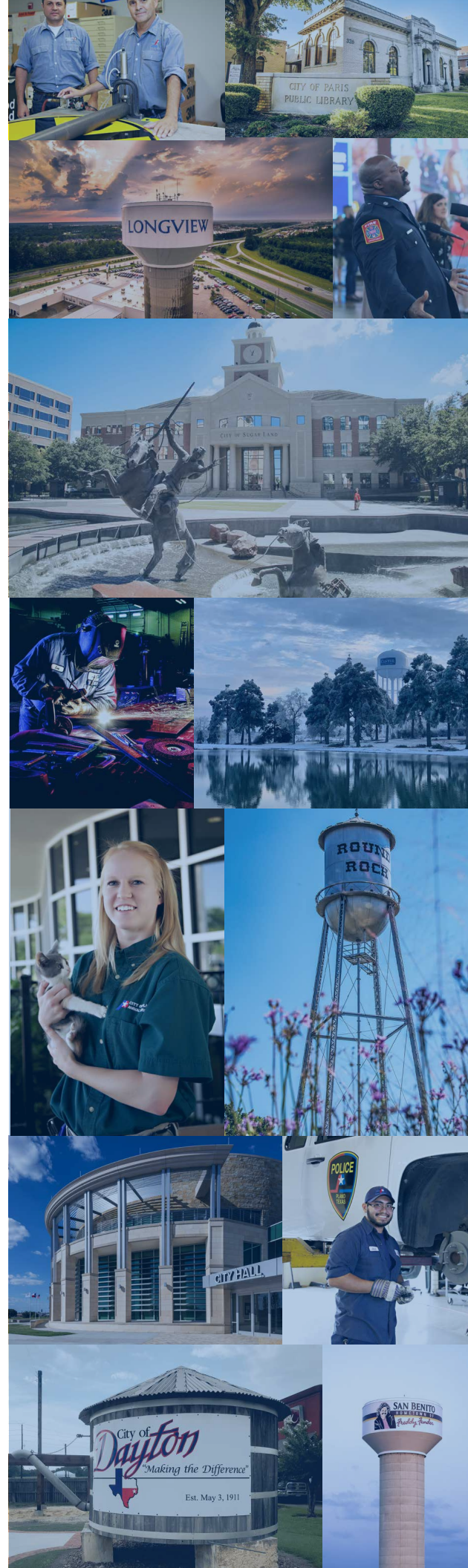




Annual Comprehensive Financial Report

For the Year Ended December 31, 2023



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P.O. Box 149153
Austin, TX 78714-9153
800-924-8677
tmrs.com

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Annual Comprehensive Financial Report

For the Year Ended December 31, 2023

Prepared by:

David Wescoe, Executive Director

Nick O’Keefe, Chief Financial Officer

Table of Contents

Introductory Section

| | |
|---|----|
| Executive Director's Letter of Transmittal | 6 |
| Board of Trustees | 10 |
| Board Committees | 11 |
| Organization Chart | 12 |
| Professional Advisors | 13 |
| 2023 Highlights | 14 |
| GFOA Certificate of Achievement for Excellence in Financial Reporting | 15 |
| PPCC Public Pension Standards Award for Funding and Administration | 16 |

Financial Section

| | |
|--|----|
| Independent Auditors' Report | 18 |
| Management's Discussion and Analysis | 21 |
| Basic Financial Statements | |
| Statement of Fiduciary Net Position | 25 |
| Statement of Changes in Fiduciary Net Position | 26 |
| Notes to Financial Statements | 27 |
| Required Supplementary Information | 44 |
| Supplemental Schedules | 45 |

Investment Section

| | |
|--|----|
| Report on Investment Activity | 50 |
| Letter from the Chief Investment Officer | 51 |
| Outline of Investment Policies | 52 |
| Asset Allocation | 54 |
| Investment Summary | 55 |
| Largest Holdings | 56 |
| Investment Results | 57 |
| Investment Expenses | 58 |
| Investment Managers | 59 |

Table of Contents

CONTINUED

Actuarial Section

Pension Trust Fund

| | |
|---|----|
| Actuary's Certification Letter | 62 |
| Summary of Actuarial Assumptions and Methods | 64 |
| Definitions | 69 |
| Participating Cities and Active Members | 70 |
| Retiree and Beneficiary Data | 71 |
| Summary of Actuarial Liabilities and Funding Progress | 72 |
| Funded Portion of Actuarial Liabilities by Type | 73 |

Supplemental Death Benefits Fund (SDBF)

| | |
|---------------------------------------|----|
| Actuary's Certification Letter | 74 |
| Summary of Actuarial Assumptions | 76 |
| Membership and Contribution Rate Data | 77 |

Statistical Section

| | |
|------------------------------|----|
| Statistical Section Overview | 80 |
| Financial Trends Information | 81 |
| Demographic Information | 88 |

Tables and Charts

| | |
|--|----|
| F-1: Summary of Fiduciary Net Position — Pension Trust Fund | 22 |
| F-2: Summary of Changes in Fiduciary Net Position — Pension Trust Fund | 23 |
| F-3: Summary of Fiduciary Net Position — SDBF | 24 |
| F-4: Summary of Changes in Fiduciary Net Position — SDBF | 24 |
| F-5: Statement of Fiduciary Net Position | 25 |
| F-6: Statement of Changes in Fiduciary Net Position | 26 |
| F-7: TMRS Member Accounts | 30 |
| F-8: Strategic Target Allocation | 32 |
| F-9: Supplemental Death Benefits Fund Member Accounts | 33 |
| F-10: TMRS as Employer — Actuarial Valuation | 34 |
| F-11: Fair Value of Investments | 37 |
| F-12: Investments Measured at Net Asset Value (NAV) | 38 |
| F-13: Fixed Income Securities with Exposure to Credit Default Risk | 40 |
| F-14: Fixed Income Securities with Exposure to Interest Rate Risk | 41 |

