	1,431	2,413	3,768	3,323
9-1-01 to 8-31-02						
Average Monthly Benefit *	\$ 235.10	\$ 464.54	\$ 947.20	\$ 1,445.49	\$ 2,210.10	\$ 3,030.02
Average Final Average Salary	\$ 20,405	\$ 24,637	\$ 31,300	\$ 36,564	\$ 46,507	\$ 53,956
Number of Retirees	1,207	1,252	1,648	3,077	4,983	4,722
9-1-02 to 8-31-03						
Average Monthly Benefit *	\$ 266.81	\$ 501.03	\$ 968.25	\$ 1,474.94	\$ 2,220.28	\$ 3,041.87
Average Final Average Salary	\$ 23,426	\$ 26,812	\$ 31,814	\$ 37,452	\$ 46,435	\$ 53,748
Number of Retirees	1,507	1,638	2,157	3,790	6,000	5,085
9-1-03 to 8-31-04						
Average Monthly Benefit *	\$ 269.44	\$ 481.55	\$ 983.05	\$ 1,497.26	\$ 2,180.38	\$ 3,036.76
Average Final Average Salary	\$ 23,472	\$ 26,777	\$ 32,463	\$ 38,613	\$ 46,742	\$ 54,523
Number of Retirees	1,795	2,278	3,090	5,670	8,000	6,254
9-1-04 to 8-31-05						
Average Monthly Benefit *	\$ 272.15	\$ 533.53	\$ 1,056.61	\$ 1,601.21	\$ 2,331.78	\$ 3,266.15
Average Final Average Salary	\$ 24,774	\$ 28,314	\$ 35,336	\$ 41,202	\$ 49,452	\$ 58,164
Number of Retirees	1,410	1,227	1,427	2,074	3,176	2,492
9-1-05 to 8-31-06						
Average Monthly Benefit *	\$ 279.64	\$ 580.20	\$ 1,094.19	\$ 1,630.92	\$ 2,338.16	\$ 3,309.93
Average Final Average Salary	\$ 24,456	\$ 30,629	\$ 36,786	\$ 42,296	\$ 49,649	\$ 58,985
Number of Retirees	1,494	1,128	1,579	2,483	3,332	2,701
9-1-06 to 8-31-07						
Average Monthly Benefit *	\$ 309.10	\$ 599.13	\$ 1,116.93	\$ 1,695.97	\$ 2,423.07	\$ 3,450.58
Average Final Average Salary	\$ 27,440	\$ 31,602	\$ 37,444	\$ 44,118	\$ 51,681	\$ 61,098
Number of Retirees	1,576	1,184	1,554	2,626	3,290	2,836
9-1-07 to 8-31-08						
Average Monthly Benefit *	\$ 312.89	\$ 619.15	\$ 1,148.55	\$ 1,754.22	\$ 2,533.48	\$ 3,503.96
Average Final Average Salary	\$ 27,786	\$ 32,399	\$ 38,412	\$ 45,574	\$ 53,613	\$ 61,832
Number of Retirees	1,531	1,283	1,902	2,942	3,753	3,333
9-1-08 to 8-31-09						
Average Monthly Benefit *	\$ 351.46	\$ 657.05	\$ 1,216.49	\$ 1,757.43	\$ 2,610.91	\$ 3,631.10
Average Final Average Salary	\$ 29,884	\$ 32,999	\$ 40,326	\$ 45,245	\$ 54,722	\$ 62,942
Number of Retirees	1,278	1,230	1,749	2,629	3,065	2,971

* Average monthly benefits have been reduced for Partial Lump Sum Option payments of \$184.5, \$280.9, \$386.4, \$427.9, \$696.2, \$288.1, \$313.4, \$325.7, \$363.7, and \$348.3 million in fiscal years 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, and 2009 respectively.

OPERATING INFORMATION

Average Health Care Claims

HEALTH BENEFITS TRUST FUND - RETIRED PLAN
LAST TEN FISCAL YEARS

2009		
Average Claims Per Participant	\$	4,464.01
Health Care Claims	\$	885,132,865
Average Participants		198,282
2008		
Average Claims Per Participant	\$	4,302.36
Health Care Claims	\$	833,509,538
Average Participants		193,733
2007		
Average Claims Per Participant	\$	3,891.49
Health Care Claims	\$	742,293,147
Average Participants		190,748
2006		
Average Claims Per Participant	\$	3,658.53
Health Care Claims	\$	687,086,291
Average Participants		187,804
2005		
Average Claims Per Participant	\$	3,563.06
Health Care Claims	\$	660,559,083
Average Participants		185,391
2004		
Average Claims Per Participant	\$	3,434.58
Health Care Claims	\$	581,354,957
Average Participants		169,265
2003		
Average Claims Per Participant	\$	3,698.31
Health Care Claims	\$	571,744,362
Average Participants		154,596
2002		
Average Claims Per Participant	\$	3,156.18
Health Care Claims	\$	451,709,670
Average Participants		143,119
2001		
Average Claims Per Participant	\$	2,877.24
Health Care Claims	\$	390,466,745
Average Participants		135,709
2000		
Average Claims Per Participant	\$	2,433.03
Health Care Claims	\$	313,933,218
Average Participants		129,030

Average Health Care Claims

TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN
LAST SEVEN FISCAL YEARS (SINCE PLAN INCEPTION)

