

Texas Treasury Safekeeping Trust Company

(A Component Unit of the State of Texas)

Financial Report

For the Fiscal Year Ended August 31, 2025

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Independent Auditor's Report

Honorable Kelly Hancock
Acting Comptroller of Public Accounts of the State of Texas
Texas Treasury Safekeeping Trust Company

Report on the Audit of Financial Statements***Opinions***

We have audited the financial statements of the business-type activities and fiduciary activities of the Texas Treasury Safekeeping Trust Company (Texas Trust), a component unit of the State of Texas, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Texas Trust's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the Texas Trust, as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Texas Trust's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Proportionate Share of the Net Pension Liability, Schedule of Contributions—Net Pension Liability, Schedule of Changes in Proportionate Share of the Net OPEB Liability, Schedule of Contributions—Net OPEB Liability and Notes to Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Texas Trust's basic financial statements. The accompanying supplementary information, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2025, on our consideration of the Texas Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Texas Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Texas Trust's internal control over financial reporting and compliance.

RSM US LLP

Austin, Texas
December 15, 2025

Texas Treasury Safekeeping Trust Company

Management's Discussion and Analysis (Unaudited) August 31, 2025

This section of the Texas Treasury Safekeeping Trust Company's (Texas Trust) annual financial report presents discussion and analysis of its financial performance during the fiscal year ended August 31, 2025, and should be read in conjunction with the Texas Trust's financial statements, which follow this section.

Financial Highlights

- The Texas Trust's total managed funds, including pooled funds, exceeded one hundred and sixty-seven (\$167) billion dollars at August 31, 2025.
- The Texas Trust had fees for services in fiscal year 2025 of \$34,797,401 and net nonoperating revenues of \$3,548,457 (interest income less nonoperating expenses). Operating expenses were \$28,148,988.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Texas Trust's financial statements. The financial statements include statements for each of the following funds: Proprietary Fund and Fiduciary Fund.

Proprietary Fund

The proprietary fund financial statements presented herein include the operations of the Texas Trust using the approach as prescribed by the Governmental Accounting Standards Board (GASB) in its publication *Codification of Governmental Accounting and Financial Reporting Standards*. They present the financial statements of the Texas Trust from the economic resources measurement focus using the accrual basis of accounting.

The Texas Trust Enterprise Fund is used to report any activity for which a fee is charged to users for services such as investment management and custodial services. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs. The Texas Trust accounts for its daily operations using an enterprise fund. The enterprise fund, which represents the Texas Trust's operating funds, is reported as a proprietary component unit of the State of Texas, and as such is accounted for using the flow of economic resources measurement focus and accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of the related cash flow, similar to private sector companies.

The following statements are presented as part of the enterprise fund:

- The Statement of Net Position presents information on all of the Texas Trust's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Texas Trust is improving or deteriorating. Additionally, certain eliminations have occurred in regard to interfund activity, payables and receivables.
- The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Texas Trust's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the time of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods. The business-type activities of the Texas Trust include providing investment management and custody services. Management fees charged to customers support these activities.

Texas Treasury Safekeeping Trust Company

Management's Discussion and Analysis (Unaudited)

August 31, 2025

- The Statement of Cash Flows—This statement reports the cash receipts and payments of the Texas Trust according to whether they stem from operating, noncapital financing, capital and related financing, or investing activities.

Fiduciary Funds

Fiduciary funds are used to account for resources that a government holds as a trustee or agent on behalf of an outside party that cannot be used to support the government's own programs. The Texas Trust performs custodial and investment services for entities in two fund categories for a fee designed on a cost recovery basis. The two fund categories used under fiduciary fund types are:

Investment Trust Funds

Investment Trust Funds are used to report the external portion of investment pools reported by the sponsoring government. The Texas Trust accounts for monies constituting the Texas Local Government Investment Pool and the Texas Local Government Investment Pool Prime in an investment trust fund.

Custodial Funds

Custodial Funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments. The Texas Trust accounts for monies held for certain state agencies including the Treasury Pool, Tobacco Settlement Permanent Trust Fund, State Water Implementation Fund for Texas (SWIFT), Texas Economic Stabilization Investment Fund (TESTIF), Texas University Fund and securities held on behalf of their owners or beneficiaries in custodial funds. Those agencies contract with the Texas Trust for investment management and custodial services.

Texas Treasury Safekeeping Trust Company

Management's Discussion and Analysis (Unaudited)
August 31, 2025

Condensed Financial Information for 2025 and 2024 (in 000's)

	Business-Type Activities	
	2025	2024
Assets:		
Current assets	\$ 91,469	\$ 96,980
Capital assets	24,668	6,111
Total assets	116,137	103,091
Deferred outflow of resources:		
Deferred outflow for ERS pension liability	2,424	2,783
Deferred outflow for ERS OPEB liability	4,510	3,944
Total deferred outflows of resources	6,934	6,727
Liabilities:		
Current liabilities	22,294	26,286
Noncurrent liabilities	32,842	20,652
Total liabilities	55,136	46,938
Deferred inflows of resources:		
Deferred inflow for ERS pension liability	1,504	5,852
Deferred inflow for ERS OPEB liability	2,217	3,011
Total deferred inflows of resources	3,721	8,863
Net position:		
Net investments in capital assets	9,070	1,925
Unrestricted	55,144	52,092
Total net position	\$ 64,214	\$ 54,017

Texas Treasury Safekeeping Trust Company

Management's Discussion and Analysis (Unaudited) August 31, 2025

Condensed Financial Information for 2025 and 2024 (in 000's) (Continued)

	Business-Type Activities	
	2025	2024
Changes in net position:		
Charges for service:		
Treasury Pool	\$ 5,334	\$ 10,685
Endowments	7,346	7,088
SWIFT	3,726	3,447
TESTIF	7,383	(1,188)
Texas University Fund	7,098	6,401
Emerging Technology Fund	150	169
Investment Trust Fund	2,475	2,341
Agencies	1,285	1,268
Total charges for service	34,797	30,211
Net nonoperating revenues	3,548	3,889
Total revenues	38,345	34,100
Total operating expenses	28,149	25,061
Change in net position	\$ 10,196	\$ 9,039

Overall Financial Analysis

Business-type activities: The Texas Trust earns a fee based upon the assets under management for each client; consequently, revenue is directly related to the total assets under management by the Texas Trust. Business-type activities generated revenue of \$34.8 million, an increase of \$4.6 million during FY 2025. Total expenses for business-type activities were \$28.1 million, an increase of \$3.0 million during FY 2025.

The Texas Trust is required to have a fee schedule to maintain operations, being a self-supporting entity. A Capital Reserves Requirement policy exists in order to identify required reserves and other reserves necessary to support operations. This policy is reviewed periodically by executive management. If there are excess reserves at the end of the fiscal year, fees are waived or refunded until the excess is eliminated. During FY 2025, management waived \$26.1 million in service fees to bring capital reserves to the required level for the year.

Texas Treasury Safekeeping Trust Company

Management's Discussion and Analysis (Unaudited) August 31, 2025

The fee schedule for the various funds managed by the Texas Trust is as follows:

Account	Fees in Basis Points
Charges for service:	
Endowments	25
TUF	25
SWIFT	20
TESTIF	7
Treasury Pool	2
TexPool and TexPool Prime	0.5
Other Custodial Funds	Range from 2-6 Basis Points plus certain itemized charges for services

Capital assets and long-term debt: The Texas Trust's investment in capital assets for its business type activities as of August 31, 2025, amounts to \$24,668,160 (net of accumulated depreciation). This investment in capital assets includes building improvements, furniture, equipment, software and subscription assets.

The Texas Trust has not issued any long-term debt but has long-term liabilities which consist of employee compensable leave, net pension liability, and OPEB liability.

The Texas Trust reports in the Enterprise Fund its proportionate share of net pension liability, deferred outflows of resources, and deferred inflows of resources and related pension expenses of the Employee Retirement System of Texas Plan (ERS Plan). The proportionate share is an actuarial calculation based on ERS records of actual contributions from the Texas Trust as a percentage of total contributions from all other plan participants. The Texas Trust's proportionate share of net pension liability at August 31, 2025, is \$10.2 million, a decrease of \$0.8 million from August 31, 2024. See Note 4 to the Financial Statements for additional information.

The Texas Trust reports in the Enterprise Fund its proportionate share of Other Postemployment Benefits (OPEB) liability, deferred outflows of resources, and deferred inflows of resources and related OPEB expenses of the ERS Plan. The proportionate share is an actuarial calculation based on ERS records of actual contributions from the Texas Trust as a percentage of total contributions from all other plan participants. The Texas Trust's proportionate share of OPEB liability at August 31, 2025 is \$10.3 million, an increase of \$1.4 million from August 31, 2024. See Note 5 to the Financial Statements for additional information.

Fiduciary Funds Financial Analysis

Investment Trust Fund: The net position includes the Texas Local Government Investment Pool (TexPool) and the Texas Local Government Investment Pool Prime (TexPool Prime) that are operated for the benefit of local governments.

The net position in the fund at August 31, 2025 totals \$48.7 billion and the net increase in fiduciary net position for FY 2025 is \$4.1 billion.

Texas Treasury Safekeeping Trust Company

Management's Discussion and Analysis (Unaudited)

August 31, 2025

Custodial Fund: This fund includes assets held by the Texas Trust on behalf of various agencies, special accounts of the State of Texas and its component units. The fiduciary net position of funds held for others at August 31, 2025, was \$118.6 billion, a decrease of \$1.4 billion in FY 2025.

Economic Conditions and Outlook

The general economic conditions as well as the overall financial market performance have a significant impact on the assets the Texas Trust manages. During the fiscal year, the U.S. economy saw slowing but continued growth, with the Federal Reserve emphasizing risk management and a cautious approach to interest rate policy. Between September and December 2024, the Fed cut rates three times for a total of 100 basis points, bringing the range down from 5.25%-5.50% to 4.25%-4.50%, as the Fed responded to signs of softening in the labor market and moderating inflation that remained above its 2% target. The Fed held rates steady for the remainder of the fiscal year adopting a “wait and see” approach to evolving economic data.

Throughout the period, U.S. financial markets responded to shifting expectations about Fed policy. Volatility periodically increased, especially around quarterly earnings and FOMC meetings, with equities reacting notably to economic data and policy signals. The real estate market adjusted to gradually declining, yet still elevated, mortgage rates as the housing sector contended with generally high prices and low inventory. Bond yields fluctuated in response to Fed guidance, with the yield curve reflecting investor uncertainty over the pace and magnitude of future rate adjustments.

Forward guidance from Fed officials suggested cautious openness to additional cuts later in 2025, contingent on evolving economic data amid a more balanced risk profile between inflation and labor market conditions. This market environment required careful portfolio positioning given ongoing economic uncertainty, moderate inflation pressures, and policy adjustments by the Fed. Against the backdrop of this economic environment, the Texas Trust's investment portfolios, which are managed to achieve its investment objectives, are well positioned to meet or exceed their benchmark performance over the long run.

Contacting the Texas Trust's Financial Management

This financial report is designed to provide the Texas Trust customers, business partners and creditors with a general overview of its finances. Questions about this report can be directed to the Texas Trust's Finance Department at (512) 463-4300.

Basic Financial Statements

Texas Treasury Safekeeping Trust Company

Statement of Net Position—Proprietary Fund

August 31, 2025

Assets:

Current assets:

Cash and cash equivalents:

Cash in bank \$ 10,052,432

Cash in State Treasury 1,305,012

Restricted cash in bank 347,666

Investments in repurchase agreements 75,510,179

Restricted investments 731,288

Management fees receivables 1,374,108

Receivables from:

Interest 14,357

Other 143,950

Prepaid expenses 1,989,586

Total current assets 91,468,578

Noncurrent assets:

Capital assets:

Depreciable:

Right to use – subscription assets, net 16,505,653

Building and building improvements, net 8,021,834

Furniture and equipment, net 140,673

Total noncurrent assets 24,668,160

Total assets 116,136,738

Deferred outflows of resources:

Deferred outflow for ERS pension liability 2,423,616

Deferred outflow for ERS OPEB liability 4,510,210

Total deferred outflows of resources 6,933,826

See accompanying notes to financial statements.

Texas Treasury Safekeeping Trust Company

Statement of Net Position—Proprietary Fund (Continued)
August 31, 2025

Liabilities:

Current liabilities:

Accounts payable	\$ 11,387,202
Payroll payable	6,175,565
SBITA – Interest payable	4,262
SBITA – Current subscription liability	3,865,902
Employee's compensable leave	860,585
Total current liabilities	22,293,516

Noncurrent liabilities:

Employees' compensable leave	612,119
SBITA – Non-current subscription liability	11,727,664
Net pension liability	10,227,788
Net OPEB liability	10,274,902
Total noncurrent liabilities	32,842,473

Total liabilities	55,135,989
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Deferred inflow of resources:

Deferred inflow for ERS pension liability	1,504,177
Deferred inflow for ERS OPEB liability	2,216,755
Total deferred inflows of resources	3,720,932

Net position:

Net investment in capital assets	9,070,332
Unrestricted	55,143,311
Total net position	\$ 64,213,643

See accompanying notes to financial statements.