Table of Contents

CONTINUED

| | |
|---|----|
| F-15: Foreign Currency Exposure (in U.S. dollars) | 42 |
| F-16: Futures Contracts | 43 |
| F-17: Money-Weighted Rate of Return — Pension Trust Fund | 44 |
| F-18: Combined Schedule of Changes in Fiduciary Net Position | 45 |
| F-19: Schedule of Administrative and Investment Expenses | 46 |
| F-20: Schedule of Professional Services | 47 |
| | |
| I-1: Asset Allocation | 53 |
| I-2: Investment Summary by Asset Class | 55 |
| I-3: Largest Holdings — Public Equities | 56 |
| I-4: Largest Holdings — Fixed Income Securities | 56 |
| I-5: Total Trust Fund and Asset Class Returns | 57 |
| I-6: Schedule of Investment Expenses | 58 |
| I-7: Schedule of External Investment Fees | 58 |
| I-8: Investment Managers | 59 |
| | |
| A-1: Participating Cities and Active Members | 70 |
| A-2: Retiree and Beneficiary Data | 71 |
| A-3: Summary of Actuarial Liabilities and Funding Progress | 72 |
| A-4: Funded Portion of Actuarial Liabilities by Type | 73 |
| A-5: Participating Cities and Covered Members | 77 |
| A-6: Average Contribution Rates | 77 |
| | |
| S-1: Fiduciary Net Position — Last 10 Years (Pension Trust Fund) | 81 |
| S-2: Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund) | 83 |
| S-3: Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund) | 85 |
| S-4: Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund) | 86 |
| S-5: Schedule of Average Benefit Payments for New Retirements — Last 10 Years | 88 |
| S-6: Schedule of Retirement Benefit Recipients by Type of Benefit | 89 |
| S-7: Schedule of Principal Participating Cities (Pension Trust Fund) | 90 |
| S-8: Schedule of Principal Participating Cities (Supplemental Death Benefits Fund) | 90 |

Introductory Section

Executive Director's Letter of Transmittal

Board of Trustees

Board Committees

Organization Chart

Professional Advisors

2023 Highlights

GFOA Certificate of Achievement for Excellence in Financial Reporting

PPCC Public Pension Standards Award for Funding and Administration

Executive Director's Letter of Transmittal



To: The Trustees, Members, Retirees, Beneficiaries, and Participating Cities of the Texas Municipal Retirement System

I am pleased to present you with the Texas Municipal Retirement System (TMRS) Annual Comprehensive Financial Report for the year ended December 31, 2023 (Report).

TMRS Background

Beginning in 1948 with eight participating cities, TMRS today is the retirement system of choice for 936 Texas cities, providing retirement and disability benefits to more than 225,000 active and retired city employees and their beneficiaries.

TMRS is a cash-balance retirement plan in which a Member's retirement benefit is calculated based on the sum of their contributions, with interest, city-financed monetary credits, the Member's age at retirement, and other actuarial factors. For 76 years, TMRS has provided billions of dollars in lifetime retirement benefits to thousands of Texans. In 2023, TMRS paid \$1.9 billion in benefits, an increase of \$123.1 million, or 6.9%, from \$1.8 billion in benefits paid in 2022.

Investments

TMRS' 2023 net investment return was 11.64%, and Trust Fund investments totaled \$39.3 billion as of December 31, 2023. TMRS' three-year, five-year, and ten-year net investment returns were 5.29%, 7.79% and 6.15%, respectively, for the same period. The Investment Section summarizes 2023 investment operations and asset class performance.

TMRS' Board of Trustees (Board) adopts an Investment Policy Statement (IPS) that establishes the Trust Fund's asset allocation, portfolio performance objectives, and benchmarks. The Board reviews the IPS and the Trust Fund's asset allocation annually and updates them to reflect prevailing investment and economic circumstances. Compliance with the IPS is monitored by Finance department staff.

Actuarial Valuation Report

In accordance with the TMRS Act, Gabriel, Roeder, Smith & Company (GRS), the Board's independent actuary, completes an annual actuarial valuation of the Trust Fund's assets and liabilities. GRS' Actuarial Valuation Report conforms with the Actuarial Standards of Practice issued by the Actuarial Standards Board and complies with the requirements of the TMRS Act, the Internal Revenue Code, and the Statements of the Governmental Accounting Standards Board. The assumptions and methods used in GRS' Valuation Report are summarized in the Actuarial Section.

Each participating city chooses its own plan benefit provisions from various statutory options. Whatever options it chooses, each city's funding objective is to provide benefits for the city's employees financed by an employer contribution rate. TMRS' actuarial funding policy requires any new unfunded liabilities to be amortized over a closed period of no more than 20 years.

TMRS provides each participating city with an annual actuarial valuation prepared by GRS that recognizes the differences in the past year between actuarial assumptions and actual experience and any benefit changes. Participating city valuations are available at [TMRS.com](https://www.tmrs.com).

While each participating city has its own funded ratio, TMRS' composite funded ratio was 89.7% as of December 31, 2023, the same as the prior year.

Executive Director's Letter of Transmittal

CONTINUED

2023 Operational Activities

TMRS' Senior Staff completed each item on its 2023 Action Plan, including:

- Added online refunds that allow Members to apply for and receive an account refund on MyTMRS without any staff involvement.
- Enhanced the user experience for Members and cities by creating training webinars, developing a survey program to measure Member and city satisfaction with TMRS' services, improving the website and its content, created a Member "Welcome to TMRS" video, improved the retirement application, incorporated DocuSign into our processes, published a new Member Benefits Guide, established a City Focus Group, improved the city plan design website page, and developed a new city welcome package.
- Submitted the Quality Texas Foundation's Pioneer Level application and substantially completed the Engagement Level application.
- Enhanced cybersecurity capabilities by adding experienced talent, aligned the cybersecurity program with the NIST Cybersecurity Framework, and improved internal security measures.
- Enhanced investment operations and compliance by improving reconciliations, automating data reviews, and adding industry-leading technology solutions for portfolio management.
- And celebrated TMRS' 75th Anniversary in style with year-long celebrations and commemorations.