2009		
Average Claims Per Participant	\$	3,323.59
Health Care Claims	\$	1,122,646,958
Average Participants		337,781
2008		
Average Claims Per Participant	\$	3,059.63
Health Care Claims	\$	952,156,339
Average Participants		311,200
2007		
Average Claims Per Participant	\$	2,834.53
Health Care Claims	\$	801,148,962
Average Participants		282,639
2006		
Average Claims Per Participant	\$	2,744.75
Health Care Claims	\$	708,972,484
Average Participants		258,301
2005		
Average Claims Per Participant	\$	2,714.19
Health Care Claims	\$	663,361,138
Average Participants		244,405
2004		
Average Claims Per Participant	\$	2,357.20
Health Care Claims	\$	520,998,423
Average Participants		221,024
2003		
Average Claims Per Participant	\$	2,616.24
Health Care Claims	\$	473,450,544
Average Participants		180,966

OPERATING INFORMATION

Retired Members by Type of Benefit

PENSION TRUST FUND
AS OF AUGUST 31, 2009

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement ^a						
		1	2	3	4	5	6	7
\$ 1 - 200	12,010	4,417	6,228	358	875	64	49	19
\$ 201 - 400	31,758	7,544	11,314	641	1,619	1,080	713	8,847
\$ 401 - 600	20,807	9,022	8,205	1,344	1,713	243	280	0
\$ 601 - 800	18,049	9,785	4,920	1,324	1,416	322	282	0
\$ 801 - 1,000	17,194	10,980	3,407	1,019	1,246	319	223	0
\$ 1,001 - 1,200	14,832	10,047	2,464	753	1,138	256	174	0
\$ 1,201 - 1,400	12,827	8,447	2,366	604	1,059	229	122	0
\$ 1,401 - 1,600	13,549	8,847	2,838	553	963	247	101	0
\$ 1,601 - 1,800	13,999	9,647	2,693	487	849	230	93	0
\$ 1,801 - 2,000	14,741	10,941	2,432	390	701	223	54	0
\$ over 2,000	114,848	98,319	9,284	1,212	4,758	1,165	110	0
Totals	284,614	187,996	56,151	8,685	16,337	4,378	2,201	8,866

^aType of Retirement:

- 1 - Normal Retirement of Age and Service
- 2 - Early Retirement
- 3 - Disability Retirement
- 4 - Survivor Payment, Joint Life or Guarantee
- 5 - Survivor Payment, Death in Service
- 6 - Survivor Payment, After Disability Retirement
- 7 - Survivor Payment, After Service Retirement

Health Care Claims by Benefit Range

HEALTH BENEFITS TRUST FUND - RETIRED PLAN
AS OF AUGUST 31, 2009

Benefit Range	Average Participants
\$ 0	30,563
\$ 1 - 5,000	126,771
\$ 5,001 - 10,000	25,399
\$ 10,001 - 20,000	9,008
\$ 20,001 - 30,000	2,467
\$ 30,001 - 40,000	1,231
\$ 40,001 - 50,000	710
\$ 50,001 - 100,000	1,359
\$ over 100,000	774
Total	198,282

Health Care Claims by Benefit Range

TRS-ACTIVECARE ENTERPRISE FUND - ACTIVE PLAN
AS OF AUGUST 31, 2009

Benefit Range	Average Participants
\$ 0	33,358
\$ 1 - 5,000	259,721
\$ 5,001 - 10,000	23,989
\$ 10,001 - 20,000	11,374
\$ 20,001 - 30,000	3,667
\$ 30,001 - 40,000	1,827
\$ 40,001 - 50,000	1,134
\$ 50,001 - 100,000	1,765
\$ over 100,000	946
Total	337,781

OPERATING INFORMATION

Option Selected ^b					
1	2	3	4	5	6
5,563	4,215	910	386	866	70
10,489	6,668	1,823	810	1,714	10,254
10,393	5,784	2,160	887	1,583	0
8,744	5,112	2,267	814	1,112	0
8,259	4,672	2,384	780	1,099	0
6,640	4,364	2,296	640	892	0
5,154	4,229	2,151	509	784	0
5,310	4,612	2,198	578	851	0
5,389	4,826	2,318	549	917	0
5,414	5,131	2,643	545	1,008	0
39,743	43,039	21,400	3,840	6,826	0
111,098	92,652	42,550	10,338	17,652	10,324

^bOption Selected:

Option 1 - Life Annuity

Option 2 - Joint to Survivor

Option 3 - Joint to Survivor 50% / Joint to Survivor 75%

Option 4 - 5-Year Guarantee

Option 5 - 10-Year Guarantee

Option 6 - Survivor Benefit

OPERATING INFORMATION

Principal Participating Reporting Entities

PENSION TRUST FUND
CURRENT FISCAL YEAR AND NINE YEARS AGO

Participating Reporting Entity	2009			2000		
	Covered Employees	Rank	Percentage of Total Covered Employment	Covered Employees	Rank	Percentage of Total Covered Employment
Houston ISD	24,386	1	3.07%	25,315	1	3.92%
Dallas ISD	19,870	2	2.50%	18,814	2	2.91%
UT MD Anderson Cancer Center	15,660	3	1.97%	8,892	6	1.38%
Cypress Fairbanks ISD	12,982	4	1.63%	7,929	10	1.23%
Northside ISD	12,352	5	1.56%	8,777	7	1.36%
Austin ISD	12,077	6	1.52%	10,245	3	1.59%
Fort Worth ISD	10,852	7	1.37%	9,466	5	1.46%
UT at Austin	10,340	8	1.30%	8,320	9	1.29%
North East ISD	8,914	9	1.12%			
El Paso ISD	8,903	10	1.12%	8,338	8	1.29%
UT Medical Branch at Galveston				9,613	4	1.49%
All other	658,282		82.84%	530,120		82.08%
Total	794,618		100.00%	645,829		100.00%

Source: May report month information submitted to the Teacher Retirement System by participating reporting entities.