Texas Treasury Safekeeping Trust Company

**Statement of Revenues, Expenses and Changes in Net Position—Proprietary Fund
Year Ended August 31, 2025**

Operating revenue—management fees	\$ 34,797,401
Operating expenses:	
Salaries and wages	15,922,066
Payroll related costs	937,735
Pension and other postemployment expense/(credit)	(2,490,922)
Professional fees and services	6,167,452
Travel	171,808
Materials and supplies	774,612
Communication and utilities	982,340
Repairs and maintenance	1,101,135
Rentals and leases	10,079
Printing and reproduction	7,004
SBITA - amortization expense	3,736,819
Depreciation	225,998
Other operating expenses	602,862
Total operating expenses	<u>28,148,988</u>
Operating income	<u>6,648,413</u>
Nonoperating revenue:	
Investment income	<u>3,548,457</u>
Net nonoperating revenues	<u>3,548,457</u>
Change in net position	10,196,870
Total net position at beginning of year	<u>54,016,773</u>
Total net position at end of year	<u><u>\$ 64,213,643</u></u>

See accompanying notes to financial statements.

Texas Treasury Safekeeping Trust Company

Statement of Cash Flows—Proprietary Fund Year Ended August 31, 2025

Cash flows from operating activities:	
Proceeds from management fees	\$ 36,548,470
Payments to employees	(16,310,335)
Payments for pension and other postemployment benefits	(2,290,907)
Payments for operating expenses	(14,480,949)
Net cash provided by operating activities	3,466,279
Cash flows from capital and related financing activities:	
Payment for SBITA/Lease	(4,108,601)
Payments for additions to capital assets	(7,000,000)
Net cash used in capital and related financing activities	(11,108,601)
Cash flows from investing activities:	
Purchases of investments	(114,087)
Proceeds from interest and investment income	3,550,762
Net cash provided by investing activities	3,436,675
Net decrease in cash and cash equivalents	(4,205,647)
Cash and cash equivalents at beginning of year	91,420,936
Cash and cash equivalents at end of year	\$ 87,215,289
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 6,648,413
Adjustments to reconcile operating income to net cash provided by operating activities:	
SBITA – Amortization expense	3,736,819
Depreciation expense	225,998
Classification differences	(477)
Changes in assets/liabilities:	
Increase receivables	1,751,069
Decrease prepaid expenses	(332,563)
Deferred outflows/inflows	(4,934,720)
Increase benefits payables	152,891
Decrease payables	(3,781,151)
Net cash provided by operating activities	\$ 3,466,279
Displayed as:	
Cash in bank	\$ 10,052,432
Cash in State Treasury	1,305,012
Investments in repurchase agreements	75,510,179
Restricted cash in bank	347,666
Total cash and cash equivalents	\$ 87,215,289

See accompanying notes to financial statements.

Texas Treasury Safekeeping Trust Company

**Statement of Fiduciary Net Position—Fiduciary Funds
August 31, 2025**

	Investment Trust Funds	Custodial Funds
Assets:		
Cash in bank	\$ 788	\$ 35,688,234
Deposits	-	464,340,000
Investments	49,499,465,032	117,488,383,640
Other asset	-	256,829,379
Accrued interest receivable	99,284,601	219,337,329
Trades pending settlement	-	253,488,712
Total assets	\$ 49,598,750,421	\$ 118,718,067,294
Liabilities:		
Accounts payable and accrued expenses	\$ 186,883	\$ 5,595,657
Interest payable	-	1,347,578
Amounts payable to participants	180,451,106	-
Trades pending settlement	763,282,684	99,805,262
Management fees reserved for operating expenses	96,928	-
Obligations under reverse repurchase agreements	-	3,175,177
Total liabilities	\$ 944,017,601	\$ 109,923,674
Net position – restricted:		
Held in trust for pool participants	\$ 48,654,732,820	\$ -
Held for other governments	-	118,608,143,620
Total fiduciary net position	\$ 48,654,732,820	\$ 118,608,143,620

See accompanying notes to financial statements.

Texas Treasury Safekeeping Trust Company

Statement of Changes in Fiduciary Net Position—Fiduciary Funds Year Ended August 31, 2025

	Investment Trust Funds	Custodial Funds
Additions:		
Investment income:		
Net increase in fair value of investments	\$ 2,259,286,899	\$ 1,595,376,628
Interest and investment income	-	4,297,430,459
Expenses:		
Professional fees and services	(22,778,091)	(27,474,578)
Net investment income	<u>2,236,508,808</u>	<u>5,865,332,509</u>
Other Additions:		
Deposits from other governments	-	457,557,958,472
Settlement of claims	-	193,188,582
Total additions	<u>2,236,508,808</u>	<u>463,616,479,563</u>
Deductions:		
Earnings paid to investors from net investment income	(2,236,508,808)	-
Individual participant investment account transactions:		
Subscriptions	84,257,062,017	-
Reinvestments	2,235,666,012	-
Redemptions	(82,411,183,506)	-
Net increase in participant investments	<u>4,081,544,523</u>	<u>-</u>
Other Deductions:		
Withdrawals from other governments	-	465,004,274,519
	-	465,004,274,519
Total deductions	<u>-</u>	<u>465,004,274,519</u>
Change in net position restricted for other governments	4,081,544,523	(1,387,794,956)
Net position at beginning of year	<u>44,573,188,297</u>	<u>119,995,938,576</u>
Net position at end of year	<u>\$ 48,654,732,820</u>	<u>\$ 118,608,143,620</u>

See accompanying notes to financial statements.

Notes to Financial Statements

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 1. Summary of Significant Accounting Policies

Reporting entity: In 1986, the 69th Texas Legislature authorized the incorporation of the Texas Treasury Safekeeping Trust Company (Texas Trust) to give the Treasurer of the State of Texas access to the Federal Reserve System. The 77th Legislature amended the Texas Trust statute and the Texas Trust began operations as a separate State entity on September 1, 2001. The Comptroller of Public Accounts (Comptroller) is the single shareholder of the Texas Trust and is charged with managing the Texas Trust. The Texas Trust is reported as a blended, component unit of the State of Texas.

These financial statements include only the operations of the Texas Trust and do not purport to and do not present the financial position of the State of Texas as of August 31, 2025, and the changes in its financial position for the year ended.

The Texas Trust is authorized to manage, disburse, transfer, safekeep and invest funds and securities provided by statute or belonging to state and local entities and gives the Comptroller direct access to services provided by the Federal Reserve System. The enabling legislation also provides for:

- Specifically exempting the Texas Trust from other state laws regulating or limiting state purchasing or a purchasing decision if it is determined the purchase or decision relates to its fiduciary duties.
- The Texas Trust to enter into contracts, trust agreements, or other fiduciary instruments with the Comptroller, the Federal Reserve System, the Depository Trust Company and other third parties.
- The Comptroller appointing an investment advisory board to advise the Comptroller with respect to managing the assets held by the Texas Trust.
- The Comptroller appointing a person to serve as Chief Executive Officer in managing the Texas Trust and carrying out its duties.
- The development of a fee schedule in the amount necessary to recover costs of service and to retain adequate reserves to support the operations of the Texas Trust.

The Texas Trust is exempt from federal income taxation as a governmental entity under Internal Revenue Code Section 115. The accompanying financial statements present the activities and operations of the Texas Trust. The primary business functions provided by the Texas Trust are investment management and custodial services and therefore, the majority of the funds accounted for by the Texas Trust are fiduciary in nature. Separate audited financial statements are available for the Texas Local Government Investment Pool (TexPool), the Texas Local Government Investment Pool Prime (TexPool Prime), the Tobacco Settlement Permanent Trust Fund (Tobacco Trust) and the State Water Implementation Fund for Texas (SWIFT) and may be obtained from the Comptroller's Office by writing:

Texas Comptroller of Public Accounts
Post Office Box 13528
Austin, Texas 78711-3528

Financial statements: The Texas Trust financial statements report information on all of the nonfiduciary activities of the Texas Trust. Operating revenues include charges for services relating to assets under management.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement focus, basis of accounting and financial statement presentation: The Texas Trust financial statements include financial statements for each of the following fund classifications: a proprietary fund and fiduciary funds. The proprietary fund and fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Enterprise Fund: The Texas Trust accounts for its daily operations using an enterprise fund. Operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions or ancillary activities. Operating expenses include the cost of services, administrative expenses and depreciation of capital assets.

The Texas Trust reports the following fiduciary funds.

Investment Trust Funds: Investment trust funds are used to report the external portion of investment pools reported by the sponsoring government. The Texas Trust accounts for monies constituting TexPool and TexPool Prime in an investment trust fund.

Custodial Funds: Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. Custodial funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The Texas Trust accounts for monies for individual state agencies contracting with the Texas Trust for investment management and custodial services in custodial funds.

Cash and cash equivalents: For purposes of the statement of cash flows, demand deposits and short-term highly liquid investments in the business type activities with an original maturity of three months or less are considered cash equivalents. For purposes of the statement of net position presentation, investments in repurchase agreements, cash in state treasury and restricted cash in bank are included in cash and cash equivalents.

Restricted cash and cash equivalents: The Texas Trust maintains an account with the Depository Trust Company (DTC). In accordance with the agreement between DTC and the Texas Trust, \$347,666 in cash was held at DTC as of August 31, 2025, in order to maintain the account.

Deposits and investments: Money market instruments and repurchase agreements are reported at amortized cost. All other investments are reported at fair value. Investments, other than money market investments are reported at fair value using quoted market prices or other observable inputs. GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72), defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

The Texas Trust manages the fiduciary funds and enterprise fund investments in accordance with the Comptroller's Investment Policy and Government Code Section 404.024. The portfolio of investments may include:

1. Time deposits;
2. Repurchase agreements;
3. Reverse repurchase agreements;
4. Obligations of the United States or its agencies and instrumentalities, other than mortgage-backed securities interest only and principal only strips;
5. Bankers' acceptances that:
 - a. are eligible for purchase by the Federal Reserve System;
 - b. do not exceed 270 days in maturity; and
 - c. are issued by a bank that has received a top tier rating by a NRSRO (Nationally Recognized Statistical Rating Organization);
6. Commercial paper that:
 - a. does not exceed 365 days to maturity; and
 - b. except as provided by Subsection (i) of Government Code Section 404.024, has received the highest short-term credit rating by a nationally recognized investment rating firm;
7. Contracts written by the treasury in which the treasury grants the purchaser the right to purchase securities in the treasury's marketable securities portfolio at a specified price over a specified period and for which the treasury is paid a fee and specifically prohibits naked-option or uncovered option trading;
8. Direct obligations of or obligations guaranteed by the Inter-American Development Bank, the International Bank for Reconstruction and Development (the World Bank), the African Development Bank, the Asian Development Bank and the International Finance Corporation that have received the highest credit rating by a nationally recognized investment rating firm (collectively referred to herein as Supranationals);
9. Bonds issued, assumed, or guaranteed by the State of Israel;
10. Obligations of a state or an agency, county, city or other political subdivision of a state that have received at least a single A rating or its equivalent by a nationally recognized investment rating firm as provided for by Government Code Section 404.024, Subsection (i);

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

11. Mutual funds secured by obligations that are described by Subdivisions (1) through (6);
12. Foreign currency for the sole purpose of facilitating investment by state agencies that have the authority to invest in foreign securities; and
13. Such other investments as may be authorized by Government Code Section 404.024.

Fiduciary funds are managed in accordance with the respective entities' investment policies and governing statutes.

Security transactions are recorded on a trade date basis.

In connection with transactions in repurchase agreements, it is the Texas Trust's policy to hold the underlying collateral securities in their account at the Federal Reserve Bank of Dallas, San Antonio branch, in the name of the Texas Trust. The fair value of the underlying collateral securities exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. Where tri-party agreements have been executed, the Texas Trust may enter into repurchase agreements whereby a third-party custodian holds the collateral in a segregated account in Texas Trust's name. As of August 31, 2025, the Texas Trust had no tri-party agreements outstanding. If the seller defaults, and the fair value of the collateral declines, realization of the collateral held by the Texas Trust may be delayed or limited. Repurchase agreements may be entered into only with State or National banks doing business in Texas or with primary dealers approved by the Federal Reserve System.

Government Code Section 404.024 provides for the use of reverse repurchase agreements by the Comptroller. In connection with transactions in reverse repurchase agreements (reverse), it is the Texas Trust's policy, consistent with Government Code Section 404.024, to match the maturity of the reverse with the maturity of securities purchased with the proceeds from the reverse. Further, proceeds from reverses are used to purchase securities. At August 31, 2025, the Custodial Fund had \$3,175,177 in reverse repurchase agreements.

In accordance with Government Code Section 404.021 and the State Depository Handbook, the Texas Trust may deposit state funds with approved national and state banks, savings and loan associations and credit unions doing business in Texas through a main office or one or more branches. Any entity where total deposits are in excess of \$237,500 requires acceptable collateral in an amount not less than 105% of the total deposit balance held in the Texas Trust's account at the Federal Reserve. Collateralization of 125% is required for any securities pledged that have a declining principal balance.

Receivables and payables: All trade receivables are shown net of an allowance for uncollectible amounts. The allowance as of August 31, 2025, was \$1,570. The liabilities are for the value of assets or services received at or before year-end for which payment was not made as of year-end.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Assets are capitalized at cost when acquired. Donated assets are reported at acquisition value on the acquisition date. All capital assets are depreciated using the straight-line method over the following estimated useful lives:

Right to use – subscription assets: Subscription Based Information Technology Arrangements (SBITA): All SBITAs are a right to use vendor provided information technology (IT) assets. The SBITAs are recognized as a subscription liability and a right to use asset at the beginning of the subscription term exceeding one year and cumulated future payments on the contract exceed \$500,000 unless the contract is considered a short term SBITA. The asset is measured based on the net present value of the subscription payments expected to be made during the subscription term, using the incremental borrowing rate and amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT assets. Remeasurement of the subscription liability and related IT asset occurs when there is a change in the contract terms.