Completing the Action Plan, in addition to the many other staff accomplishments during the year, improved Member and city service and made TMRS a stronger and more efficient organization.

Staff Update

TMRS' staff is experienced and talented, and we added impressive talent to the team: Anali Alanis (Chief Service Officer), Jac Greene (Chief Information Services Officer), Dana Brown (Director of Data Management), Kevin Cummings (Director of Software Development), Kyle Dearing (Director of Information Security), and Kristyn Scoggins (Director of Internal Audit).

In January, Yup Kim became our Chief Investment Officer, replacing my friend and colleague David Hunter, who retired in December.

In addition to the talent additions, I was pleased to promote the following Senior Staff colleagues:

- Debbie Muñoz to Deputy Executive Director. With 26 years of TMRS service, Debbie understands every aspect of TMRS. No one knows the Plan or its implementation better, has provided superior service to our Members longer, or has better relationships with TMRS stakeholders.
- Anali Alanis to Chief Service Officer. Anali, a former city manager and TMRS Trustee, joined the staff in 2023 with exceptional experience, and she has accomplished a great deal in a short time. She has submitted two excellent applications to the Quality Texas Foundation months ahead of schedule, driven a quality focus throughout the organization, added depth to the HR group, and established strong working relationships with her staff colleagues.
- Nick O'Keefe to Chief Financial Officer. To maximize Nick's talents (in addition to his law degree, Nick has a master's degree in finance), Nick will lead the operational and investment accounting teams, internal audit, and facilities.
- Andi Focht-Williams to Director of Quality Initiatives. Andi has utilized her audit and management experience to improve Benefit Administration and in her new role, Andi will lead all organization-wide quality initiatives and spearhead our efforts to become a Malcom Baldrige Award recipient.

Executive Director's Letter of Transmittal

CONTINUED

- Colin Davidson, our Director of City Services, added the additional responsibility of leading the Member Service Center. Colin is a great asset to TMRS, and he will be a great leader for City and Member services.
- April Hernandez to Director of Benefit Administration. April has done a great job leading the Member Service Center (MSC), improving every aspect of its operations. (The MSC's median call wait time is less than 10 seconds.) April will continue Benefit Administration's efforts to document processes, improve training, and prepare for the upcoming quality submissions to the Quality Texas Foundation.

TMRS Accountability, Transparency and Financial Integrity

Financial Statements. TMRS management prepared this Report and is responsible for the accuracy of the data contained in it and the completeness and fairness of the presentation of its financial information. To the best of management's knowledge, the Report's data is accurate in all material respects and is reported in a manner designed to present TMRS' operating results, financial position, and Trust Fund assets transparently.

TMRS' independent auditors, CliftonLarsonAllen LLP, performed an audit of the Report's 2023 financial statements. Information regarding the scope of their audit is included in the Independent Auditors' Report in the Financial Section.

Condensed financial information is provided after the Independent Auditors' Report in Management's Discussion and Analysis (MD&A) in the Financial Section. MD&A provides an analysis of financial information for the current and prior fiscal years and should be read in conjunction with this Transmittal Letter and the financial statements.

Internal Controls. TMRS management is responsible for establishing and maintaining internal controls designed to ensure that Trust Fund assets are protected from theft or misuse. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Reasonable assurance recognizes the cost of a control relative to the benefits likely to be derived and that these judgments by management are based on estimates.

Achievements in Financial Reporting and System Administration

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TMRS' Annual Comprehensive Financial Report for the year ended December 31, 2022 its Certificate of Achievement for Excellence in Financial Reporting. To receive this Certificate, a governmental entity must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements. This was the 36th consecutive year that TMRS has achieved this recognition.

The GFOA's Certificate of Achievement is valid for one year. We believe that this Report meets the Certificate's requirements, and we will submit it to the GFOA to determine its eligibility for another Certificate.

The GFOA also recognized TMRS' 2022 Popular Annual Financial Report for Outstanding Achievement in Popular Annual Financial Reporting.

TMRS received the Public Pension Coordinating Council's 2023 Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Executive Director's Letter of Transmittal

CONTINUED

Board Update

Bob Scott, Deputy Town Manager of the Town of Prosper, served as Board Chair in 2023, and Johnny Huizar, the City Manager of the City Pleasanton, served as Vice Chair.

On April 24, 2024, Governor Abbott appointed three new Trustees to the TMRS Board: Tommy Gonzalez, the City Manager of Midland, Tricia Mirabelle, a Commander with the Pflugerville Police Department, and Roy Rodriguez, the City Manager of McAllen. They fill a vacancy that was created when Trustee Anali Alanis joined the TMRS staff and replace holdover Trustees Johnny Huizar and Jesús Garza whose terms expired in February 2023.

With Governor Abbott's April appointments, Johnny Huizar's and Jesús Garza's terms on the Board came to an end. Mr. Huizar, the City Manager of Pleasanton, was appointed to the Board in February 2020 and served as 2024 Board Chair. He also served as Vice Chair of the Board, Chair and Vice Chair of the Budget and Compensation Committee, and Vice Chair of the Audit Committee.

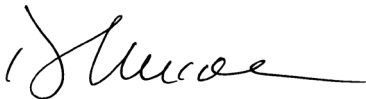
Mr. Garza, the City Manager of Victoria, was appointed to the Board in February 2018. He has served as Chair and Vice Chair of the Board, Vice Chair of the Audit Committee, Chair and Vice Chair of the Stakeholder Advisory Committee, Chair and Vice Chair of the former Advisory Committee on Benefit Design, Vice Chair of the former Legislative Committee, and Chair of the former Technology Committee.

On behalf of their Board colleagues, TMRS staff, Members, and stakeholders, I thank them for their service. They served TMRS with distinction and made many contributions to TMRS's successes.