OPERATING INFORMATION

Principal Participating Reporting Entities

HEALTH BENEFITS TRUST FUND - RETIRED PLAN
CURRENT FISCAL YEAR AND NINE YEARS AGO

Participating Reporting Entity	2009			2000		
	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment	Covered OPEB Employees	Rank	Percentage of Total Covered OPEB Employment
Houston ISD	24,386	1	3.68%	25,315	1	4.62%
Dallas ISD	19,870	2	3.00%	18,814	2	3.44%
Cypress Fairbanks ISD	12,982	3	1.96%	7,929	7	1.45%
Northside ISD	12,352	4	1.86%	8,777	5	1.60%
Austin ISD	12,077	5	1.82%	10,245	3	1.87%
Fort Worth ISD	10,852	6	1.64%	9,466	4	1.73%
North East ISD	8,914	7	1.35%	6,807	10	1.24%
El Paso ISD	8,903	8	1.34%	8,338	6	1.52%
Aldine ISD	8,716	9	1.32%	7,431	9	1.36%
Fort Bend ISD	8,649	10	1.30%			
San Antonio ISD				7,676	8	1.40%
All other	534,954		80.73%	436,759		79.77%
Total	662,655		100.00%	547,557		100.00%

Source: May report month information submitted to the Teacher Retirement System by participating reporting entities.

Listing of Participating Reporting Entities

Community and Junior Colleges

Alamo Comm College Dist
Alvin Community College
Amarillo College
Angelina College
Austin Community College
Blinn College
Brazosport College
Central Texas College
Cisco Junior College
Clarendon College
Coastal Bend College
College of the Mainland
Collin Cty Comm College
Dallas Cty Comm Coll Dist
Del Mar College
El Paso Community College
Frank Phillips College
Galveston College
Grayson County College
Hill College
Houston Comm Coll System
Howard Cty Jr Coll Dist
Kilgore College
Laredo Community College
Lee College
Lone Star College System
McLennan Comm College
Midland College
Navarro College
North Central Tx College
Northeast Tx Comm College
Odessa College
Panola College
Paris Junior College
Ranger Junior College
San Jacinto College Dist
South Plains College
South Texas Comm College
Southwest Tx Jr College
Tarrant County Coll Dist
Temple College
Texarkana College
Texas Southmost College
Texas State Tech College
Trinity Valley Jr College
Tyler Junior College
Vernon College
Victoria College
Weatherford College
Western Texas College
Wharton County Jr College

Universities

Angelo State University
Lamar Inst of Technology
Lamar St Coll at Orange
Lamar St Coll at Port Arthur
Lamar University
Midwestern State Univ
Prairie View A & M Univ
Sam Houston State Univ
Stephen F Austin State U
Sul Ross State University
Tarleton State University
Texas A & M at Galveston
Texas A & M Corpus Christi
Texas A & M U-Commerce
Texas A & M U-Kingsville
Texas A & M U-Texarkana
Texas A & M University
Texas AgriLife Research
Texas AgriLife Ext Service
Texas Eng Exp Station
Texas Eng Ext Service
Texas Forest Service
Texas Southern University

Texas State Univ-San Marcos
Texas State Univ System
Texas Tech University
Texas Transportation Inst
Texas Womans University
Tx A & M International Univ
Tx A & M U Systems Office
U H at Houston
U of N Texas System Admin
U T at Arlington
U T at Austin
U T at Dallas
U T at El Paso
U T at San Antonio
U T at Tyler
U T Pan American
U T Permian Basin
Univ Tx at Brownsville
University of North Tx
West Texas A & M Univ

Medical Schools

T A M U System H S C
Texas Veterinary Med
Diagnostic Lab
U N T H S C at Fort Worth
U T H S C at Houston
U T H S C at San Antonio
U T Health Ctr at Tyler
U T M D Anderson Hospital
U T Med Br at Galveston
U T S W Medical Center

School Districts

Abbott I S D
Abernathy I S D
Abilene I S D
Academy I S D
Adrian I S D
Agua Dulce I S D
Alamo Heights I S D
Alba Golden I S D
Albany I S D
Aldine I S D
Aledo I S D
Alice I S D
Alief I S D
Allen I S D
Alpine I S D
Alto I S D
Alvarado I S D
Alvin I S D
Alvord I S D
Amarillo I S D
Amherst I S D
Anahuac I S D
Anderson Shiro Cons I S D
Andrews I S D
Angleton I S D
Anna I S D
Anson I S D
Anthony I S D
Anton I S D
Apple Springs I S D
Aquila I S D
Aransas County I S D
Aransas Pass I S D
Archer City I S D
Argyle I S D
Arlington I S D
Arp I S D
Aspermont I S D
Athens I S D
Atlanta I S D
Aubrey I S D
Austin I S D
Austwell Tivoli I S D
Avalon I S D
Avery I S D

Avinger I S D
Axtell I S D
Azle I S D
Baird I S D
Ballinger I S D
Balmorhea I S D
Bandera I S D
Bangs I S D
Banquete I S D
Barbers Hill I S D
Bartlett I S D
Bastrop I S D
Bay City I S D
Beaumont I S D
Beckville I S D
Beeville I S D
Bellevue I S D
Bells I S D
Bellville I S D
Belton I S D
Ben Bolt Palito I S D
Benavides I S D
Benjamin I S D
Big Sandy I S D, Big Sandy
Big Sandy I S D, Dallardsville
Big Spring I S D
Birdville I S D
Bishop Cons I S D
Blackwell I S D
Blanco I S D
Bland I S D
Blanket I S D
Bloomburg I S D
Blooming Grove I S D
Bloomington I S D
Blue Ridge I S D
Bluff Dale I S D
Blum I S D
Boerne I S D
Boles I S D
Boling I S D
Bonham I S D
Booker I S D
Borden County I S D
Borger I S D
Bosqueville I S D
Bovina I S D
Bowie I S D
Boyd I S D
Boys Ranch I S D
Brackett I S D
Brady I S D
Brazos I S D
Brazosport I S D
Breckenridge I S D
Bremond I S D
Brenham I S D
Bridge City I S D
Bridgeport I S D
Broaddus I S D
Brock I S D
Bronte I S D
Brookeland I S D
Brooks County I S D
Brookesmith I S D
Brownfield I S D
Brownsboro I S D
Brownsville I S D
Brownwood I S D
Bruceville Eddy I S D
Bryan I S D
Bryson I S D
Buckholts I S D
Buena Vista I S D
Buffalo I S D
Bullard I S D
Buna I S D
Burkburnett I S D
Burkeville I S D
Burleson I S D
Burnet Cons I S D