Asset Class	Estimated Useful Lives
Software	3 years
Office equipment	5 years
Computer equipment	5 years
Building improvements	10 years

Employees' compensable leave: 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. Liabilities for compensable leave are recognized for leave that has not been used and leave that has been used but not yet paid or settled through noncash means. Under the newly implemented GASB Statement 101, a liability is recognized for leave that has not been used if (a) the leave is attributable to service already rendered, (b) the leave accumulates, and (c) the leave is not to be used for time off or otherwise paid in cash or settled through noncash means. This new standard requires reporting of liabilities related to sick leave as part of compensable leave liabilities as it requires recording a liability for accumulated leave that is "more likely than not" to be used.

Common stock: One share of common stock issued and outstanding at August 31, 2025, is held by the Comptroller with a par value of \$1,000,000. This amount is reflected in the Statement of Net Position within the unrestricted net position balance.

Use of estimates: The preparation of the Texas Trust financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the financial statements and related notes. Actual results could differ from those estimates.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 1. Summary of Significant Accounting Policies (Continued)

Risk management: The Texas Trust provides investment management and custodial services. Investments are managed for other State agencies in accordance with their applicable investment guidelines. Although every effort is made to preserve principal, the Texas Trust does not provide any guarantee or insurance against loss.

Consistent with the new GASB Statement No. 102 (*Certain Risk Disclosure*) which requires disclosure on constraints imposed on the Trust Company in the governing statute, the Texas Trust develops a fee schedule and performs annual reserve analysis to cover costs of service and to retain adequate reserve to support the operations of the Trust Company.

Pensions: The fiduciary net position of the Employees Retirement System of Texas Plan (ERS) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense and information about assets, liabilities and additions to/deductions from ERS's fiduciary net position. Benefit payments by ERS (including refunds of employee contributions) are recognized when due and payable in accordance with the terms of the plan. Investments of ERS are reported at fair value.

Other Post-Employment Benefits: The fiduciary net position of the ERS has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense and information about assets, liabilities and additions to/deductions from ERS's fiduciary net position. Benefit payments by ERS are recognized when due and payable in accordance with the terms of the plan. Investments of ERS are reported at fair value.

Note 2. Deposits and Investments

Deposits: Cash deposits are made in state or national banks, savings and loan associations or credit unions doing business in Texas through a main office or one or more branches. Single direct placements of deposits less than Deposit Insurance levels made with any qualifying institution are fully insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Share Insurance Fund. Deposits made in any single financial institution, which are in excess of its Deposit Insurance levels, may be made only if fully collateralized in accordance with the State Depository Handbook. Collateral is held by a qualifying institution. Cash in State Treasury is not considered a deposit with a financial institution for Texas Trust reporting purposes since the State Treasury is not a bank.

Securities pledged as collateral on August 31, 2025, were categorized under the Political Subdivision Securities or U.S. Government Securities as U.S. Treasury Bills or U.S. Treasury Notes and Bonds.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

All bank balances were either insured or collateralized with securities held by the Texas Trust.

Bank balance	<u>\$ 510,762,766</u>
Carrying amount	<u>\$ 510,449,444</u>
Proprietary cash at bank	\$ 10,052,433
Proprietary Funds restricted cash at bank	347,666
Investment Trust Fund cash at bank	788
Custodial Fund cash at bank	35,708,557
Custodial Funds deposits	<u>464,340,000</u>
Total deposits carrying amount	<u>\$ 510,449,444</u>

Investments: Investment risks addressed by the Texas Trust's investment policy, including custodial credit risk, credit risk, interest rate risk, concentration risk and foreign currency risk are disclosed below by investment type, if applicable.

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Texas Trust would not be able to recover the loss of its investments or collateral securities that are in possession of an outside entity. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not held in the name of the Texas Trust and are held by the counterparty, its trust or agent but not in the name of the Texas Trust. The Texas Trust's investments are not exposed to custodial credit risk since they are insured or registered, or the securities are held by the Texas Trust or its agent in the Texas Trust's name.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Government Code section 404.024 (a) and (b), treasury funds may be invested in fully collateralized repurchase agreements secured by obligations of the U.S., its agencies, or Government Sponsored Enterprises (GSEs), or cash. The Enterprise Fund invests in the Repurchase Agreement Pool which the Texas Trust administers. The underlying securities in the Repurchase Agreement Pool are rated AA+ by Standard & Poor's and Aaa by Moody's.

Concentration of credit risk is the risk of loss attributable to the magnitude of the investment in a single issuer. The Enterprise Fund's has a policy to mitigate the exposure to concentration of credit risk and are not exposed to concentration risk as of August 31, 2025.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Enterprise Fund's has a policy to mitigate the exposure to interest rate risk. The maximum maturity of direct repurchase agreements will not exceed 180 days. All Texas Trust repurchase agreement pools are in overnight repurchase agreements. The weighted average maturity of the Repurchase Agreement Pool is 5 days.

The Texas Trust categorizes its fair value measurement disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy prioritizes valuation inputs used to measure the fair value of the asset or liability in three broad categories. Levels 1, 2 and 3 (lowest priority level) of the fair value hierarchy are defined as follows.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

Level 1: Inputs using unadjusted quoted prices in active markets or exchanges for identical assets or liabilities.

Level 2: Significant other observable inputs, which may include, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in nonactive markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly.

Level 3: Valuations for which one or more significant inputs are unobservable and may include situations where there is minimal, if any, market activity for the asset or liability.

If the fair value is measured using inputs from different levels in the fair value hierarchy, the measurement is categorized based on the lowest priority level input that is significant to the valuation. The Texas Trust's assessment of significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. Investments measured at fair value using NAV per share (or equivalent) as a practical expedient to fair value are not classified in the fair value hierarchy.

A. Business-Type Activities:

Investments for the Enterprise Fund, as of August 31, 2025, are as follows:

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments by Fair Value Level	Fair Value				
Equity securities	\$ 731,288	\$ -	\$ 731,288	\$ -	
Total investments at fair value	<u>\$ 731,288</u>	<u>\$ -</u>	<u>\$ 731,288</u>	<u>\$ -</u>	
<u>Investments Measured at Amortized Cost</u>					
Repurchase agreements	75,510,179				
Total investments at amortized cost	<u>75,510,179</u>				
Total investments	<u>\$ 76,241,467</u>				

Equity securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including, but not limited to, quoted prices for similar securities.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

B. TexPool and TexPool Prime Investment Trust Fund:

Investments for TexPool and TexPool Prime, as of August 31, 2025, are as follows:

Investments by Fair Value Level	Par Value	Carrying Value	Fair Value	Fair Value Measurements Using		
				Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Repurchase agreements	\$ 17,484,161,917	\$ 17,484,161,917	\$ 17,484,161,917	\$ -	\$ 17,484,161,917	\$ -
Commercial paper	11,111,488,000	11,036,798,672	11,036,209,282	-	11,036,209,282	-
United States government treasuries	11,692,040,000	11,580,115,198	11,585,198,005	-	11,585,198,005	-
United States government agencies	8,386,500,000	8,381,304,045	8,381,663,910	-	8,381,663,910	-
Money market mutual funds	1,017,085,200	1,017,085,200	1,017,085,200	1,017,085,200	-	-
Total investments	\$ 49,691,275,117	\$ 49,499,465,032	\$ 49,504,318,314	\$ 1,017,085,200	\$ 48,487,233,114	\$ -

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants. Debt securities, commercial paper and repurchase agreements classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including, but not limited to, quoted prices for similar securities, interest rates and a fixed-income pricing model. Money market mutual funds classified as Level 1 of the fair value hierarchy are valued using a published net asset value per share of \$1.

The following table provides additional information about TexPool's portfolio:

	August 31, 2025	
	Ranges of	
	Interest Rates	Maturity Dates
Repurchase agreements	4.260% to 4.380%	09/02/2025-11/24/2025
United States government agencies	0.010% to 4.640%	09/04/2025-09/02/2027
United States government treasuries	0.010% to 4.625%	09/02/2025-04/30/2027
Money market mutual funds	4.175% to 4.211%	09/01/2025-09/01/2025

The following table provides additional information about TexPool Prime's portfolio:

	August 31, 2025	
	Ranges of	
	Interest Rates	Maturity Dates
Repurchase agreements	4.330% to 4.380%	09/02/2025-10/14/2025
Commercial paper	0.000% to 4.810%	09/02/2025-08/06/2026
United States government treasuries	NA	NA
Money market mutual funds	NA	NA

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

B. TexPool and TexPool Prime Investment Trust Fund (Continued):

Credit risk: TexPool and TexPool Prime portfolios are designed and managed to ensure that they maintain an AAAM rating (or the equivalent) by a nationally recognized statistical rating organization (NRSRO). As of August 31, 2025, TexPool and TexPool Prime's investments in United States government securities, commercial paper and the underlying securities of repurchase agreements were A-1 by Standard and Poor's, P-1 by Moody's and F-1 by Fitch. Money market mutual funds for TexPool were rated AAAM by Standard and Poor's, Aaa-mf by Moody's and AAAMmf by Fitch ratings and money market mutual funds for TexPool Prime were rated at least A-1 by Standard & Poor's and A by Moody's as of August 31, 2025.

Concentration of credit risk: Concentration of credit risk is the risk of loss attributable to the magnitude of the investment in a single issuer. TexPool's investment policy has no limit on the amount it may invest in any single Governmental Sponsored Enterprise. As of August 31, 2025, TexPool had more than 5.0% of the pool's investments in the following GSEs: 17.5% with the Federal Home Loan Bank and 5.6% with Federal Farm Credit Bank. TexPool Prime's investment policy limits commercial paper investments to less than 25% in a single industry or business sector, provided that this limitation does not apply to securities issued or guaranteed by companies in the financial services industry. No more than 5.0% of TexPool Prime assets at the time of purchase may be invested in a single corporate entity. As of August 31, 2025, TexPool Prime had more than 5% of the pool's investments in the following: 14.0% with JP Morgan, and 6.4% with Bank of America.

Interest rate risk: The weighted average maturity of the portfolio is limited to 60 days calculated using the reset date for variable rate notes (VRNs) and 90 days or fewer using the final maturity date for VRNs, with the maximum maturity for any individual security in the portfolio not exceeding 397 days for fixed rate securities and 24 months for VRNs. The following schedule reflects the weighted average maturity by investment type and as a whole:

Investment Type	Weighted Average Maturity (Days)	
	TexPool	TexPool Prime
Repurchase agreements	5	5
Commercial paper	NA	62
Money market mutual funds	4	NA
United States government agencies	34	NA
United States government treasuries	93	NA
Weighted average maturity	42	45

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

C. Treasury Pool:

Investments for the Treasury Pool, a custodial fund, as of August 31, 2025, are as follows:

Investments by Fair Value Level	Carrying Value	Fair Value	Fair Value Measurements Using		
			Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States government agencies	\$ 3,019,639,633	\$ 3,019,687,446	\$ -	\$ 3,019,687,446	\$ -
United States government treasuries	30,150,422,689	30,159,693,142	-	30,159,693,142	-
Agency commercial backed securities	812,748,667	812,748,667	-	812,748,667	-
Government mortgage-backed securities	6,375,658,862	6,375,658,862	-	6,375,658,862	-
Commercial paper	17,660,291,964	17,660,291,964	-	17,660,291,964	-
Supranational	3,189,215,215	3,189,215,215	-	3,189,215,215	-
Corporate obligations	1,373,930,003	1,373,930,003	-	1,373,930,003	-
Asset backed securities	5,826,044,664	5,826,044,664	-	5,826,044,664	-
Small business administration	43,544,271	43,544,271	-	43,544,271	-
Stock in Texas Trust	1,000,000	1,000,000	-	-	1,000,000
Money market mutual funds	1,360,000,000	1,360,000,000	1,360,000,000	-	-
United States government agencies—Refco	48,767,906	48,767,906	-	48,767,906	-
Treasury Strips	129,489,007	129,489,007	-	129,489,007	-
Total investments at fair value	<u>\$ 69,990,752,881</u>	<u>\$ 70,000,071,147</u>	<u>\$ 1,360,000,000</u>	<u>\$ 68,639,071,147</u>	<u>\$ 1,000,000</u>
Investments Measured at Amortized Cost	Carrying Value				
Repurchase agreements	<u>\$ 8,800,847,476</u>				
Total investments at amortized cost	<u>8,800,847,476</u>				
Total investments	<u>\$ 78,791,600,357</u>				

Debt securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, and fixed income pricing models. Stock classified as Level 3 of the fair value hierarchy is valued using a market comparable companies technique. There was no change in the Level 3 stock in the Texas Trust between 2025 and 2024. Mutual funds are valued daily or monthly, as appropriate, at fair value as noted in the table above.