Acknowledgements

TMRS had an exceptional 2023. I want to thank our Trustees for their leadership and support, and my staff colleagues for their passion in serving our Members and participating cities.

Sincerely,



David B. Wescoe
Executive Director
June 10, 2024

Board of Trustees

AS OF DECEMBER 31, 2023



Bob Scott, Chair
Deputy Town Manager
Town of Prosper
Term expires: February 1, 2025



Johnny Huizar, Vice Chair
City Manager
City of Pleasanton
Term expires: February 1, 2023



Jesús Garza, Chair
City Manager
City of Victoria
Term expires: February 1, 2023



David Landis
City Manager
City of Perryton
Term expires: February 1, 2027



Bill Philibert
Director of Human Resources and
Risk Management
City of Deer Park
Term expires: February 1, 2025

There was one vacant Trustee position as of December 31, 2023.

Board Committees

AS OF DECEMBER 31, 2023

Audit Committee

The Audit Committee provides oversight of the internal and external audit functions, risk management and internal controls.

Chair: David Landis

Vice Chair: Jesús Garza

Budget and Compensation Committee

The Budget and Compensation Committee reviews the annual budget and compensation policies.

Chair: Johnny Huizar

Vice Chair: Bill Philibert

Stakeholder Advisory Committee

The Stakeholder Advisory Committee is a conduit for communication between TMRS and its stakeholders. Two Trustees are the Committee's Chair and Vice Chair. Committee members include a representative from each of seven organizations, two TMRS active members and one TMRS retiree.

Chair: Bob Scott

Vice Chair: Jesús Garza

Committee Members:

Organizations

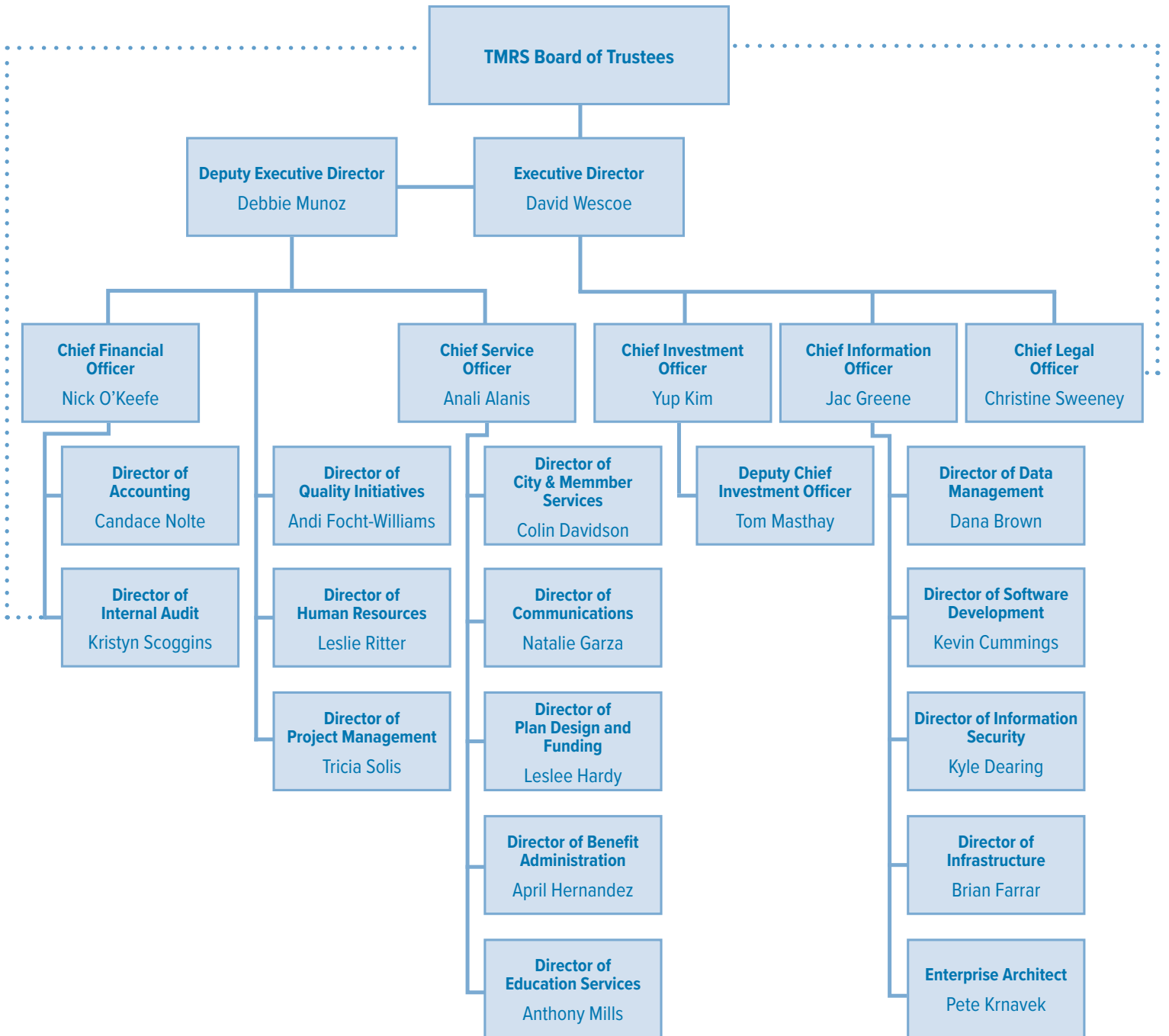
- Chereé Bontrager, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- Scott Leeton, Combined Law Enforcement Associations of Texas
- Jaime Reyes, Texas State Association of Fire Fighters
- Bennett Sandlin, Texas Municipal League
- Casey Srader, Government Finance Officers Association of Texas

Active and Retiree Members

- Roberto Reyna, City of San Antonio
- Jay Warren, City of Arlington
- Brenda Martin, TMRS Retiree

Organization Chart

JUNE 2023



Professional Advisors

AS OF DECEMBER 31, 2023

Actuary

Gabriel, Roeder, Smith & Company
Irving, TX

Custodian

State Street Bank and Trust Company
Boston, MA

Depository Bank

JPMorgan Chase Bank, N.A.
New York, NY

Fiduciary Counsel

Klausner, Kaufman, Jensen & Levinson
Plantation, FL

Independent Auditor

CliftonLarsonAllen LLP
Baltimore, MD

Investment Consultants

Albourne America LLC
San Francisco, CA

NEPC, LLC
Boston, MA

TMRS' investments are managed by TMRS staff and external investment managers. Investment expenses, external investment fees and investment managers are presented in Tables I-6, I-7 and I-8 in the Investment Section.