Burton I S D
Bushland I S D
Byers I S D
Bynum Cons I S D
Caddo Mills I S D
Calallen I S D
Caldwell I S D
Calhoun County I S D
Callisburg I S D
Calvert I S D
Cameron I S D
Campbell I S D
Canadian I S D
Canton I S D
Canutillo I S D
Canyon I S D
Carlisle I S D
Carrizo Springs C I S D
Carroll I S D
Carrollton Farmers Branch I S D
Carthage I S D
Castleberry I S D
Cayuga I S D
Cedar Hill I S D
Celeste I S D
Celina I S D
Center I S D
Center Point I S D
Centerville I S D, Centerville
Centerville I S D, Groveton
Central I S D
Central Heights I S D
Channelview I S D
Channing I S D
Chapel Hill I S D, Mt. Pleasant
Chapel Hill I S D, Tyler
Charlotte I S D
Cherokee I S D
Chester I S D
Chico I S D
Childress I S D
Chillicothe I S D
Chilton I S D
China Spring I S D
Chireno I S D
Chisum I S D
Christoval I S D
Cisco I S D
City View I S D
Clarendon Cons I S D
Clarksville I S D
Claude I S D
Clear Creek I S D
Cleburne I S D
Cleveland I S D
Clifton I S D
Clint I S D
Clyde I S D
Coahoma I S D
Coldspring Oakhurst I S D
Coleman I S D
College Station I S D
Collinsville I S D
Colmesneil I S D
Colorado I S D
Columbia Brazoria I S D
Columbus I S D
Comal I S D
Comanche I S D
Comfort I S D
Commerce I S D
Community I S D
Como Pickton I S D
Comstock I S D
Connally Cons I S D
Conroe I S D
Coolidge I S D
Cooper I S D
Coppell I S D
Copperas Cove I S D
Corpus Christi I S D

Listing of Participating Reporting Entities

(continued)