Credit risk: The risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Government Code section 404.024(a) and (b), treasury funds may be invested in fully collateralized repurchase agreements secured by obligations of the U.S., its agencies, or GSEs, including mortgage-backed securities of such agencies and GSEs, as set out in section 404.001 of the Government Code. The Comptroller may purchase direct obligations of or obligations, the principal and interest of which are guaranteed by the U.S.; and direct obligations of, or obligations guaranteed by U.S. agencies or GSEs. Mortgage-backed securities are eligible for purchase except those specifically prohibited by section 404.024 (e) of the Government Code. Treasury funds may invest in commercial paper that has received the highest short-term credit rating by a NRSRO. "Highest short-term credit rating" includes at least one of the following short-term credit ratings, Moody's (P-1), Standard & Poor's (A-1), or Fitch, Inc. (F-1). Asset backed securities that have a weighted-average maturity of up to two years shall be rated A or better by two NRSRO's at the time of purchase. Asset backed securities with a weighted-average maturity between two and five years shall be rated AA or better by two NRSRO's at the time of purchase. Corporate debt securities with maturities of up to 25 months shall be rated A or better by two NRSRO's at the time of purchase.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

C. Treasury Pool (Continued):

The amounts shown in Cash in State Treasury for the State Water Implementation Fund of Texas (SWIFT) and the Texas Economic Stabilization Investment Fund (TESTIF) represent the value of each Funds share of the investments in the Treasury Pool. For presentation of Net Fiduciary Position on the Financial Statements, these balances are eliminated from the SWIFT and TESTIF on the Combining Statement of Net Position.

Corporate debt securities with maturities between 25 months and five years shall be rated AA or better by two NRSRO's at the time of purchase. Supranationals must be rated AAA at the time of purchase. Money market funds must be rated AAAm by a NRSRO.

All fixed income securities, except those issued by GSEs, are rated by a NRSRO. The securities issued by GSEs are rated AA+. The Treasury portfolio is rated AAAf by Standard & Poor's.

The following table lists Standard & Poor's credit rating by investment type at fair value for the Treasury Pool securities that are subject to credit risk.

Investment Type	AAA	AA / AA2	A	A-1	Not Rated	Total
Agency commercial mortgage-backed securities	\$ -	\$ 812,748,667	\$ -	\$ -	\$ -	\$ 812,748,667
Government mortgage-backed securities	-	6,375,658,862	-	-	-	6,375,658,862
Commercial paper	-	-	-	17,660,291,964	-	17,660,291,964
Supranational	3,049,215,215	-	140,000,000	-	-	3,189,215,215
Corporate obligations	62,167,776	979,415,525	272,280,352	-	60,066,350	1,373,930,003
Asset-backed securities	4,474,681,859	-	-	-	1,351,362,805	5,826,044,664
Small business administration	-	43,544,271	-	-	-	43,544,271
Stock in Texas Trust	-	-	-	-	1,000,000	1,000,000
Money market mutual funds	1,360,000,000	-	-	-	-	1,360,000,000
Repurchase agreement	-	8,800,847,476	-	-	-	8,800,847,476
U.S. Government Agencies – Refco	-	48,767,906	-	-	-	48,767,906
U.S. Government – Treasury Strips	-	129,489,007	-	-	-	129,489,007

Concentration of credit risk: With the exception of fully collateralized bank deposits, repurchase agreements and securities of the U.S. government, its agencies, or GSEs, the Comptroller will not invest more than 2.5% of the Treasury Pool in any single corporate issuer. No more than 2% of the Treasury Pool may be invested in an asset backed security with a single issuer rated lower than AA. No more than 1% of the Treasury Pool may be invested in a corporate debt security with a single issuer rated lower than AA. Treasury Pool investments did not exceed these limits at August 31, 2025.

GASB requirements include disclosure of any investments by issuer that comprise more than 5% of total investments at year-end. At August 31, 2025, the Treasury Pool had no more than 5% of total investments in any issuer.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

C. Treasury Pool (Continued):

Interest rate risk: In accordance with its investment policy, the Treasury Pool manages its exposure to interest rate risk by maintaining an overall weighted-average maturity of no more than two (2) years. The following schedule reflects the average modified duration (a measure of the price sensitivity of a bond to interest rate movements) of the Treasury Pool by investment type and as a whole:

Investment Type	Modified Duration (Years)
United States government agencies	1.514
United States government treasuries	0.667
Agency commercial-backed securities	9.481
Government mortgaged-backed securities	5.497
Commercial paper	0.326
Supranational and Israel bonds	2.099
Corporate obligations	1.904
Asset-backed securities	4.35
Small Business Administration	0.193
Repurchase agreements	0.026
U.S. government agencies—REFCO	1.789
U.S. government agencies—Lottery treasury strips	4.625
Place of deposits with financial institutions	2.254
Modified duration of the Treasury Pool Excluding the Lottery Securities	0.024

Reverse repurchase agreements: The Treasury Pool may enter into reverse repurchase agreements for up to 35% of the pool's assets. The Treasury Pool's aggregate amount of reverse repurchase agreement obligations at August 31, 2025, was \$3,175,177 including accrued interest. The aggregate fair value of the securities underlying those agreements, including accrued interest, was \$3,165,181. The Treasury Pool's credit exposure for reverse repurchase agreement was \$9,998 at year-end.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

D. Endowment Funds:

Investments for the Endowment Funds, a custodial fund, as of August 31, 2025, are as follows:

Investments by Fair Value Level	Fair Value	Fair Value Measurement Listing		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 249,203,476	\$ 249,203,476	\$ -	\$ -
Mutual funds—global equities	324,469,826	324,469,826	-	-
Domestic Fixed Income - U.S. Government	191,935,753	-	191,935,753	-
Global equities	15,204,492	15,204,492	-	-
Total return swap—fixed income	4,065,509	-	4,065,509	-
	<u>\$ 784,879,056</u>	<u>\$ 588,877,794</u>	<u>\$ 196,001,262</u>	<u>\$ -</u>

Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds—fund of funds	\$ 5,450	N/A	Daily, Monthly, Quarterly, Annually	1-95 days
Hedge funds—direct funds – fixed income	553,896,683	N/A	Daily, Monthly, Quarterly, Annually	2-92 days
Hedge funds—direct funds – equities	1,697,337,481	N/A	Daily, Monthly, Quarterly, Annually	1-120 days
Hedge funds—direct funds – all asset strategies	36,978,549	N/A	Annually	45 days
Hedge funds—direct funds – real assets	39,028,882	N/A	Monthly	30 days
Domestic alternative – private debt	445,611,990	\$ 344,205,902	N/A	N/A
Domestic alternative – private equity	889,240,851	519,588,747	N/A	N/A
Domestic alternative – real assets	780,757,424	257,300,171	N/A	N/A
International alternative – private debt	11,527,966	26,165,696	N/A	N/A
International alternative – private equity	28,135,567	9,772,337	N/A	N/A
International alternative – real assets	48,747,624	3,245,556	N/A	N/A
Total investments at NAV	<u>\$ 4,531,268,467</u>	<u>\$ 1,160,278,409</u>		
Total investments	<u>\$ 5,316,147,523</u>			

Mutual funds are valued daily or monthly, as appropriate, at fair value as noted in the table above. Through the use of derivatives, including total return swaps, the risks that are bound together in traditional cash market investments can be separated and managed independently. The primary intent of the Endowment Fund's investment in derivative instruments is to manage and implement investment strategies more effectively and at a lower cost than would be possible in the cash market. All of the Endowment funds' derivative instruments are considered investment derivatives and therefore are measured and reported at fair value. Fair value of total returns swaps entered into with counterparties is determined based on the percentage changes in the value of underlying indexes (such as bond index or equity index) over a specified period of time. The fair value of the derivatives is measured on a daily basis, by a third-party service provider, but is reported on a monthly basis.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 2. Deposits and Investments (Continued)

D. Endowment Funds (Continued):

Hedge Funds are valued monthly at NAV using the current monthly account statements from the funds. If a current monthly account statement is unavailable, the value is calculated by the custodian using the estimated monthly return from the fund. Once a statement is received, the value is adjusted to reflect the NAV from the statement adjusted for cash flows that occur after the statement date. Domestic and international alternative investments are valued monthly at NAV using the latest account statements from the funds. NAV is adjusted for cash flows that occur after the date of the statements through the month-end date.

Equity strategies include public and private equities and asset classes that are correlated to global equity markets. Historically, global equity investments have provided returns in excess of the total fund return objective. The equity portfolio consists of traditional long-only, hedged and private strategies whose portfolios are predominantly invested in the equity of corporations.

Alternative Fixed Income strategies are intended to preserve investment capital by achieving consistent positive real returns and maximizing long-term total returns, within prudent levels of risk, through the use of diversified portfolios of complementary strategies.

All asset strategies include exposures across equity, fixed income and real asset classes. The all asset portfolio may consist of long-only, hedged and private strategies whose portfolios are diversified across a broad range of asset types.

Private Debt strategies will be primarily focused on debt and credit-oriented strategies ranging from senior secured credit to distressed credit, but at times may include exposures across the entire corporate capital structure. Private debt strategies are intended to take advantage of illiquidity premiums available in the debt markets. Portfolios may take an extended period to be realized.

Real asset strategies are intended to serve primarily as inflation hedges and provide diversification benefits of low correlation with other investment strategies. A significant majority of the portfolio is exposed to real assets such as high-quality real estate, infrastructure assets and energy.

Credit risk: Corporate obligations must be rated investment grade by at least one NRSRO and not rated below investment grade by any NRSRO. Short-term securities must be rated in the highest rating category by an NRSRO. The average quality rating of the high-yield fixed income portfolio shall be B1/B+ or higher. All high-yield securities when purchased must be rated at least CCC. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following schedule lists Standard & Poor's credit rating by investment type for the Endowment Fund securities that are subject to credit risk.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

D. Endowment Funds (Continued):

Standard & Poor's Credit Ratings	Money Market Funds
AAA	\$ 249,203,476
Total	<u>\$ 249,203,476</u>

Concentration of credit risk: Excluding passive strategies, exposure to any investment firm will generally be limited to 10% of the Endowment portfolio's assets. As of August 31, 2025, no more than 10% of the portfolio was invested in any investment firm.

Interest rate risk: The endowment funds do not have a formal investment policy that limits investment maturities. The following schedule reflects the average effective duration of the endowment funds by investment type. The investments in the short-term investment fund use a weighted-average maturity to reflect the interest rate risk.

Investment Type	Effective Duration (Years)
Domestic Fixed Income - U.S. Government	\$ 191,935,753 7.0
	<u>Weighted- Average Maturity</u>
Money market mutual fund	\$ 249,203,476 52

Foreign currency risk: The endowment funds do not have a formal investment policy that limits foreign currencies. The endowment funds exposure to foreign currency risk derives from its position in foreign currency-denominated investment in alternative investments.

Currency	Cash	International Alternative Investments	Total
Euros	\$ -	\$ 88,411,157	\$ 88,411,157

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

D. Endowment Funds (Continued):

Derivatives: Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one of more underlying securities or assets, or index of securities or assets, such as stocks, bonds, commodities or currencies. The Endowment funds use derivatives as part of the hedging and overlays program. The objective of the program is to facilitate risk management and provide efficiency in the implementation of various investment strategies. Permitted applications of the portfolio hedging and overlays program are: to implement strategies in a low cost and efficient manner; to hedge and control risks; to alter the Endowment funds' market (systemic) exposure without trading the underlying cash market securities; to construct portfolios with risk and return characteristics that could not be created with cash market securities or; to facilitate transition trading.

The fair value, changes in fair value, and notional value of the Endowment funds derivatives investments, classified by derivative type, are displayed in the following table as of August 31, 2025.

	Fair Value	Changes in Fair Value	Notional Value
Swaps:			
Total return swap—fixed income	\$ 4,065,509	\$ 2,871,654	\$ 165,091,845
Total return swap—equity	-	6,677,651	-
Total swaps	\$ 4,065,509	\$ 9,549,305	\$ 165,091,845
Total derivatives	\$ 4,065,509	\$ 9,549,305	\$ 165,091,845

E. State Water Implementation Fund for Texas:

Investments for the SWIFT, a custodial fund, as of August 31, 2025, are as follows:

Investments at Fair Value Level	Fair Value	Fair Value Measurements Using		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 134,808,063	\$ 134,808,063	\$ -	\$ -
Mutual funds—global fixed income	194,637,328	194,637,328	-	-
Mutual funds—global equities	218,547,632	218,547,632	-	-
Total investments at fair value level	\$ 547,993,023	\$ 547,993,023	\$ -	\$ -

Investments Measured at NAV	Strategy	Fair Value	Commitments	Frequency	Notice Period
Hedge funds—direct funds—fixed income	Alternative fixed income	\$ 284,197,483	NA	Daily, Monthly, Quarterly	2 - 65 days
Hedge funds—direct funds—equities	Equity	387,590,508	NA	Monthly,	30 - 120 days
Hedge funds—direct funds—all asset	All asset	71,750,060	NA	Annually	45 days
Domestic alternative—private debt	Private debt	377,129,655	\$ 206,716,251	N/A	N/A
International alternative—private debt	Private debt	5,574,958	13,960,940	N/A	N/A
Domestic alternative—directional equity	Equity	1,187,301	-	N/A	N/A
Domestic alternative—real assets	Real asset	258,188,635	12,361,101	N/A	N/A
Total return fixed income	Fixed income	-	-	N/A	N/A
Total investments at NAV		\$ 1,385,618,600	\$ 233,038,292		
Total investments		\$ 1,933,611,623			

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

E. State Water Implementation Fund for Texas (Continued):

Mutual funds are valued daily or monthly, as appropriate, at fair value as noted in the table above. Hedge Funds are valued monthly at NAV using the current monthly account statements from the funds. If a current monthly account statement is unavailable, the value is calculated by the custodian using the estimated monthly return from the fund. Once a statement is received, the value is adjusted to reflect the NAV from the statement adjusted for cash flows that occur after the statement date. Domestic alternative investments are valued monthly at NAV using the latest account statements from the funds. NAV is adjusted for cash flows that occur after the date of the statements through the month-end date.

Equity strategies include public and private equities and asset classes that are correlated to global equity markets. Historically, global equity investments have provided returns in excess of the total fund return objective. The equity portfolio consists of traditional long-only, hedged and private strategies whose portfolios are predominantly invested in the equity of corporations.