2023 Highlights

AS OF DECEMBER 31, 2023

| Financial Highlights (dollars in millions) | |
|--|------------|
| City Contributions | \$1,185.5 |
| Member Contributions | \$582.8 |
| Retirement Benefits Paid | \$1,904.6 |
| Member Account Refunds | \$70.6 |
| Fiduciary Net Position | \$39,486.3 |
| System Funded Ratio | 89.7 % |

| Investments (dollars in millions) | |
|--|------------|
| Investments | \$39,271.0 |
| Time-Weighted Net Investment Returns: | |
| 1 Year | 11.64 % |
| 3 Years | 5.29 % |
| 5 Years | 7.79 % |
| 10 Years | 6.15 % |
| Actuarial Investment Return Assumption | 6.75 % |

| Membership Statistics | |
|--------------------------|---------|
| Active Members | 124,300 |
| Retired Members | 72,948 |
| Inactive, Vested Members | 31,985 |
| Total Members | 229,233 |

Highlights presented are for the Pension Trust Fund.

| Participating Cities | |
|-------------------------------|-----|
| Total Participating Cities | 934 |
| New Participating Cities | 15 |
| Number of Cities with: | |
| 1:1 Match | 166 |
| 1.5:1 Match | 106 |
| 2:1 Match | 662 |
| Member Contribution Rate – 3% | 3 |
| Member Contribution Rate – 5% | 318 |
| Member Contribution Rate – 6% | 99 |
| Member Contribution Rate – 7% | 514 |
| 5-Year Vesting | 894 |
| 10-Year Vesting | 40 |



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Texas Municipal Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morill

Executive Director/CEO

This Certificate of Achievement for Excellence in Financial Reporting was presented to TMRS by the Government Finance Officers Association (GFOA) for the year ended December 31, 2022. This is the 36th consecutive year that TMRS has received this prestigious award.



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2023***

Presented to

Texas Municipal Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

This Public Pension Standards Award for Funding and Administration was presented to TMRS by the Public Pension Coordinating Council (PPCC) for 2023. This is the 18th consecutive year that TMRS has received the award for meeting these standards.

Financial Section

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

Independent Auditors' Report



CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Texas Municipal Retirement System (TMRS), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the TMRS' basic financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the TMRS as of December 31, 2023, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the TMRS 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 opinion.

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 TMRS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Report

CONTINUED

Board of Trustees
Texas Municipal Retirement System

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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, 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 TMRS' 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 TMRS' 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 and money-weighted rate of return – pension trust fund, 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

Independent Auditors' Report

CONTINUED

Board of Trustees
Texas Municipal Retirement System

any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TMRS' basic financial statements. The combined schedule of changes in fiduciary net position, schedule of administrative expenses and investment expenses, and schedule of professional services (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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



CliftonLarsonAllen LLP

Baltimore, Maryland
June 12, 2024

Management's Discussion and Analysis

Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Texas Municipal Retirement System (TMRS) for the year ended December 31, 2023.

MD&A is intended to provide a summary of TMRS' financial condition and help the reader understand the key components of TMRS' financial statements. MD&A should be read along with the Executive Director's Letter of Transmittal in the Introductory Section and the Basic Financial Statements.

Overview of the Financial Statements

TMRS administers three fiduciary funds: the Pension Trust Fund, the Full Benefit Arrangement Fund (FBAF), and the Supplemental Death Benefits Fund (SDBF). The Pension Trust Fund accounts for the resources available for service and disability retirement benefits to retirees and their beneficiaries. The FBAF pays benefits that are in excess of the limits established by Section 415(b) of the Internal Revenue Code and is included with the Pension Trust Fund for presentation purposes only. The SDBF provides a lump-sum death benefit to the beneficiaries of active members and retirees of participating cities that provide supplemental death benefits.

The Basic Financial Statements include:

- The Statement of Fiduciary Net Position, which presents the assets available for future payments of benefits to members, retirees and beneficiaries and current liabilities owed as of December 31, 2023.
- The Statement of Changes in Fiduciary Net Position, which includes the annual additions (investment income and contributions) and deductions (benefit payments and other expenses) for the year ended December 31, 2023.
- The Notes to Financial Statements provide additional information, which is essential to a full understanding of the data in the Basic Financial Statements.

The Required Supplementary Information includes the historical money-weighted investment returns on Trust Fund investments.

The Supplemental Schedules include additional information regarding changes in fiduciary net position by fund, administrative and investment expenses, and professional services for the year ended December 31, 2023.

These financial statements and the required disclosures are prepared in accordance with Generally Accepted Accounting Principles and reporting guidelines as set forth by the Governmental Accounting Standards Board.

Management's Discussion and Analysis

CONTINUED

Financial Highlights

Net Position Restricted for Pensions – Pension Trust Fund

Tables F-1 and F-2 provide a summary of assets, liabilities and fiduciary net position for the Pension Trust Fund (including the FBAF) as of December 31, 2023 and 2022, and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the Pension Trust Fund increased by \$3.9 billion from 2022 to 2023, or 10.9%, reflecting appreciation in the investment portfolio's value during 2023.