Corrigan Camden C I S D	El Paso I S D	Grand Saline I S D	Ingram I S D
Corsicana I S D	Electra I S D	Grandfalls Royalty I S D	Iola I S D
Cotton Center I S D	Elgin I S D	Grandview I S D	Iowa Park Cons I S D
Cotulla I S D	Elkhart I S D	Grandview Hopkins I S D	Ira I S D
Coupland I S D	Elysian Fields I S D	Granger I S D	Iraan Sheffield I S D
Covington I S D	Ennis I S D	Grape Creek I S D	Iredell I S D
Crandall I S D	Era I S D	Grapeland I S D	Irion County I S D
Crane I S D	Etoile I S D	Grapevine Colleyville I S D	Irving I S D
Cranfills Gap I S D	Eula I S D	Greenville I S D	Italy I S D
Crawford I S D	Eustace I S D	Greenwood I S D	Itasca I S D
Crockett I S D	Evadale I S D	Gregory Portland C I S D	Jacksboro I S D
Crockett Cty School Dist	Evant I S D	Groesbeck I S D	Jacksonville I S D
Crosby I S D	Everman I S D	Groom I S D	Jarrell I S D
Crosbyton Cons I S D	Excelsior I S D	Groveton I S D	Jasper I S D
Cross Plains I S D	Ezzell I S D	Gruver I S D	Jayton-Girard I S D
Cross Roads I S D	Fabens I S D	Gunter I S D	Jefferson I S D
Crowell Cons I S D	Fairfield I S D	Gustine I S D	Jim Hogg County I S D
Crowley I S D	Falls City I S D	Guthrie C S D	Jim Ned Cons I S D
Crystal City I S D	Fannindel I S D	Hale Center I S D	Joaquin I S D
Cuero I S D	Farmersville I S D	Hallettsville I S D	Johnson City I S D
Culberson County I S D	Farwell I S D	Hallsburg I S D	Jonesboro I S D
Cumby I S D	Fayetteville I S D	Hallsville I S D	Joshua I S D
Cushing I S D	Ferris I S D	Hamilton I S D	Jourdanton I S D
Cypress Fairbanks I S D	Flatonia I S D	Hamlin I S D	Judson I S D
D Hanis I S D	Florence I S D	Hamshire Fannett I S D	Junction I S D
Daingerfield I S D	Floresville I S D	Happy I S D	Karnack I S D
Dalhart I S D	Flour Bluff I S D	Hardin I S D	Karnes City I S D
Dallas I S D	Floydada I S D	Hardin Jefferson I S D	Katy I S D
Damon I S D	Follett I S D	Harlandale I S D	Kaufman I S D
Danbury I S D	Forestburg I S D	Harleton I S D	Keene I S D
Darrouzett I S D	Forney I S D	Harlingen I S D	Keller I S D
Dawson I S D, Dawson	Forsan I S D	Harmony I S D	Kelton I S D
Dawson I S D, Welch	Fort Bend I S D	Harper I S D	Kemp I S D
Dayton I S D	Fort Davis I S D	Harrold I S D	Kendleton I S D
De Kalb I S D	Fort Elliott Cons I S D	Hart I S D	Kenedy I S D
De Leon I S D	Fort Hancock I S D	Hartley I S D	Kenedy County School Dist
De Soto I S D	Fort Sam Houston I S D	Harts Bluff I S D	Kennard I S D
Decatur I S D	Fort Stockton I S D	Haskell C I S D	Kennedale I S D
Deer Park I S D	Fort Worth I S D	Hawkins I S D	Kerens I S D
Del Valle I S D	Franklin I S D	Hawley I S D	Kermit I S D
Dell City I S D	Frankston I S D	Hays Cons I S D	Kerrville I S D
Denison I S D	Fredericksburg I S D	Hearne I S D	Kilgore I S D
Denton I S D	Freer I S D	Hedley I S D	Killeen I S D
Denver City I S D	Frenship I S D	Hemphill I S D	Kingsville I S D
Detroit I S D	Friendswood I S D	Hempstead I S D	Kirbyville Cons I S D
Devers I S D	Friona I S D	Henderson I S D	Klein I S D
Devine I S D	Frisco I S D	Henrietta I S D	Klondike I S D
Dew I S D	Frost I S D	Hereford I S D	Knippa I S D
Deweyville I S D	Fruitvale I S D	Hermleigh I S D	Knox City O Brien C I S D
Diboll I S D	Gainesville I S D	Hico I S D	Kopperl I S D
Dickinson I S D	Galena Park I S D	Hidalgo I S D	Kountze I S D
Dilley I S D	Galveston I S D	Higgins I S D	Kress I S D
Dime Box I S D	Ganado I S D	High Island I S D	Krum I S D
Dimmitt I S D	Garland I S D	Highland I S D	La Feria I S D
Divide I S D	Garner I S D	Highland Park I S D, Amarillo	La Gloria I S D
Dodd City I S D	Garrison I S D	Highland Park I S D, Dallas	La Grange I S D
Donna I S D	Gary I S D	Hillsboro I S D	La Joya I S D
Doss Cons C S D	Gatesville I S D	Hitchcock I S D	La Marque I S D
Douglass I S D	Gause I S D	Holland I S D	La Porte I S D
Dripping Springs I S D	George West I S D	Holliday I S D	La Poyner I S D
Driscoll I S D	Georgetown I S D	Hondo I S D	La Pryor I S D
Dublin I S D	Gholson I S D	Honey Grove I S D	La Vega I S D
Dumas I S D	Giddings I S D	Hooks I S D	La Vernia I S D
Duncanville I S D	Gilmer I S D	Houston I S D	La Villa I S D
Eagle Mount Saginaw I S D	Gladewater Cty Line I S D	Howe I S D	Lackland I S D
Eagle Pass I S D	Glasscock County I S D	Hubbard I S D, Hubbard	Lago Vista I S D
Eanes I S D	Glen Rose I S D	Hubbard I S D, New Boston	Lake Dallas I S D
Early I S D	Godley I S D	Huckabay I S D	Lake Travis I S D
East Bernard I S D	Goldburg I S D	Hudson I S D	Lake Worth I S D
East Central I S D	Goldthwaite I S D	Huffman I S D	Lamar Cons I S D
East Chambers I S D	Goliad I S D	Hughes Springs I S D	Lamesa I S D
Eastland I S D	Gonzales I S D	Hull Daisetta I S D	Lampasas I S D
Ector I S D	Goodrich I S D	Humble I S D	Lancaster I S D
Ector Cty I S D	Goose Creek I S D	Hunt I S D	Laneville I S D
Edcouch Elsa I S D	Gordon I S D	Huntington I S D	Laredo I S D
Eden C I S D	Gorman I S D	Huntsville I S D	Lasara I S D
Edgewood I S D, Edgewood	Grady I S D	Hurst Eules I S D	Latexo I S D
Edgewood I S D, San Antonio	Graford I S D	Hutto I S D	Lazbuddie I S D
Edinburg C I S D	Graham I S D	Idalou I S D	Leakey I S D
Edna I S D	Granbury I S D	Industrial I S D	Leander I S D
El Campo I S D	Grand Prairie I S D	Ingleside I S D	Leary I S D

Listing of Participating Reporting Entities

(continued)