Alternative Fixed Income strategies are intended to preserve investment capital by achieving consistent positive real returns and maximizing long-term total returns, within prudent levels of risk, through the use of diversified portfolios of complementary strategies.

All asset strategies include exposures across equity, fixed income and real asset classes. The all asset portfolio may consist of long-only, hedged and private strategies whose portfolios are diversified across a broad range of asset types.

Private Debt strategies will be primarily focused on debt and credit-oriented strategies ranging from senior secured credit to distressed credit, but at times may include exposures across the entire corporate capital structure. Private debt strategies are intended to take advantage of illiquidity premiums available in the debt markets. Portfolios may take an extended period to be realized.

Real asset strategies are intended to serve primarily as inflation hedges and provide diversification benefits of low correlation with other investment strategies. A significant majority of the portfolio is exposed to real assets such as high-quality real estate, infrastructure assets and energy.

Credit risk: The SWIFT investment policy does not limit credit risk. The following schedule lists Standard & Poor's credit rating by investment type for those investments subject to credit risk.

Standard & Poor's Credit Ratings	Mutual Funds— Global Fixed Income	Money Market Funds
AAA	\$ -	\$ 134,808,063
Not rated	194,637,328	-
Total	<u>\$ 194,637,328</u>	<u>\$ 134,808,063</u>

Concentration of credit risk: Excluding passive strategies, exposure to any investment firm will generally be limited to no more than 25% of fund assets. Fund investments will generally not exceed more than 25% of any firms' total assets under management. As of August 31, 2025, no more than 25% of the portfolio was invested in any investment firm.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 2. Deposits and Investments (Continued)

E. State Water Implementation Fund for Texas (Continued):

Interest rate risk: The SWIFT investment policy does not limit investment maturities. The following schedule reflects the average effective duration of the funds by investment type. The investments in the short-term investment fund use a weighted-average maturity to reflect the interest rate risk.

Investment Type	Effective Duration (Years)
Mutual funds—global fixed income	5.73
	Weighted- Average Maturity
Money market mutual funds	52

Foreign currency risk: The SWIFT does not have a formal investment policy that limits foreign currencies. The SWIFT's exposure to foreign currency risk derives from its position in foreign currency-denominated investment in alternative investments.

Currency	Cash	Alternative Investment	Total
Euros	\$ -	\$ 5,574,958	\$ 5,574,958

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

F. Texas Economic Stabilization Investment Fund of Texas (TESTIF):

Investments for the TESTIF, a custodial fund, as of August 31, 2025, are as follows:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 319,737,001	\$ 319,737,001	\$ -	\$ -
Mutual Funds – Global Fixed Income	11,205,767,021	11,205,767,021	-	-
Mutual Funds – Global Equities	1,059,151,155	1,059,151,155	-	-
Equity ETF	271,863,418	271,863,418	-	-
Corporate Obligations	1,073,900,262	1,073,900,262	-	-
Corporate Asset-Backed and Mortgage Obligations	524,190,497	524,190,497	-	-
Political Subdivision	28,201,817	28,201,817	-	-
Domestic Fixed Income - U.S. Government	3,666,674,916	-	3,666,674,916	-
Total investments by fair value level	<u>\$ 18,149,486,087</u>	<u>\$ 14,482,811,171</u>	<u>\$ 3,666,674,916</u>	<u>\$ -</u>

Investments measured at NAV	Investment Strategy	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds – Direct Funds – Alternative Fixed Income	Alternative Fixed Income	\$ 2,252,773,980	\$ -	N/A	N/A
Domestic Alternative – Private Debt	Private Debt	394,729,097	261,273,387	N/A	N/A
Domestic Alternative – Private Equities	Private Equities	67,131,924	425,357,347	N/A	N/A
Domestic Alternative – Private Real Estate	Private Real Estate	338,550,968	90,047,404	N/A	N/A
		<u>\$ 3,053,185,969</u>			
Total investments		<u>\$ 21,202,672,056</u>			

Mutual funds are valued daily or monthly, as appropriate, at fair value as noted in the table above. Domestic alternative investments are valued monthly at NAV using the latest account statements from the funds. NAV is adjusted for cash flows that occur after the date of the statements through the month-end date.

Private Debt strategies will be primarily focused on debt and credit-oriented strategies ranging from senior secured credit to distressed credit, but at times may include exposures across the entire corporate capital structure. Private debt strategies are intended to take advantage of illiquidity premiums available in the debt markets. Portfolios may take an extended period to be realized.

During FY 2022, TESTIF initially invested \$800 million Senior Secured Texas Stabilization M Bonds, Series 2021, (private placement bond) in compliance with section 404.0241 b-1 of the Texas Government Code. During FY 2023, a part of the principal of this bond was redeemed by the issuer. During FY 2025, the remaining principal of this bond was fully redeemed by the issuer and thus the value was \$0 as of August 31, 2025.

As of August 31, 2025, TESTIF invested \$211,582,143 in U.S. Treasury bills. Since these are short-term investments, their value is presented at amortized cost in the financial statements and are included in other assets on the statement of fiduciary net position – fiduciary funds.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

F. Texas Economic Stabilization Investment Fund of Texas (TESTIF) (Continued):

Credit risk: The TESTIF investment policy does not limit credit risk. The following schedule lists Standard & Poor's credit rating by investment type for those investments subject to credit risk.

Standard & Poor's Credit Ratings	Mutual Funds— Global Fixed Income	Domestic Fixed Income	Political Subdivision	Money Market Funds	Corporate Asset and Mortgage Back Obligations	Corporate Obligations
AAA	\$ -	\$ -	\$ 12,858,196	\$ 319,737,001	\$ 159,307,399	\$ 14,472,693
AA	-	-	8,928,324	-	722,200	35,355,496
A	-	-	6,400,903	-	6,096,536	306,352,650
BBB	-	-	-	-	36,528,944	631,764,533
BB	-	-	-	-	-	43,404,789
Not rated	11,205,767,021	3,666,674,916	14,394	-	321,535,418	42,550,101
Total	\$ 11,205,767,021	\$ 3,666,674,916	\$ 28,201,817	\$ 319,737,001	\$ 524,190,497	\$ 1,073,900,262

Concentration of credit risk: Excluding the Treasury Pool and/or passive strategies, exposure to any investment firm will generally be limited to no more than 25% of the fund's assets. In addition, Fund investments will generally not exceed more than 25% of any firm's total assets under management.

Interest rate risk: The TESTIF investment policy does not limit investment maturities. The following schedule reflects the average effective duration of the funds by investment type. The investments in the short-term investment fund use a weighted-average maturity to reflect the interest rate risk.

Investment Type	Effective Duration (Years)
Mutual funds—global fixed income	3.48
U.S. Treasury Securities	3.62
U.S. Government Agency Obligations	5.79
Corporate Asset and Mortgage Backed Securities	4.17
Domestic – fixed income (Corporate Obligations)	5.38
Fixed Income Municipal	4.66
	Weighted- Average Maturity
Money market mutual funds	52

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

G. Other Custodial Funds:

The Texas Trust functions as a custodian and/or depository to several state agencies. The functions are strictly fiduciary. Credit risk, interest rate risk and concentration risk are not significantly different from the risks of similar investments disclosed above. Each respective state agency performs their own investment management activities within the parameters of their own respective investment policies.

Investments for these other trust activities, as of August 31, 2025, are as follows:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
Money market mutual funds	\$ 102,479,419	\$ 102,479,419	\$ -	\$ -
Commercial paper	394,334,546	-	394,334,546	-
Corporate obligations	9,348,119	-	9,348,119	-
Government-sponsored enterprises	-	-	-	-
Government mortgage-backed securities	65,694,450	-	65,694,450	-
Investment in guaranteed investment contracts	56,650,441	56,650,441	-	-
Political subdivision bonds	15,020,544	-	15,020,544	-
Treasury Inflation-Protected Securities	36,221	-	36,221	-
United States government treasuries	408,216,558	-	408,216,558	-
Total debt securities	<u>1,051,780,298</u>	<u>159,129,860</u>	<u>892,650,438</u>	<u>-</u>
Total investments at fair value	<u>\$ 1,051,780,298</u>	<u>\$ 159,129,860</u>	<u>\$ 892,650,438</u>	<u>\$ -</u>
Investments Measured at Amortized Cost	Carrying Value			
Repurchase agreements	<u>\$ 3,849,985,053</u>			
Total investments measured at amortized cost	<u>3,849,985,053</u>			
Total investments	<u>\$ 4,901,765,351</u>			

Debt securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, and fixed income pricing models.

Equity securities classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including but not limited to quoted prices for similar securities.

Mutual funds are valued daily or monthly, as appropriate, at fair value as noted in the table above.

Repurchase agreement investments for the Pool, as of August 31, 2025, consist of repurchase agreements carried at amortized cost.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 2. Deposits and Investments (Continued)

G. Other Custodial Funds (Continued):

Credit risk: Is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Pursuant to Government Code section 404.024 (a) and (b), treasury funds may be invested in fully collateralized repurchase agreements secured by obligations of the U.S., its agencies, or GSEs, including mortgage-backed securities of such agencies and GSE or cash. The underlying securities in the repurchase agreement investments are rated AA+ by Standard & Poor's. Treasury funds may invest in commercial paper that has received the highest short-term credit rating by a NRSRO. "Highest short-term credit rating" includes at least one of the following short-term credit ratings, Moody's (P-1), Standard & Poor's (A-1), or Fitch, Inc. (F-1). Corporate debt securities with maturities of up to 25 months shall be rated A or better by two NRSRO's at the time of purchase.

Concentration of credit risk is the risk of loss attributable to the magnitude of the investment in a single issuer. The repurchase agreement investments are not exposed to concentration risk as of August 31, 2025.

Interest rate risk: The maximum maturity of direct repurchase agreements will not exceed 180 days. All investments are overnight repurchase agreements. The weighted average maturity of the repurchase agreement investments is 1 days.

H. Texas University Fund:

The Texas University Fund (TUF) was created by the 88th Texas Legislature, Regular Session, and became effective January 1, 2024, after voter approval of the constitutional amendments establishing the TUF and certain constitutionally dedicated appropriations from the state's Economic Stabilization Fund. The constitutionally authorized trust fund is a dedicated and independent source of funds for qualifying general academic teaching institutions. The TUF was created to enable these institutions to achieve national prominence as major research universities. The Trust Company must invest this fund in accordance with the prudent investor standard. The creation of the TUF and its requirements are set forth in Section 20, Article VII, Texas Constitution and Sections 62.141-152 of the Texas Education Code. The Trust Company administer and invest the TUF in accordance with the Investment Policy Statement which was approved and adopted by the Comptroller's Investment Advisory Board and the Comptroller. The TUF enabling legislation also redesignates the predecessor National Research University Fund ("NRUF"), formerly invested by the Trust Company in the Endowment Fund Portfolio, as part of the TUF.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

H. Texas University Fund (Continued):

Investments for the Texas University Fund, as of August 31, 2025, are as follows:

Investments Measured at NAV	Fair Value	Fair Value Measurement Listing		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 754,194,726	\$ 754,194,726	\$ -	\$ -
Mutual funds – global fixed income	247,515,104	247,515,104	-	-
Mutual funds – global equities	1,966,678,486	1,966,678,486	-	-
Domestic fixed income	429,089,220	-	429,089,220	-
Global equities	25,390,827	25,390,827	-	-
	<u>\$ 3,422,868,363</u>	<u>\$ 2,993,779,143</u>	<u>\$ 429,089,220</u>	<u>\$ -</u>
Investments Measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds—fund of funds	\$ 958	N/A	Daily, Monthly, Quarterly, Annually	1-95 days
Hedge funds—direct funds – fixed income	387,427,217	N/A	Daily, Monthly, Quarterly, Annually	2-92 days
Hedge funds—direct funds – equities	638,904,923	N/A	Daily, Monthly, Quarterly, Annually	1-120 days
Domestic alternative – private debt	204,874,154	\$ 148,270,887	N/A	N/A
Domestic alternative – private equity	315,073,371	536,079,557	N/A	N/A
Domestic alternative – real assets	354,371,318	141,434,044	N/A	N/A
International alternative – private debt	2,473,030	32,513,613	N/A	N/A
International alternative – private equity	6,146,157	2,102,443	N/A	N/A
International alternative – real assets	10,447,239	852,314	N/A	N/A
Total investments at NAV	<u>\$ 1,919,718,367</u>	<u>\$ 861,252,858</u>		
Total investments	<u>\$ 5,342,586,730</u>			

Mutual funds are valued daily or monthly, as appropriate, at fair value as noted in the table above.

Hedge Funds are valued monthly at NAV using the current monthly account statements from the funds. If a current monthly account statement is unavailable, the value is calculated by the custodian using the estimated monthly return from the fund. Once a statement is received, the value is adjusted to reflect the NAV from the statement adjusted for cash flows that occur after the statement date. Domestic and international alternative investments are valued monthly at NAV using the latest account statements from the funds. NAV is adjusted for cash flows that occur after the date of the statements through the month-end date.

Fixed Income securities classified as Level 2 of the fair value hierarchy are valued using other observable significant inputs including but not limited to quoted prices for similar securities, interest rates, and fixed income pricing models.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

H. Texas University Fund (Continued):

Private Debt strategies will be primarily focused on debt and credit-oriented strategies ranging from senior secured credit to distressed credit, but at times may include exposures across the entire corporate capital structure. Private debt strategies are intended to take advantage of illiquidity premiums available in the debt markets. Portfolios may take an extended period to be realized.