Table F-1

| Summary of Fiduciary Net Position – Pension Trust Fund (dollars in millions) | | | | |
|---|--------------------|--------------------|---------------------------------|-----------------|
| As of December 31 | | | | |
| | 2023 | 2022 | Increase/ (Decrease) | % Change |
| ASSETS | | | | |
| Investments, at fair value | \$ 39,271.0 | \$ 35,497.4 | \$ 3,773.6 | 10.6 % |
| Receivables | 221.6 | 339.5 | (117.9) | (34.7) |
| Cash and other assets | 56.2 | 10.6 | 45.6 | 430.2 |
| Capital assets, net | 2.4 | 2.9 | (0.5) | (17.2) |
| Total assets | 39,551.2 | 35,850.5 | 3,700.7 | 10.3 |
| LIABILITIES | | | | |
| Payables and other liabilities | 58.8 | 248.0 | (189.2) | (76.3) |
| Funds held for SDBF | 6.0 | 2.0 | 4.0 | 200.0 |
| Total liabilities | 64.8 | 250.0 | (185.2) | (74.1) |
| FIDUCIARY NET POSITION | \$ 39,486.3 | \$ 35,600.5 | \$ 3,885.8 | 10.9 % |

Columns may not total due to rounding.

The most significant component of TMRS' fiduciary net position is the fair value of Trust Fund investments. The change in investments is due to the increase in the portfolio's value, or investment gains, during 2023. The fluctuation of receivables and payables is due primarily to the timing of investment trade activity resulting in open trades receivable and payable at year-end.

Management's Discussion and Analysis

CONTINUED

Table F-2

| Summary of Changes in Fiduciary Net Position — Pension Trust Fund (dollars in millions) | | | | |
|--|--------------------|--------------------|-------------------------|----------------|
| For the Year Ended December 31 | | | | |
| | 2023 | 2022 | Increase/ (Decrease) | % Change |
| ADDITIONS | | | | |
| City contributions | \$ 1,185.5 | \$ 1,144.8 | \$ 40.7 | 3.6 % |
| Member contributions | 582.8 | 529.9 | 52.9 | 10.0 |
| Net investment income/(loss) | 4,119.2 | (2,816.6) | 6,935.8 | (246.2) |
| Other | — | 29.3 | (29.3) | (100.0) |
| Total additions | 5,887.5 | (1,112.6) | 7,000.1 | (629.2) |
| DEDUCTIONS | | | | |
| Retirement benefits | 1,904.6 | 1,781.5 | 123.1 | 6.9 |
| Member account refunds | 70.6 | 73.8 | (3.2) | (4.3) |
| Administrative expenses | 26.2 | 24.4 | 1.8 | 7.4 |
| Income allocated to SDBF | 0.2 | 0.2 | — | 0.0 |
| Total deductions | 2,001.7 | 1,879.9 | 121.8 | 6.5 |
| CHANGE IN FIDUCIARY NET POSITION | 3,885.9 | (2,992.5) | 6,878.4 | (229.9) |
| FIDUCIARY NET POSITION | | | | |
| Beginning of year | 35,600.5 | 38,593.0 | (2,992.5) | -7.8 |
| END OF YEAR | \$ 39,486.3 | \$ 35,600.5 | \$ 3,885.8 | 10.9 % |

Columns may not total due to rounding.

Net investment income/(loss) includes interest, dividends and net appreciation/(depreciation) in the fair value of investments, less investment expenses. The change from 2022 to 2023 is due to investment performance over the periods. Time-weighted net investment returns were 11.64% in 2023 and -7.35% in 2022.

Other additions included the \$29.2 million gain that was recognized in 2022 on the sale of TMRS' former office building.

The increase in retirement benefits is due to growth in the number of retired members from 71,265 in 2022 to 72,948 in 2023 and cost-of-living adjustments that may be applied.

Management's Discussion and Analysis

CONTINUED

Net Position – Supplemental Death Benefits Fund

Tables F-3 and F-4 provide a summary of fiduciary net position as of December 31, 2023 and 2022 for the SDBF and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the SDBF increased by 150.0% due to increases in actuarially determined contribution rates effective January 1, 2023.

Table F-3

| Summary of Fiduciary Net Position – SDBF (dollars in millions) | | | | |
|---|--------|--------|-------------------------|----------|
| As of December 31 | | | | |
| | 2023 | 2022 | Increase/ (Decrease) | % Change |
| TOTAL ASSETS AND FIDUCIARY NET POSITION | \$ 8.0 | \$ 3.2 | \$ 4.8 | 150.0 % |

Table F-4

| Summary of Changes in Fiduciary Net Position – SDBF (dollars in millions) | | | | |
|--|---------------|---------------|-------------------------|----------------|
| For the Year Ended December 31 | | | | |
| | 2023 | 2022 | Increase/ (Decrease) | % Change |
| ADDITIONS | | | | |
| City contributions | \$ 19.2 | \$ 11.2 | \$ 8.0 | 71.4 % |
| Income allocated from Interest Reserve Account | 0.2 | 0.2 | — | 0.0 |
| Total additions | 19.4 | 11.4 | 8.0 | 70.2 |
| DEDUCTIONS | | | | |
| Supplemental death benefits | 14.6 | 14.1 | 0.5 | 3.5 |
| Total deductions | 14.6 | 14.1 | 0.5 | 3.5 |
| CHANGE IN FIDUCIARY NET POSITION | 4.8 | (2.7) | 7.5 | 277.8 |
| FIDUCIARY NET POSITION | | | | |
| Beginning of year | 3.2 | 5.8 | (2.6) | (44.8) |
| END OF YEAR | \$ 8.0 | \$ 3.2 | \$ 4.8 | 150.0 % |

Columns may not total due to rounding.