Lefors I S D	Mercedes I S D	Onalaska I S D	Richards I S D
Leggett I S D	Meridian I S D	Orange Grove I S D	Richardson I S D
Leon I S D	Merkel I S D	Orangefield I S D	Richland Springs I S D
Leonard I S D	Mesquite I S D	Ore City I S D	Riesel I S D
Levelland I S D	Mexia I S D	Overton I S D	Rio Grande City C I S D
Leveretts Chapel I S D	Meyersville I S D	Paducah I S D	Rio Hondo I S D
Lewisville I S D	Miami I S D	Paint Creek I S D	Rio Vista I S D
Lexington I S D	Midland I S D	Paint Rock I S D	Rising Star I S D
Liberty I S D	Midlothian I S D	Palacios I S D	River Road I S D
Liberty Eylau I S D	Midway I S D, Henrietta	Palestine I S D	Rivercrest I S D
Liberty Hill I S D	Midway I S D, Waco	Palmer I S D	Riviera I S D
Lindale I S D	Milano I S D	Palo Pinto I S D	Robert Lee I S D
Linden Kildare Cons I S D	Mildred I S D	Pampa I S D	Robinson I S D
Lindsay I S D	Miles I S D	Panhandle I S D	Robstown I S D
Lingleville I S D	Milford I S D	Panther Creek Cons I S D	Roby C I S D
Lipan I S D	Miller Grove I S D	Paradise I S D	Rochelle I S D
Little Elm I S D	Millsap I S D	Paris I S D	Rockdale I S D
Littlefield I S D	Mineola I S D	Pasadena I S D	Rocksprings I S D
Livingston I S D	Mineral Wells I S D	Patton Springs I S D	Rockwall I S D
Llano I S D	Mission Cons I S D	Pawnee I S D	Rogers I S D
Lockhart I S D	Monahans Wickett I S D	Pearland I S D	Roma I S D
Lockney I S D	Montague I S D	Pearsall I S D	Roosevelt I S D
Lohn I S D	Monte Alto I S D	Peaster I S D	Ropes I S D
Lometa I S D	Montgomery I S D	Pecos Barstow Toyah I S D	Roscoe I S D
London I S D	Moody I S D	Penelope I S D	Rosebud Lott Cons I S D
Lone Oak I S D	Moran I S D	Perrin Whitt Cons I S D	Rotan I S D
Longview I S D	Morgan I S D	Perryton I S D	Round Rock I S D
Loop I S D	Morgan Mill I S D	Petersburg I S D	Round Top Carmine I S D
Lorraine I S D	Morton I S D	Petrolia I S D	Roxton I S D
Lorena I S D	Motley County I S D	Pettus I S D	Royal I S D
Lorenzo Cons I S D	Moulton I S D	Pewitt Cons I S D	Royse City I S D
Los Fresnos Cons I S D	Mount Calm I S D	Pflugerville I S D	Rule I S D
Louise I S D	Mount Enterprise I S D	Pharr San Juan Alamo I S D	Runge I S D
Lovejoy I S D	Mount Pleasant I S D	Pilot Point I S D	Rusk I S D
Lovelady I S D	Mount Vernon I S D	Pine Tree I S D	S & S Cons I S D
Ltle Cyprs Mrcvle C I S D	Muenster I S D	Pittsburg I S D	Sabinal I S D
Lubbock I S D	Muleshoe I S D	Plains I S D	Sabine I S D
Lubbock Cooper I S D	Mullin I S D	Plainview I S D	Sabine Pass I S D
Lueders Avoca I S D	Mumford I S D	Plano I S D	Saint Jo I S D
Luffkin I S D	Munday I S D	Pleasant Grove I S D	Salado I S D
Luling I S D	Murchison I S D	Pleasanton I S D	Saltillo I S D
Lumberton I S D	Nacogdoches I S D	Plemons Stinnett Phillips C I S D	Sam Rayburn Cons I S D
Lyford Cons I S D	Natalia I S D	Point Isabel I S D	Samnorwood I S D
Lytle I S D	Navarro I S D	Ponder I S D	San Angelo I S D
Mabank I S D	Navasota I S D	Poolville I S D	San Antonio I S D
Madisonville Cons I S D	Nazareth I S D	Port Aransas I S D	San Augustine I S D
Magnolia I S D	Neches I S D	Port Arthur I S D	San Benito Cons I S D
Malakoff I S D	Nederland I S D	Port Neches Groves I S D	San Diego I S D
Malone I S D	Needville I S D	Post I S D	San Elizario I S D
Malta I S D	New Boston I S D	Poteet I S D	San Felipe Del Rio I S D
Manor I S D	New Braunfels I S D	Poth Cons I S D	San Isidro I S D
Mansfield I S D	New Caney I S D	Pottsboro I S D	San Marcos Cons I S D
Marathon I S D	New Deal I S D	Prairie Lea I S D	San Perlita I S D
Marble Falls I S D	New Diana I S D	Prairie Valley I S D	San Saba I S D
Marfa I S D	New Home I S D	Prairiland I S D	San Vicente I S D
Marion I S D	New Summerfield I S D	Premont I S D	Sands Cons I S D
Marlin I S D	New Waverly I S D	Presidio I S D	Sanford I S D
Marshall I S D	Newcastle I S D	Priddy I S D	Sanger I S D
Mart I S D	Newton I S D	Princeton I S D	Santa Anna I S D
Martins Mill I S D	Nixon Smiley C I S D	Pringle Morse Cons I S D	Santa Fe I S D
Martinsville I S D	Nocona I S D	Progreso I S D	Santa Gertrudis I S D
Mason I S D	Nordheim I S D	Prosper I S D	Santa Maria I S D
Matagorda I S D	Normangee I S D	Quanah I S D	Santa Rosa I S D
Mathis I S D	North East I S D	Queen City I S D	Santo I S D
Maud I S D	North Forest I S D	Quinlan I S D	Savoy I S D
May I S D	North Hopkins I S D	Quitman I S D	Schertz Cibolo I S D
Maypearl I S D	North Lamar I S D	Rains I S D	Schleicher Cty I S D
Mc Allen I S D	North Zulch I S D	Ralls I S D	Schulenburg I S D
Mc Camey I S D	Northside I S D, San Antonio	Ramirez Common S D	Scurry Rosser I S D
Mc Dade I S D	Northside I S D, Vernon	Randolph Field I S D	Seagraves I S D
Mc Gregor I S D	Northwest I S D	Ranger I S D	Sealy I S D
Mc Kinney I S D	Novice I S D	Rankin I S D	Seguin I S D
Mc Lean I S D	Nueces Canyon Cons I S D	Raymondville I S D	Seminole Public Schools
Mc Leod I S D	Nursery I S D	Reagan County I S D	Seymour I S D
Mc Mullen County I S D	O Donnell I S D	Red Lick I S D	Shallowater I S D
Meadow I S D	Oakwood I S D	Red Oak I S D	Shamrock I S D
Medina I S D	Odem Edroy I S D	Redwater I S D	Sharyland I S D
Medina Valley I S D	Oglesby I S D	Refugio I S D	Shelbyville I S D
Melissa I S D	Olfen I S D	Ricardo I S D	Sheldon I S D
Memphis I S D	Olney I S D	Rice I S D	Shepherd I S D
Menard I S D	Olton I S D	Rice Cons I S D	Sherman I S D