Real asset strategies are intended to serve primarily as inflation hedges and provide diversification benefits of low correlation with other investment strategies. A significant majority of the portfolio is exposed to real assets such as high-quality real estate, infrastructure assets and energy.

Credit risk: Corporate obligations must be rated investment grade by at least one NRSRO and not rated below investment grade by any NRSRO. Short-term securities must be rated in the highest rating category by an NRSRO. The average quality rating of the high-yield fixed income portfolio shall be B1/B+ or higher. All high-yield securities when purchased must be rated at least CCC. Investments explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The following schedule lists Standard & Poor's credit rating by investment type for the Endowment Fund securities that are subject to credit risk.

Investment Type	AAA	Not Rated	Total
Mutual Funds – Global Fixed Income	\$ -	\$ 247,515,104	\$ 247,515,104
Money market funds	754,194,726	-	754,194,726

Concentration of credit risk: Excluding securities issued or guaranteed by the U.S. Government, its agencies, instrumentalities, and GSEs, no more than 5% of the portfolio at the time of purchase, shall be invested in securities of one issuer. As of August 31, 2025, no more than 5% of the portfolio was invested in securities of one issuer.

Interest rate risk: The endowment funds do not have a formal investment policy that limits investment maturities. The following schedule reflects the average effective duration of the endowment funds by investment type. The investments in the short-term investment fund use a weighted-average maturity to reflect the interest rate risk.

Investment Type	Effective Duration (Years)
Mutual funds—global fixed income	4.09
	Weighted- Average Maturity
Money market funds	52

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 2. Deposits and Investments (Continued)

H. Texas University Fund (Continued):

Foreign currency risk: The endowment funds do not have a formal investment policy that limits foreign currencies. The endowment funds exposure to foreign currency risk derives from its position in foreign currency-denominated investment in alternative investments.

Currency	Cash	Alternative Investment	Total
Euros	\$ -	\$ 19,066,426	\$ 19,066,426

Note 3. Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

Business-Type Activities	Balance September 1, 2024	Additions	Deletions	Balance at August 31, 2025
Non-depreciable or non-amortizable assets:				
Construction in progress	\$ -	\$ 7,000,000	\$ -	\$ 7,000,000
Total non-depreciable or non-amortizable assets	-	7,000,000	-	7,000,000
Depreciable assets:				
Buildings and building improvements	2,316,717	-	-	2,316,717
Furniture and equipment	1,662,430	-	-	1,662,430
Total depreciable assets at historical cost	3,979,147	-	-	3,979,147
Less accumulated depreciation for:				
Buildings and building improvements	(1,161,203)	(133,680)	-	(1,294,883)
Furniture and equipment	(1,429,438)	(92,318)	-	(1,521,756)
Total accumulated depreciation	(2,590,641)	(225,998)	-	(2,816,639)
Total depreciable assets, net	1,388,506	(225,998)	-	1,162,508
Amortizable assets—intangible:				
Computer software	2,910,356	-	-	2,910,356
Right to use - subscription assets	12,167,877	15,520,202	-	27,688,079
Total amortizable assets—intangible	15,078,233	15,520,202	-	30,598,435
Less accumulated amortization for:				
Computer software	(2,910,356)	-	-	(2,910,356)
Right to use - subscription assets	(7,445,608)	(3,736,819)	-	(11,182,427)
Total accumulated amortization	(10,355,964)	(3,736,819)	-	(14,092,783)
Amortizable assets—intangible, net	4,722,269	11,783,383	-	16,505,652
Business-type activities—capital assets, net	\$ 6,110,775	\$ 18,557,385	\$ -	\$ 24,668,160

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 4. Pension Plan

The Texas Trust employees participate in the Employees Retirement System of Texas Plan (ERS Plan) which is one of the three retirement systems of the state of Texas. The ERS Plan is administered through a trust.

ERS Plan: The Board of Trustees of ERS is the administrator of four pension plans that provide a standard monthly benefit in a life annuity at retirement and death and disability benefits for members. In addition to the state of Texas, the employers of the ERS plan include various component units of the state. The Employees Retirement System and the Texas Trust, which are blended component units, and the State Bar of Texas, which is a discrete component unit, are also employers of the ERS plan. The ERS Plan is considered a single employer defined benefit plan under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. For financial reporting purposes, ERS is treated as a cost-sharing plan, since each participating agency has an obligation to contribute.

ERS Plan covers members in employee and elected classes. Employee class includes employees and appointed officers of the agencies of the state of Texas except those who included in the coverage of Teacher Retirement System of Texas, Judicial Retirement System Plan I (JRS 1) and Plan II (JRS II). Elected class includes elected state officials not included in the coverage of JRS 1 and JRS II, and members of the Legislature and district and criminal district attorneys.

The benefit and contribution provisions of the ERS Plan are authorized by state law and may be amended by the Legislature. The monthly benefit may vary by membership class.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit. The average monthly compensation of the employee class may vary depending on the hire date.

- Members hired on or before August 31, 2009, the average monthly compensation is the average of the highest 36 months of compensation.
- Members hired on or after September 1, 2009 and before September 1, 2013, the average monthly compensation is the average of the highest 48 months of compensation.
- Members hired on or after September 1, 2013, the average monthly compensation is the average of the highest 60 months of compensation.
- Members hired on or after September 1, 2022 are enrolled in a defined benefit retirement structure known as a cash balance benefit; standard monthly annuity is equal to member account balance plus 150 percent state match multiplied by an annuity conversion factor.

The average monthly compensation of the elected class may vary depending on the hire date.

- Members hired on or before August 31, 2019, the monthly standard annuity of the elected class is determined by a statutory percentage of 2.3 percent of the current state salary of a district judge multiplied by number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.
- Members hired on or after September 1, 2019, the monthly standard annuity of the elected class is determined by a statutory percentage of 2.3 percent of the current state base salary of a district judge multiplied by number of years of service credit. Retirement benefits are automatically adjusted as state judicial salaries change.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 4. Pension Plan (Continued)

- Members hired on or after September 1, 2022 are enrolled in a defined benefit retirement structure known as a cash balance benefit; non-legislative standard monthly annuity is equal to member account balance plus 150 percent state match multiplied by an annuity conversion factor. Legislative standard monthly annuity is equal to member notional account balance plus 150 percent state match multiplied by an annuity conversion factor.
- The ERS Plan's membership as of the measurement date of August 31, 2024 is presented in the table below:

ERS Membership Data	ERS Plan
Retirees and Beneficiaries Currently Receiving Benefits	125,832
Terminated Employees Entitled to Benefits But Not Yet Receiving Them	167,858
Current Employees Vested and Non-Vested	144,049
Total Members	<u>437,739</u>

The contribution rates for the state and the agencies for the ERS Plan for the measurement period of August 31, 2025, are presented in the table below:

	Required Contribution Rates—ERS Plan					
	Employer			Members		
	Employee Class	Elected Class— Legislators	Elected Class— Other	Employee Class	Elected Class— Legislators	Elected Class— Other
On or Before 8/31/2022 Hire Date	10.00%	10.00%	10.00%	9.50%	9.50%	9.50%
On or After 9/1/2022 Hire Date	10.00%	10.00%	10.00%	6.00%	6.00%	6.00%

The amount of the Texas Trust's contributions recognized by the ERS Plan for the measurement period of August 31, 2024, was \$1,185,000. Fiscal year 2025 contributions were \$1,237,903.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 4. Pension Plan (Continued)

At August 31, 2025, the Texas Trust reported a liability of \$10,227,788 for its proportionate share of the net pension liability. The net pension liability was reported as of August 31, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2024. The Texas Trust's proportion of the net pension liability was based on a projection of the Texas Trust's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined.

The total pension liability, net pension liability certain sensitivity information shown in this report are based on an annual actuarial valuation performed as of August 31, 2024. The table below presents the actuarial methods and assumptions used to measure the total pension liability as of the August 31, 2025:

Actuarial Methods and Assumptions	
ERS Plan	
Actuarial valuation date	August 31, 2024 Members and employers contribute based on statutorily fixed rates. Provisions of the Legacy Payment structure adopted during the 2021 legislative session were reflected in disclosures for the fiscal years 2022 and later.
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, plus Level Dollar Legacy Payment, Closed
Remaining Amortization Period	Unfunded Actuarial Accrued Liability (UAAL) to be eliminated by 2054
Asset Valuation Method	Marked to market as of August 31, 2017. Future gains and losses each recognized over closed five-year period, with allowance of direct offsetting of deferrals by subsequent gains and losses.
Investment rate of return	7.00%
Inflation	2.30%
Last Experience Study	4-year period ending August 31, 2023
Mortality	2020 State Retirees of Texas (SRT) Mortality Tables. Generational mortality improvements in accordance with the ultimate rates from the scale most recently published by Retirement Plans Experience Committee of the Society of Actuaries ("Scale U-MP") and projected from the year 2020. Rates for male LECO members are set forward one year. Rates of judges are setback two years.
Cost-of-living adjustments	None—Employee 2.3%—Elected

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 4. Pension Plan (Continued)

A single discount rate of 7 percent was used to measure the total pension liability as of August 31, 2024, remaining unchanged from the prior measurement period. This single discount rate was based on an expected rate of return on pension plan investments of 7 percent and a municipal bond rate of 3.87 percent. The source of the municipal bond rate as of August 31, 2024 is the rate for Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. In March 2024, the System Board of Trustees continued the long-term rate of return assumption of 7.0% after considering 1) the long-term expected return from the building block method; 2) an analysis of long-term expected return performed by the System investment consultant; and 3) analyses and recommendations of the System pension actuary. This actuarial valuation also incorporates the most significant across-the-board pay increases budgeted by the State Legislature when they are granted for the current biennium.

The assumptions and methods reflected as of the measurement date of August 31, 2024 were adopted at the March 2024 Board meeting, based on the experience investigation that covered the period ending August 31, 2023. Updates to the assumptions include:

- Updates to the projection scales used for mortality improvement, using the most recent MP scale published by the Society of Actuaries, with immediate convergence;
- Updated termination, disability incidence and retirement assumptions; and
- Increase in the expected administrative expenses, as a percentage of payroll, from 0.33% to 0.40%.

There have been no changes to the benefit provisions of the ERS Plan since the prior measurement date for employees hired before September 1, 2022.

The projected cash flow from the employer are based on contributions for the most recent five-year period, modified for consideration of subsequent events. The legislature passed Senate Bill (SB) 321 in the 87th Legislative Session requiring a legacy payment to pay off the current unfunded actuarial liability by 2054. The legacy payment is an actuarially determined amount each biennium. The actuarially determined amount for fiscal year 2024 and 2025 is \$510 million each year. The passage of this bill indicates that the legislature is committed to funding the state pension obligations.

The long-term expected rate of return on plan investments was developed using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future geometric real rates of return by the target asset allocation percentage and by adding expected inflation. Total Real Rate of Return is arithmetic.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 4. Pension Plan (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class for the plan's investment portfolio are presented below:

Asset Class	Target Allocation	Real Rate of Return
Public Equity	35.00%	4.39%
Private Equity	16.00%	7.12%
Public Credit	9.00%	5.65%
Private Credit	3.00%	6.14%
Public Real Estate	3.00%	4.00%
Private Real Estate	9.00%	3.70%
Private Infrastructure	5.00%	4.09%
Rates	12.00%	2.73%
Cash & Equivalents	2.00%	0.78%
Hedge Funds	6.00%	3.31%
Special Situations	0.00%	4.29%
Total	<u>100.0%</u>	

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Texas Trust's net pension liability. The result of the analysis is presented in the table below:

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Texas Trust's proportionate share of the net pension liability	<u>\$ 15,320,022</u>	<u>\$ 10,227,788</u>	<u>\$ 5,996,958</u>

The pension plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the pension trust fund are reported at fair value in accordance with GASB Statement No. 72. Employees Retirement System issues a stand-alone audited Annual Comprehensive Financial Report (ACFR), which may be obtained from their website at www.ers.texas.gov/about-ers/reports-and-studies.

The Texas Trust's proportion of the entire ERS plan was 0.08322744% for the measurement period August 31, 2024, as compared with the 0.07923708% in the prior measurement period. For fiscal year 2025 reporting, the measurement date of the Texas Trust's net pension liability is August 31, 2024.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 4. Pension Plan (Continued)

The Plan updated certain assumptions based on the four-year experience study from September 1, 2020 through August 31, 2023.

For the fiscal year ended August 31, 2025, the Texas Trust recognized pension expense (credit) of \$(4,041,057). Negative pension expense for the ERS Plan is due primarily to the recognition of deferred inflows resulting from changes in assumptions as the ERS Plan has changed from a contribution rate structure to an actuarially determined structure.

At August 31, 2025, the Texas Trust reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 621,776	\$ -
Changes of assumptions	-	167,394
Net difference between projected and actual investment return	-	1,003,045
Change in proportion and contribution difference	563,937	333,738
Contributions subsequent to the measurement date	1,237,903	-
Total	<u>\$ 2,423,616</u>	<u>\$ 1,504,177</u>

The \$1,237,903 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ended August 31, 2025.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the following years:

Years ending August 31:	
2026	\$ (247,851)
2027	514,539
2028	(271,577)
2029	(313,575)
	<u>\$ (318,464)</u>

Note 5. Other Post-Employment Benefit Plan (OPEB)

In addition to the pension benefits described in Note 4, the Employees Retirement System of Texas (ERS) provides postemployment health care, life and dental insurance benefits through the Group Benefits Program in accordance with Chapter 1551, Texas Insurance Code. This program is governed by the same Board of Trustees who is responsible for the defined benefit pension plans.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 5. Other Post-Employment Benefit Plan (OPEB) (Continued)

Employees Retirement System is the administrator of the State Retiree Health Plan (SRHP), a cost-sharing, multiple-employer defined benefit OPEB plan with a special funding situation.