Contributions from cities participating in the SDBF are based on the payroll of covered members at actuarially determined rates. Effective January 1, 2023, SDBF contribution rates increased significantly as a result of recent claims experience. The SDBF receives a 5% statutory interest allocation from the Interest Reserve Account based on the SDBF's average balance during the year.

Requests for Information

Questions about the MD&A or requests for additional information should be emailed to ORR@tmrs.com.

Basic Financial Statements

Table F-5

Statement of Fiduciary Net Position

As of December 31, 2023

| | Pension Trust Fund | Supplemental Death Benefits Fund | Total |
|---|-------------------------|----------------------------------|-------------------------|
| ASSETS | | | |
| Cash | \$ 44,018,072 | \$ — | \$ 44,018,072 |
| Receivables | | | |
| Contributions | 170,954,202 | 1,950,138 | 172,904,340 |
| Interest and dividends | 40,298,174 | — | 40,298,174 |
| Unsettled investment trades | 10,372,935 | — | 10,372,935 |
| Total receivables | 221,625,311 | 1,950,138 | 223,575,449 |
| Investments, at fair value | | | |
| Short term investments | 372,311,930 | — | 372,311,930 |
| Public equities | 14,231,076,581 | — | 14,231,076,581 |
| Fixed income securities | 3,846,670,672 | — | 3,846,670,672 |
| Non-core fixed income funds | 5,996,376,806 | — | 5,996,376,806 |
| Other public & private markets funds | 3,599,524,814 | — | 3,599,524,814 |
| Hedge funds | 2,105,259,127 | — | 2,105,259,127 |
| Private equity funds | 4,508,388,458 | — | 4,508,388,458 |
| Private real estate funds | 4,611,353,404 | — | 4,611,353,404 |
| Total investments | 39,270,961,792 | — | 39,270,961,792 |
| Capital assets, net | 2,381,758 | — | 2,381,758 |
| Other assets | 12,200,087 | — | 12,200,087 |
| Funds held by Interest Reserve Account | — | 6,028,714 | 6,028,714 |
| TOTAL ASSETS | 39,551,187,020 | 7,978,852 | 39,559,165,872 |
| LIABILITIES | | | |
| Accounts payable and other accrued liabilities | 29,805,802 | — | 29,805,802 |
| Unsettled investment trades payable | 29,010,791 | — | 29,010,791 |
| Funds held for Supplemental Death Benefits Fund | 6,028,714 | — | 6,028,714 |
| TOTAL LIABILITIES | 64,845,307 | — | 64,845,307 |
| FIDUCIARY NET POSITION | | | |
| Net position restricted for pensions | 39,486,341,713 | — | 39,486,341,713 |
| Fiduciary net position held in trust for other benefits | — | 7,978,852 | 7,978,852 |
| TOTAL FIDUCIARY NET POSITION | \$39,486,341,713 | \$ 7,978,852 | \$39,494,320,565 |

The accompanying notes are an integral part of these financial statements.

Basic Financial Statements

CONTINUED

Table F-6

| Statement of Changes in Fiduciary Net Position | | | |
|---|---------------------------|---|--------------------------|
| For the Year Ended December 31, 2023 | | | |
| | Pension Trust Fund | Supplemental Death Benefits Fund | Total |
| ADDITIONS | | | |
| Contributions | | | |
| City | \$ 1,185,483,912 | \$ 19,233,365 | \$ 1,204,717,277 |
| Member | 582,825,289 | — | 582,825,289 |
| Total contributions | 1,768,309,201 | 19,233,365 | 1,787,542,566 |
| Net investment income | | | |
| Net appreciation in fair value of investments | 3,601,589,573 | — | 3,601,589,573 |
| Interest and dividends | 546,734,961 | — | 546,734,961 |
| Total investment income | 4,148,324,534 | — | 4,148,324,534 |
| Less investment expense | (29,113,868) | | (29,113,868) |
| Net investment income | 4,119,210,666 | — | 4,119,210,666 |
| Other | 26,239 | — | 26,239 |
| Income allocated from Interest Reserve Account | — | 209,386 | 209,386 |
| TOTAL ADDITIONS | 5,887,546,106 | 19,442,751 | 5,906,988,857 |
| DEDUCTIONS | | | |
| Retirement benefits | 1,904,627,632 | — | 1,904,627,632 |
| Supplemental death benefits | — | 14,617,888 | 14,617,888 |
| Member account refunds | 70,645,434 | — | 70,645,434 |
| Administrative expenses | 26,212,728 | — | 26,212,728 |
| Income allocated to Supplemental Death Benefits Fund | 209,386 | — | 209,386 |
| TOTAL DEDUCTIONS | 2,001,695,180 | 14,617,888 | 2,016,313,068 |
| CHANGE IN FIDUCIARY NET POSITION | 3,885,850,926 | 4,824,863 | 3,890,675,789 |
| FIDUCIARY NET POSITION | | | |
| Fiduciary net position restricted for pensions | | | |
| Beginning of year | 35,600,490,787 | — | 35,600,490,787 |
| End of year | 39,486,341,713 | — | 39,486,341,713 |
| Fiduciary net position held in trust for other benefits | | | |
| Beginning of year | — | 3,153,989 | 3,153,989 |
| End of year | — | 7,978,852 | 7,978,852 |
| TOTAL FIDUCIARY NET POSITION | \$ 39,486,341,713 | \$ 7,978,852 | \$ 39,494,320,565 |

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Texas Municipal Retirement System (TMRS) is a statewide public retirement plan created by the State of Texas and administered in accordance with Texas Government Code, Title 8, Subtitle G (TMRS Act) for the benefit of the employees of TMRS participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees (Board) appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas.