Listing of Participating Reporting Entities

(continued)

Shiner I S D	Trenton I S D	Wolfe City I S D	Draw Academy
Sidney I S D	Trinidad I S D	Woodsboro I S D	Eagle Advantage School
Sierra Blanca I S D	Trinity I S D	Woodson I S D	East Fort Worth Montessori
Silsbee I S D	Troup I S D	Woodville I S D	East Texas Charter School
Silverton I S D	Troy I S D	Wortham I S D	Eden Park Academy
Simms I S D	Tulia I S D	Wylie I S D, Abilene	Education Center Int Acad
Sinton I S D	Tuloso Midway I S D	Wylie I S D, Wylie	El Paso Academy East
Sivells Bend I S D	Turkey Quitaque C I S D	Yantis I S D	El Paso School Excellence
Skidmore Tynan I S D	Tyler I S D	Yoakum I S D	Erath Excels! Academy
Slaton I S D	Union Grove I S D	Yorktown I S D	Evolution Academy Charter
Slidell I S D	Union Hill I S D	Ysleta I S D	Faith Family Acad Oak Cl
Slocum I S D	United I S D	Zapata I S D	Faith Fam Acad Waxahachie
Smithville I S D	Utopia I S D	Zavalla I S D	Focus Learning Academy
Smyer I S D	Uvalde Cons I S D	Zephyr I S D	Fruit of Excellence Sch
Snook I S D	Valentine I S D		Ft Worth Acad Fine Arts
Snyder I S D	Valley Mills I S D		Gabriel Tafolla Charter
Socorro I S D	Valley View I S D, Pharr		Gateway Academy
Somerset I S D	Valley View I S D, Valley View		Gateway Charter Academy
Somerville I S D	Van I S D		George Gervin Academy
Sonora I S D	Van Alstyne I S D		George I Sanchez Charter, Houston
South San Antonio I S D	Van Vleck I S D		George I Sanchez Charter, San Antonio
South Texas I S D	Vega I S D		Girls & Boys Prep Acad
Southland I S D	Venus I S D		Golden Rule Charter School
Southside I S D	Veribest I S D		Guardian Angel Academy
Southwest I S D	Vernon Cons I S D		Gulf Coast Trades Center
Spearman I S D	Victoria I S D		Gulf Shores Academy
Splendora I S D	Vidor I S D		Hampton Preparatory
Spring I S D	Vysehrad I S D		Harmony Elementary, Austin
Spring Branch I S D	Waco I S D		Harmony Elementary, Houston
Spring Creek I S D	Waelder I S D		Harmony School Academy, Brownsville
Spring Hill I S D	Walcott I S D		Harmony School Academy, Laredo
Springlake Earth I S D	Wall I S D		Harmony School of Excellence, Houston
Springtown I S D	Waller I S D		Harmony School of Science, Houston
Spur I S D	Walnut Bend I S D		Harmony Science Academy, Austin
Spurger I S D	Walnut Springs I S D		Harmony Science Academy, Beaumont
Stafford Muncpl Sch Dist	Warren I S D		Harmony Science Academy, College Station
Stamford I S D	Waskom I S D		Harmony Science Academy, El Paso
Stanton I S D	Water Valley I S D		Harmony Science Academy, Fort Worth
Star I S D	Waxahachie I S D		Harmony Science Academy, Houston
Stephenville I S D	Weatherford I S D		Harmony Science Academy, Lubbock
Sterling City I S D	Webb C I S D		Harmony Science Academy, San Antonio
Stockdale I S D	Weimar I S D		Harmony Science Academy, Waco
Stratford I S D	Wellington I S D		Heights Academy
Strawn I S D	Wellman Union I S D		Higgs Carter King Academy
Sudan I S D	Wells I S D		Honors Academy
Sulphur Bluff I S D	Weslaco I S D		Houston Alt Prep Charter
Sulphur Springs I S D	West I S D		Houston Gateway Charter
Sundown I S D	West Hardin Cty C I S D		Houston Hghts Learning Ac
Sunnyvale I S D	West Orange Cove C I S D		Idea Public Schools
Sunray I S D	West Osage I S D		Inspired Vision Academy
Sweeny I S D	West Rusk Cty Cons I S D		Jamie's House Charter Sch
Sweet Home I S D	West Sabine I S D		Jean Massieu Academy
Sweetwater I S D	Westbrook I S D		Jesse Jackson Academy
Taft I S D	Westhoff I S D		John H. Wood Charter Sch
Tahoka I S D	Westphalia I S D		Juan B. Galaviz Charter
Tarkington I S D	Westwood I S D		Jubilee Academic Center
Tatum I S D	Wharton I S D		Katherine Anne Porter Sch
Taylor I S D	Wheeler I S D		K I P P Academy
Teague I S D	White Deer I S D		K I P P Aspire Academy
Temple I S D	White Oak I S D		K I P P Austin College
Tenaha I S D	White Settlement I S D		K I P P Southeast Houston
Terlingua C S D	Whiteface I S D		K I P P Truth Academy
Terrell I S D	Whitehouse I S D		La Academia de Estrellas
Terrell County I S D	Whitesboro I S D		La Amistad Academy
Texarkana I S D	Whitewright I S D		La Escuela Delas Americas
Texas City I S D	Whitharral I S D		Le Fe Preparatory School
Texhoma I S D	Whitney I S D		Life Charter School
Texline I S D	Wichita Falls I S D		Lighthouse Charter School
Thorndale I S D	Wildorado I S D		Lynacre Academy
Thrall I S D	Willis I S D		Mainland Prep Academy
Three Rivers I S D	Wills Point I S D		Meadowland Charter School
Three Way I S D	Wilson I S D		Medical Center Charter
Throckmorton I S D	Wimberley I S D		Metro Charter Academy
Tidehaven I S D	Windham School District		Meyer Park Elementary
Timpson I S D	Windthorst I S D		Mid Valley Academy
Tioga I S D	Winfield I S D		Midland Academy
Tolar I S D	Wink Loving Cons I S D		N Houston H S Business
Tom Bean I S D	Winnboro I S D		New Frontiers Charter School
Tomball I S D	Winona I S D		North Texas Elementary School
Tornillo I S D	Winters I S D		of Arts
Trent I S D	Woden I S D		