The 61 employers of SRHP include state of Texas agencies and universities, community and junior colleges, and other entities specified by the Legislature. Benefits are provided to retirees through the Texas Employees Group Benefits Program as authorized by Texas Insurance Code, Chapter 1551.

The SRHP provides postemployment health care, life and dental insurance benefits to retirees. The benefit and contribution provisions of the SRHP are authorized by state law and may be amended by the Legislature. Retirees must meet certain age and service requirements and have at least 10 years of service at retirement to participate in the plan. Surviving spouses and dependents of retirees are also covered by the plan. The plan does not provide automatic cost of living adjustments.

ERS issued a stand-alone audited Annual Comprehensive Financial Report (ACFR). The ERS ACFR may be obtained from their website at www.ers.texas.gov and searching for reports and studies.

At August 31, 2025, the Texas Trust recognized a net OPEB liability of \$10,274,902 for its proportionate share of the collective total OPEB liability. The collective net OPEB liability was measured as of August 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Texas Trust's proportionate share of the total OPEB liability was 0.03506126% and was based on contributions to the OPEB plan relative to the contributions of all employers and the non-employer contributing entity for the period. The proportionate share of the total OPEB liability was 0.03326606% in the prior year.

The contribution requirements for the state and the members in the measurement period are presented in the table below:

Retiree only	\$ 624.82
Retiree and spouse	1,340.82
Retiree and children	1,104.22
Retiree and family	1,820.22

The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution. The amount of the Texas Trust's contributions recognized by the SHRP plan for the measurement period ended August 31, 2024, was \$1,069,230. Fiscal year 2025 contributions were \$1,053,004.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 5. Other Post-Employment Benefit Plan (OPEB) (Continued)

The table below presents the actuarial methods and assumptions used to measure the total OPEB liability as of the August 31, 2025:

Actuarial Methods and Assumptions	
ERS Plan	
Actuarial valuation date	August 31, 2024
Actuarial cost method	Entry Age
Amortization method	Level Percent of Payroll, Open
Remaining amortization period	30 years
Actuarial assumptions:	
Discount rate	3.87%
Inflation	2.30%
Salary increase	2.30% to 8.95%, including inflation
Healthcare cost and trend rate:	
HealthSelect	5.60% for FY 2026, 5.60% for FY 2027, 5.25% for FY 2028, 5.00% for FY 2029, 4.75% for FY 2030, 4.5% for FY 2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2033 and later years
HealthSelect Medicare Advantage	36.00% for FY 2026, 8.00% for FY 2027, 5.25% for FY 2028, 5.00% for FY 2029, 4.75% for FY 2030, 4.50% for FY 2031, decreasing 10 basis points per year to an ultimate rate of 4.30% for FY 2033 and later years
Pharmacy	11.50% for FY 2026, 11.00% for FY 2027, 10.00% for FY 2028, 8.50% for FY 2029, 7.00% for FY 2030, decreasing 100 basis points per year to 5.00% for FY 2032, and 4.30% for FY 2033 and later years
Aggregate payroll growth	2.70%
Retirement age	Experience-based tables of rates that are specific to the class of employee

* The source of the municipal bond rate is the Bond Buyer Index of general obligations bonds with 20 years to maturity and mixed credit quality. The bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 5. Other Post-Employment Benefit Plan (OPEB) (Continued)

Actuarial Methods and Assumptions	
ERS Plan	
Mortality:	
State Agency Members:	
Service Retirees, Survivors and Other Inactive Members (Regular, Elected, CPO/CO Employee Classes)	2020 State Retirees of Texas Mortality table with a 1 year set forward for male CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020
Service Retirees, Survivors and Other Inactive Members (JRS I and II Employee Classes)	2020 State Retirees of Texas Mortality table with a 2 year setback. Generational mortality improvements in accordance with the Ultimate MP-2020 Projection Scale are projected from the year 2020
Disabled Retirees (Regular, Elected, CPO/CO and JRS I and II Employee Classes)	2020 State Retirees of Texas Mortality table set forward three years for males and females. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2020. Minimum rates of 3.0% and 2.5% apply at all ages for males and females, respectively
Active Members	Pub-2010 General Employees Active Member Mortality table for non-CPO/CO members. Pub-2010 Public Safety Active Member Mortality table for CPO/CO members. Generational mortality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2010
Higher Education Members:	
Service Retirees, Survivors and Other Inactive Members	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from the year 2021
Disabled Retirees	Tables based on TRS experience with Ultimate MP-2021 Projection Scale from year 2021 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members
Active Members	Sex Distinct Pub-2010 Amount-Weighted Below-Median Income Teacher Mortality with a 2-year set forward for males with Ultimate MP-2021 Projection Scale from the year 2010
Ad hoc postemployment benefit changes	None

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 5. Other Post-Employment Benefit Plan (OPEB) (Continued)

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the 5-year period ending August 31, 2023 for state agency members and for the 7-year period ending August 31, 2021 for higher education members. The mortality rates were based on the tables identified in the table above titled Actuarial Methods and Assumptions.

The following assumptions have been changed since the previous Other Postemployment Benefits valuation:

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

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.87% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.81%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate funds in advance of retirement, there is no long-term expected rate of return. ERS' board of trustees amended the investment policy statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.81%.

Sensitivity analysis was performed on the impact of changes in the discount rate on the proportionate share of the Texas Trust's total OPEB liability. The result of the analysis is presented in the table below:

	1% Decrease	Current	1% Increase
	2.87%	Discount Rate 3.87%	4.87%
Texas Trust's proportionate share of the total OPEB liability	\$ 11,954,916	\$ 10,274,902	\$ 8,926,685

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements

August 31, 2025

Note 5. Other Post-Employment Benefit Plan (OPEB) (Continued)

Sensitivity analysis was performed on the impact of changes in the healthcare cost trend rates on the proportionate share of the Texas Trust's net OPEB liability. The result of the analysis is presented in the table below:

	1% Decrease	Current Healthcare/Pharmacy Cost Trend Rates	1% Increase
Texas Trust's proportionate share of the total OPEB liability	\$ 8,816,389	\$ 10,274,902	\$ 12,134,129

The OPEB plan's fiduciary net position is determined using economic resources measurement focus and the accrual basis of accounting, which is the same basis used by Employees Retirement System. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the plan. Investments of the OPEB trust fund are reported at fair value in accordance with GASB Statements No. 72. The fair value of investments is based on published market prices and quotations from major investment brokers at available current exchange rates. However, corporate bonds in general are valued based on currently available yields of comparable securities by issuers with similar credit ratings. More detailed information on the plan's investment valuation, investment policy, assets and fiduciary net position may be obtained from ERS' fiscal 2024 Annual Comprehensive Financial Report:

For the year ended August 31, 2025, the Texas Trust recognized OPEB expense of \$1,080,157. At August 31, 2025, the Texas Trust reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 169,524
Changes of assumptions	562,546	2,046,839
Net difference between projected and actual investment return	-	392
Effect of change in proportion and contribution difference	2,894,660	-
Contributions subsequent to the measurement date	1,053,004	-
Total	\$ 4,510,210	\$ 2,216,755

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 5. Other Post-Employment Benefit Plan (OPEB) (Continued)

The \$1,053,004 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the total OPEB liability for the year ended August 31, 2025. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense in the following years:

Year ended August 31:

2026	\$ 311,590
2027	217,220
2028	168,810
2029	358,020
2030	184,811
	<u>\$ 1,240,451</u>

Note 6. Related-Party Transactions

The Texas Trust has entered into a services agreement with the Comptroller of Public Accounts (CPA). The agreement provides for specified rates based on hours of utilization. For the fiscal year ended August 31, 2025, the Texas Trust paid CPA \$71,698 for services provided. At August 31, 2025, the Texas Trust had accrued \$17,267 for services provided by CPA and this amount is included in accounts payable.

The Texas Trust utilizes the CPA Payroll Department to service its payroll. Prior to the end of each month, the approximate amount of the Texas Trust's monthly payroll is transferred from the Texas Trust to the Comptroller's Office. At August 31, 2025, the Comptroller held \$1,305,012 to pay for the Texas Trust's September 1, 2025, payroll.

During the year ended August 31, 2025, there were a series of transactions between Endowment Fund, SWIFT, TESTIF, and TUF, whereby certain interests in limited partnership investments were transferred in exchange for cash. These transactions were initiated as part of portfolio management decisions to generate sufficient liquidity to meet annual cash distributions or meet the strategic and tactical asset allocation targets of the portfolios. These transactions involved transferring the limited partnership shares at the current net asset value at the time of the transactions. No gains or losses on the exchanges were recognized by these funds as a result of the transactions. The following table summarizes the total amounts of partnership interests exchanged occurred between these funds during FY 2025:

	SWIFT	TESTIF	TUF
Endowment Fund	\$ 15,000,000	\$ 58,898,393	\$ 75,000,000
SWIFT	\$ -	\$ -	\$ 10,000,000

Texas Treasury Safekeeping Trust Company

Notes to Financial Statements August 31, 2025

Note 7. Subscription Based Information Technology Arrangements (SBITAs)

In fiscal year 2025, the Texas Trust has agreements with certain IT vendors for information technology subscription agreements that resulted in annual subscription payments of \$4,108,601. Below is a table of future subscription agreement obligations by year.

Fiscal Year	Principal	Interest	Total
2026	\$ 3,865,902	\$ 208,015	\$ 4,073,917
2027	3,624,161	449,757	4,073,918
2028	2,609,170	327,190	2,936,360
2029	2,692,428	222,760	2,915,188
2030	2,801,905	113,283	2,915,188
Total	<u>\$ 15,593,566</u>	<u>\$ 1,321,005</u>	<u>\$ 16,914,571</u>

Note 8. Changes in Long-Term Liabilities

During the year ended August 31, 2025, the following changes occurred in liabilities:

	Balance September 1, 2024	Additions	Reductions	Balance August 31, 2025	Amounts Due Within One Year	Amounts Due Thereafter
Subscription liability	\$ 4,094,515	\$ 15,520,203	\$ (4,021,152)	\$ 15,593,566	\$ 3,865,902	\$ 11,727,664
Employees' compensable leave	1,471,204	1,217,341	(1,215,841)	1,472,704	860,585	612,119
Total	<u>\$ 5,565,719</u>	<u>\$ 16,737,544</u>	<u>\$ (5,236,993)</u>	<u>\$ 17,066,270</u>	<u>\$ 4,726,487</u>	<u>\$ 12,339,783</u>

Employees' Compensable leave Effective for the fiscal year beginning September 1, 2024, the Texas Trust adopted GASB Statement No. 101, Compensated Absences, which provides new guidance for recognizing and measuring liabilities for compensated absences. The new standard requires the Texas Trust to recognize liabilities for leave that is used as time off, as well as for leave that will be paid out in cash or settled in some other manner at termination.

The adoption of GASB 101 did not have a material impact in the compensable leave.

**Required Supplementary Information
(Unaudited)**

Texas Treasury Safekeeping Trust Company

**Schedule of Changes in Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years**

Year	Texas Trust's Proportionate Share of the Collective Plan Net Pension Liability	Texas Trust's Proportionate Share of the Collective Plan Net Pension Liability	Texas Trust's Covered Payroll	Texas Trust's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2016	0.10548924%	\$ 13,994,671	\$ 6,487,794	215.71%	64.40%
2017	0.10855888%	21,447,953	7,319,190	293.04%	55.32%
2018	0.11235055%	24,564,998	7,706,918	318.74%	54.67%
2019	0.12162405%	24,557,084	8,284,940	296.41%	57.89%
2020	0.11800763%	35,384,775	8,198,727	431.59%	47.70%
2021	0.11284638%	42,871,096	8,078,035	530.71%	42.38%
2022	0.12183629%	12,884,727	8,757,055	147.14%	76.06%
2023	0.07369194%	10,225,784	9,477,604	107.89%	69.74%
2024	0.07923708%	11,047,804	12,012,142	91.97%	70.95%
2025	0.08322744%	10,227,788	12,448,270	82.16%	75.31%

The information disclosed for each fiscal year is reported as of the measurement date of the net pension liability, which is August 31, of the preceding fiscal year.

Ten years of data is presented in accordance with GASB Statement No. 68, Paragraph 138.

See accompanying notes to required supplementary information.

Texas Treasury Safekeeping Trust Company

**Schedule of Contributions—Net Pension Liability
Last Ten Fiscal Years**

Fiscal Years Ended August, 31	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 737,990	\$ 745,626	\$ (7,636)	\$ 7,319,190	10.19%
2017	801,652	786,614	15,038	7,706,918	10.21%
2018	1,135,865	847,950	287,915	8,284,940	120.23%
2019	1,116,667	840,979	275,688	8,198,727	10.26%
2020	1,111,538	830,387	281,151	8,078,035	10.28%
2021	1,399,535	901,101	498,434	8,757,055	10.29%
2022	1,534,995	1,534,995	-	8,779,045	17.48%
2023	961,743	1,624,970	(663,227)	9,477,604	17.15%
2024	1,185,006	1,185,006	-	12,012,142	9.87%
2025	1,237,903	1,237,903	-	12,448,270	9.94%

The information disclosed for each fiscal year is reported as of the fiscal year-end date.