Regional Service Centers

Region 01 Ed Serv Center
 Region 02 Ed Serv Center
 Region 03 Ed Serv Center
 Region 04 Ed Serv Center
 Region 05 Ed Serv Center
 Region 06 Ed Serv Center
 Region 07 Ed Serv Center
 Region 08 Ed Serv Center
 Region 09 Ed Serv Center
 Region 10 Ed Serv Center
 Region 11 Ed Serv Center
 Region 12 Ed Serv Center
 Region 13 Ed Serv Center
 Region 14 Ed Serv Center
 Region 15 Ed Serv Center
 Region 16 Ed Serv Center
 Region 17 Ed Serv Center
 Region 18 Ed Serv Center
 Region 19 Ed Serv Center
 Region 20 Ed Serv Center

Charter Schools

A+ Academy
 Academy of Accelerated
 Academy of Beaumont
 Academy of Careers and Tech
 Academy of Dallas
 Accelerated Int Academy
 Alief Montessori School
 ALPHA Charter School
 Alphonso Crutch's Charter
 Ambassador's Prep Academy
 American Inst of Learning
 Amigos Por Vida Charter
 Arlington Classics Acad
 Austin Discovery School
 A W Brown Flwshp Chtr Sch
 Azleway Charter School
 Bay Area Charter School
 Beatrice Mayes Institute
 Benji's Special Educ Acad
 Bexar County Academy
 Big Springs Charter Sch
 Brazos River Charter Sch
 Brazos School for Inquiry
 Bright Ideas Charter Sch
 Brooks Academy of Science
 & Engineering
 Burnham Wood Charter Sch
 Calvin Nelms Charter
 Cedars International Acad
 Chapel Hill Academy
 Children First Ac Houston
 Children First Ele Acad
 Com Quest Academy
 Corpus Christi Montessori
 Charter School
 Crosstimbers Academy
 Cumberland Academy
 Dallas Can Academy
 Dallas Comm Charter Sch
 Dr. Garza-Gonzalez Ch Sch

Listing of Participating Reporting Entities

(concluded)

Northwest Prep Academy
 Nova Charter School
 Nova Charter Southeast
 N Y O S Charter School
 Odyssey Academy
 One Stop Multiservice
 Orenda Charter School
 Outreach Word Academy
 Panola Charter School
 Paradigm Accelerated Sch
 Paso Del Norte Academy
 Peak Preparatory School
 Pegasus Charter School
 Phoenix Charter School
 Pineywoods Academy
 Por Vida Inc
 Radiance Acad of Learning
 Ranch Academy
 Rapoport Academy
 Raul Yzaguirre School
 Reconciliation Scholar's Academy
 Responsive Education Solutions
 Richard Milburn - Amarillo
 Richard Milburn - Beaumont
 Richard Milburn - Corpus Christi
 Richard Milburn - Fort Worth
 Richard Milburn - Houston
 Richard Milburn - Killeen
 Richard Milburn - Lubbock
 Richard Milburn - Midland
 Richard Milburn - Odessa
 Ripley House Charter School
 Rise Academy
 SAILL - Austin
 S T A R Charter School
 San Antonio Prep Academy
 San Antonio Sch Inquiry
 San Antonio Tech Academy
 School of Excellence
 School of Science & TECH-Discovery -
 San Antonio
 School of Science & Technology -
 San Antonio
 Seashore Learning Ctr
 Seashore Middle Academy
 Ser-Ninos
 Shekinah Radiance Academy
 South Plains Academy
 Southwest High School
 Southwest Preparatory Sch
 St. Anthony School
 St. Mary's Charter School
 Stepping Stones Charter Elementary
 Summit International Preparatory
 Technology Education Chtr
 T E K O A Academy
 Texas Empowerment Academy
 Texas Language Charter
 Texas Preparatory School
 Texas Serenity Academy
 The East Austin College Prep Academy
 The Education Center
 The Ehrhart School
 The Encino School
 The Legends Academy
 The North Hills School
 The Rhodes School
 Theresa B Lee Academy
 TLC Academy - San Angelo
 T O V A S
 Transformative Charter
 Treetops International
 Trinity Basin Preparatory
 Trinity Charter School
 Two Dimensions Prep Acad
 Universal Academy
 Vanguard Academy
 Varnett Charter School
 Waco Charter School
 West Houston Charter
 Westlake Academy

Williams Preparatory
 Winfree Academy Charter Schools
 Yes Preparatory Public Schools
 Zoe Learning Academy

Other Educational Districts

Anderson Cty Spc Ed Co Op
 Bowie County Sch Dist
 Dallas County School Dist
 Harris Cty Dept Education
 Houston Trinity Cty Co Op
 Johnson Cty Shared Services
 Arrangement
 Parker County Co Op
 Rio Brazos Ed Co Op

Other Entities

Teacher Retirement System
 Texas Education Agency



**Teacher Retirement System of Texas
1000 Red River Street
Austin, Texas 78701-2698**

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1-800-223-8778**

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