Ten years of data is presented in accordance with GASB Statement No. 68.

See accompanying notes to required supplementary information.

Texas Treasury Safekeeping Trust Company

**Schedule of Changes in Proportionate Share of the Total OPEB Liability
August 31, 2025**

Year	Texas Trust's Proportionate Share of the Collective Net OPEB Liability	Texas Trust's Proportionate Share of the Collective Net OPEB Liability	Texas Trust's Covered Payroll	Texas Trust's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2018	0.00949250%	\$ 3,234,380	\$ 8,284,940	41.97%	2.04%
2019	0.02796021%	8,286,775	8,284,940	100.02%	1.27%
2020	0.02879944%	9,953,858	8,078,035	121.41%	0.17%
2021	0.02868817%	9,479,902	8,757,055	108.25%	0.31%
2022	0.31142820%	11,172,645	8,779,045	127.26%	0.38%
2023	0.03191876%	9,092,683	9,477,604	95.94%	0.57%
2024	0.03326606%	8,887,864	12,012,142	73.99%	0.63%
2025	0.03506126%	10,274,902	12,448,270	82.54%	0.47%

The information disclosed for each fiscal year is reported as of the measurement date of the net OPEB liability which is August 31 of the preceding fiscal year.

Only seven years of data is presented in accordance with GASB Statement No. 75. The information for all periods for the ten-year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

See accompanying notes to required supplementary information.

Texas Treasury Safekeeping Trust Company

**Schedule of Contributions—Total OPEB Liability
August 31, 2025**

Fiscal Years Ended August 31	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 92,829	\$ 92,829	\$ -	\$ 8,284,940	1.12%
2019	46,357	46,357	-	8,198,727	0.57%
2020	182,520	182,520	-	8,078,035	2.26%
2021	935,996	935,996	-	8,757,055	10.69%
2022	941,149	941,149	-	8,779,045	10.72%
2023	992,051	992,051	-	9,477,604	10.47%
2024	1,069,230	1,069,230	-	12,012,142	8.90%
2025	1,053,004	1,053,004	-	12,448,270	8.46%

The information disclosed for each fiscal year is reported as of the fiscal year-end date.

Only seven years of data is presented in accordance with GASB Statement No. 75. The information for all periods for the ten-year schedules that are required to be presented as required supplementary information is not available. During this transition period, the information will be presented for as many years as are available.

See accompanying notes to required supplementary information.

Texas Treasury Safekeeping Trust Company

Notes to Required Supplementary Information August 31, 2025

Note 1. Changes of Benefit Terms—Pension Plan

During fiscal year 2016, the 84th Texas Legislature increased the total state and employer contribution to 10% from 8% and the employee contribution to 9.5% from 6.9%. Contributing employees received a 2.5% salary increase to offset the retirement contribution increase. The legislature also eliminated the 90-day waiting period to participate in the retirement system for state agency employees hired on or after September 1, 2015.

During fiscal years 2018, 2019, 2020, 2021, 2022, 2023, and 2024, there were no changes to benefit terms. During fiscal year 2023, across the board salary increases approved by the 88th Legislative Session increased the UAAL; however, the State made an additional \$900,000,000 contribution toward the unfunded liability with SB 30 in the same session. Projected employer contributions are based on fiscal year 2023 funding levels.

The monthly standard annuity of the employee class is determined by a statutory percentage of 2.3 percent of a member's average monthly compensation multiplied by number of years of service credit.

Note 2. Changes of Assumptions—Pension Plan

During fiscal years 2015, 2016 and 2017, actuarially determined contributions were adjusted for actual payroll and administrative expenses.

During fiscal year 2016, the single discount rate increased from 6.07% to 6.86%.

During fiscal year 2017, the single discount rate decreased from 6.86% to 5.73%.

During fiscal year 2018, the following changes were made:

- a. The single discount rate decreased from 5.73% to 5.36%
- b. Decrease the investment return assumption from 8.00% to 7.50%
- c. Decrease the inflation assumption from 3.50% to 2.50%
- d. Establish a general wage inflation assumption of 0.50% above inflation, or 3.00%
- e. Mortality assumptions updated from 1994 Group Annuity Mortality table to most recently published national tables, RP-2014 Mortality tables for employees and disability retirees
- f. Modified the application of Entry Age Normal (EAN) actuarial cost method from Ultimate EAN, the normal cost rate based on the benefits payable to a new member and the entry age characteristics of the current active membership, to individual EAN which bases the normal cost rate on benefits payable to each individual active member.

During fiscal year 2019, the single discount rate increased from 5.36% to 5.69%.

During fiscal year 2020, the single discount rate decreased from 5.69% to 4.42%.

During fiscal year 2021, the single discount rate decreased from 4.42% to 3.62%.

During fiscal year 2022, the single discount rate increased from 3.62% to 7.00%.

During fiscal year 2023, the single discount rate was kept at 7.00%.

During fiscal year 2024, the single discount rate was kept at 7.00%.

A single discount rate of 7 percent was used to measure the total pension liability as of August 31, 2024.

The assumptions and methods reflected as of the measurement date of August 31, 2024 were adopted at the March 2024 Board meeting, based on the experience investigation that covered the period ending August 31, 2023.

Texas Treasury Safekeeping Trust Company

Notes to Required Supplementary Information August 31, 2025

Note 2. Changes of Assumptions—Pension Plan (Continued)

A new defined benefit retirement structure was created for employees hired after August 31, 2023, and new assumption changes have been adopted by the Board of Trustees. These changes were reflected the actuarially determined contribution rates for fiscal year 2023. Assumption changes include the investment rate of return changing from 7.5% to 7.0%; the inflation rate from 2.5% to 2.3%; updated experience study five-year period from September 1, 2011 through August 31, 2016 to September 1, 2014 through August 31, 2019, and updated mortality rate tables from 2017 SRT to 2020 SRT.

Note 3. Changes of Benefit Terms—OPEB Plan

During fiscal years 2018, 2019, 2020 2021, 2022, 2023, 2024, and 2025, there were no changes to benefit terms.

Note 4. Changes of Assumptions—OPEB Plan

The many actuarial assumptions used in the valuation were primarily based on the result of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the 5-year period ending August 31, 2023 for state agency members and for the 7-year period ending August 31, 2021 for higher education members. The mortality rates were based on the tables identified in the table above titled *Actuarial Methods and Assumptions*.

The following assumptions have been changed since the previous Other Postemployment Benefits valuation:

- a. The percentage of current retirees and their members. Generational morality improvements in accordance with the Ultimate MP-2021 Projection Scale are projected from the year 2010 spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence;
- b. Proportion of future retirees assumed to cover dependent children;
- c. The proportion of future retirees assumed to elect health coverage at retirement and proportion of future retirees expected to receive the Opt-Out Credit at retirement;
- d. Assumed Per Capita Health Benefit Costs and Health Benefit Cost and Retiree Contribution trends have been updated since the previous valuation to reflect recent health plan experience and its effects on our short term expectations;
- e. The Patient-Centered Outcomes Research Institute fee payable under the Affordable Care Act and the rate of future increases in the fee have been updated to reflect recent plan experience and expected trends; and
- f. The discount rate was changed from 3.81% as of August 31, 2023 to 3.87% as of August 31, 2024 as a result of requirements by GASB No. 74 to utilize the yield or index rate for 20-year, tax exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

The discount rate that was used to measure the total OPEB liability is the municipal bond rate of 3.87% as of the end of the measurement year; as of the beginning of the measurement year, the discount rate was 3.81%. Projected cash flows into the plan are equal to projected benefit payments out of the plan. As the plan operates on a pay-as-you-go basis and is not intended to accumulate funds in advance of retirement, there is no long-term expected rate of return. ERS' board of trustees amended the investment policy statement in August 2022 to require that all funds in this plan be invested in cash and equivalent securities. The investment rate of return used to calculate the projected earnings on OPEB plan investments was 3.81%.

Supplementary Information

Texas Treasury Safekeeping Trust Company

**Combining Statement of Fiduciary Net Position—Custodial Fund
August 31, 2025**

	Endowment Funds	Texas University Fund	State Water Implementation Fund	Texas Economic Stabilization Investment Fund	Treasury Pool	Other Custodial Funds	Inter-Fund Elimination	Totals
Assets								
Current assets:								
Cash in State Treasury	\$ -	\$ -	\$ 43,708,603	\$ 3,203,322,082	\$ -	\$ 552,843,052	\$ (3,799,873,737)	\$ -
Cash in bank	-	-	-	-	685,195	35,003,039	-	35,688,234
Deposits	-	-	-	-	430,645,000	33,695,000	-	464,340,000
Investments	5,316,147,523	5,342,586,730	1,933,611,623	21,202,672,056	78,791,600,357	4,901,765,351	-	117,488,383,640
Other assets	-	-	-	211,582,143	12,771,013	32,476,223	-	256,829,379
Receivables from:								
Interest and dividends	1,668,728	3,893,216	624,921	54,221,193	165,192,290	4,733,643	(10,996,662)	219,337,329
Trades pending settlement	-	35,401,408	-	17,281,151	200,806,153	-	-	253,488,712
Total assets	\$ 5,317,816,251	\$ 5,381,881,354	\$ 1,977,945,147	\$ 24,689,078,625	\$ 79,601,700,008	\$ 5,560,516,308	\$ (3,810,870,399)	\$ 118,718,067,294
Liabilities								
Liabilities:								
Accounts payable	\$ -	\$ 83,595	\$ 654,541	\$ -	\$ -	\$ 4,857,521	\$ -	\$ 5,595,657
Interest payable	1,347,576	-	-	-	2	-	-	1,347,578
Trades pending settlement	2,584,691	65,297,440	-	31,923,131	-	-	-	99,805,262
Obligations under reverse repurchase agreements	-	-	-	-	3,175,177	-	-	3,175,177
Total liabilities	\$ 3,932,267	\$ 65,381,035	\$ 654,541	\$ 31,923,131	\$ 3,175,179	\$ 4,857,521	\$ -	\$ 109,923,674
Net position held in trust for other governments	\$ 5,313,883,984	\$ 5,316,500,319	\$ 1,977,290,606	\$ 24,657,155,494	\$ 79,598,524,829	\$ 5,555,658,787	\$ (3,810,870,399)	\$ 118,608,143,620

Texas Treasury Safekeeping Trust Company

Combining Statement of Changes in Fiduciary Net Position—Custodial Fund
Year Ended August 31, 2025

	Endowment Funds	Texas University Fund	State Water Implementation Fund	Texas Economic Stabilization Investment Fund	Treasury Pool	Other Custodial Funds	Inter-Fund Elimination	Totals
Additions:								
Investment income:								
Net increase (decrease) in fair value of investments	\$ 307,098,797	\$ 383,110,106	\$ 104,532,516	\$ 664,591,202	\$ 130,406,959	\$ 5,637,048	\$ -	\$ 1,595,376,628
Interest and investment income	64,672,123	55,231,298	38,951,255	691,689,116	3,399,746,600	213,030,870	(165,890,803)	4,297,430,459
Expenses:								
Professional fees and services	(6,204,454)	(6,959,335)	(3,725,993)	(114,664)	(9,756,966)	(713,166)	-	(27,474,578)
Net investment income	365,566,466	431,382,069	139,757,778	1,356,165,654	3,520,396,593	217,954,752	(165,890,803)	5,865,332,509
Deposits from other governments	119,392,298	852,000,000	149,303,604	2,697,009,626	212,779,562,665	244,000,192,091	(3,039,501,812)	457,557,958,472
Settlement of claims	-	-	-	-	-	193,188,582	-	193,188,582
Total additions	\$ 484,958,764	\$ 1,283,382,069	\$ 289,061,382	\$ 4,053,175,280	\$ 216,299,959,258	\$ 244,411,335,425	\$ (3,205,392,615)	\$ 463,616,479,563
Deductions:								
Withdrawals from other governments	\$ 152,600,599	\$ 183,318,993	\$ 149,303,604	\$ -	\$ 223,194,680,588	\$ 243,274,585,308	\$ (1,950,214,573)	\$ 465,004,274,519
Total deductions	\$ 152,600,599	\$ 183,318,993	\$ 149,303,604	\$ -	\$ 223,194,680,588	\$ 243,274,585,308	\$ (1,950,214,573)	\$ 465,004,274,519
Change in net position held in trust for other governments	\$ 332,358,165	\$ 1,100,063,076	\$ 139,757,778	\$ 4,053,175,280	\$ (6,894,721,330)	\$ 1,136,750,117	\$ (1,255,178,042)	\$ (1,387,794,956)
Net position held in trust for other governments at beginning of year	4,981,525,819	4,216,437,243	1,837,532,828	20,603,980,214	86,493,246,159	4,418,908,670	(2,555,692,357)	119,995,938,576
Net position held in trust for other governments at end of year	\$ 5,313,883,984	\$ 5,316,500,319	\$ 1,977,290,606	\$ 24,657,155,494	\$ 79,598,524,829	\$ 5,555,658,787	\$ (3,810,870,399)	\$ 118,608,143,620

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
In Accordance With *Government Auditing Standards***

Independent Auditor's Report

Honorable Kelly Hancock
Acting Comptroller of Public Accounts of the State of Texas
Texas Treasury Safekeeping Trust Company

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of the business-type activities and fiduciary activities of the Texas Treasury Safekeeping Trust Company (Texas Trust), a component unit of the State of Texas, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Texas Trust's basic financial statements, and have issued our report thereon dated December 15, 2025.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Texas Trust's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Texas Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Texas Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Texas Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Austin, Texas
December 15, 2025