The accompanying financial statements include only the operations of TMRS. TMRS is not a component unit of any other entity and has no component units. TMRS manages three fiduciary trust funds: the Pension Trust Fund, the Full Benefit Arrangement Fund (FBAF) and the Supplemental Death Benefits Fund (SDBF). The FBAF is legally separate from the Pension Trust Fund, but is combined with the Pension Trust Fund for presentation purposes on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

B. Basis of Accounting

TMRS' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The Pension Trust Fund, FBAF and the SDBF are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of when payments are made. City and active member contributions are recorded when due, which is in the period the city reports compensation for its member employees. Benefits are recorded when payable, in accordance with TMRS' plan terms. Member account refunds are recorded and paid upon receipt of an approved refund application.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

TMRS invests city and active member contributions in a diversified investment portfolio. Investments are exposed to various risks, such as interest rate risk, credit risk and market volatility risk. Due to the risks associated with investments, changes in the fair value of investments will occur in the future and any such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

Notes to Financial Statements

CONTINUED

C. Basis of Presentation

TMRS maintains three separate fiduciary funds that are segregated for the purpose of carrying out specific activities or complying with applicable statutory guidelines or restrictions.

The following is a brief description of each fund.

Fiduciary Fund — Pension Trust Fund

The Pension Trust Fund records the resources held in trust for the benefit of TMRS active members, vested terminated members, retirees and beneficiaries (collectively, Members). TMRS is not legally required to create reserves, but establishes the following accounts:

Benefit Accumulation Fund (BAF). The activity affecting each participating city's account is recorded in the BAF. The BAF is increased by contributions from participating cities and active members and decreased by benefit payments and refunds. Effective each December 31, the Board approves an interest credit to the BAF, allocated to each city in proportion to its BAF balance at January 1 of that year. The BAF received a 11.92% interest credit effective December 31, 2023.

Supplemental Disability Benefits Fund. Effective January 1, 1988, the TMRS Act was amended to terminate this fund and closed participation to new members. There have been no contributions to this fund since 1987, but supplemental disability benefit payments continue to be paid. The TMRS Act requires that a 5% interest credit be allocated to the fund effective each December 31 based on the average balance in the fund during the year.

Endowment Fund. The Endowment Fund includes accumulated unallocated investment income in the Interest Reserve Account and escheated member balances in the Perpetual Endowment Account.

Expense Fund. The Expense Fund records the expenses incurred for TMRS' administration. The Board authorizes transfers from the Endowment Fund's Interest Reserve Account to the Expense Fund for the amount estimated to cover annual administrative expenses.

Fiduciary Fund — Full Benefit Arrangement Fund (FBAF)

Any portion of a retiree's annual retirement benefit that exceeds the limit set by Section 415(b) of the Internal Revenue Code (IRC) cannot be paid from the Pension Trust Fund. In accordance with the TMRS Act and IRC Section 415(m), cities pay these excess amounts through the FBAF, which receives contributions from cities and pays benefits from such contributions for any benefits exceeding the Section 415(b) limit. The FBAF is separate from the Pension Trust Fund, but is combined in the accompanying financial statements for presentation purposes only.

Fiduciary Fund — Supplemental Death Benefits Fund (SDBF)

The SDBF records the resources available to pay supplemental death benefit claims for covered members and retirees. Cities may elect to provide a supplemental death benefit (SDB) for their active members and may also cover retirees. The TMRS Act requires that a 5% interest credit be allocated to the SDBF effective each December 31 based on the average balance in the SDBF during the year. SDB payments are payable only from the SDBF and are not an obligation of, or a claim against, other TMRS funds.

Notes to Financial Statements

CONTINUED

D. Investments

As of December 31, 2023, TMRS' Pension Trust Fund included short-term investments, domestic and international public equities, domestic and international fixed income securities, non-core fixed income funds, other public and private markets (OPPM) funds, hedge funds, private equity funds and private real estate funds. Investment transactions are reported on a trade-date basis, with resulting gains/(losses) from sales determined by the average cost method. Short-term investments are reported at cost, which approximates fair value. Fixed income securities are valued by pricing vendors using quoted market prices, broker prices or other valuation methodologies. Public equity securities are valued by TMRS' custodian bank using the last trade date quoted market price supplied by various pricing data vendors. Fair values of commingled public equity funds are determined based on the funds' net asset values at the date of valuation. Fair values of non-core fixed income funds, OPPM funds, hedge funds, private equity funds and private real estate funds (private fund investments) are reported at the net asset values as provided by the fund's investment manager, which are based on audited financial statements of the respective funds. Withdrawal from private fund investments prior to a fund's liquidation may be allowed, subject to constraints as set forth in the fund's documents.

Futures contracts are considered derivative financial instruments and are reported at fair value, with valuation changes reported as investment income. The accumulated gain/(loss) of these derivative contracts is included in unsettled investment trades receivable or payable in the accompanying Statement of Fiduciary Net Position.

Investment expenses presented on the Statement of Changes in Fiduciary Net Position include the internal direct costs of investment administration and the fees invoiced and paid directly to external investment managers. Expenses of alternative investments are not reported separately but are included in the net appreciation in fair value of investments.

E. Capital Assets

Capital assets, which include leasehold improvements, furniture, equipment and software, are reported at cost less accumulated depreciation/amortization. TMRS capitalizes items that individually exceed \$10,000. Depreciation of furniture, equipment and software is calculated on a straight-line basis over estimated useful lives, which range from three to ten years. Amortization of leasehold improvements is calculated on a straight-line basis over the lease term.

Notes to Financial Statements

CONTINUED

2. Plan Description

A. Pension Plan and Trust Fund

TMRS administers a defined benefit cash-balance plan for the eligible employees of 934 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system.

Membership. A participating city employee who works in a position the city determines normally requires at least 1,000 hours of work in a year must be a TMRS member. A member terminates participation in TMRS upon their account refund, death or, if not vested, absence from service with a participating city for more than 60 consecutive months. Member account information in Table F-7 includes multiple accounts for Members that have service with more than one TMRS participating city.

Table F-7

| TMRS Member Accounts | |
|---|-----------------------|
| As of December 31, 2023 | |
| Active member accounts | |
| Vested | 70,654 |
| Non-vested | 53,839 |
| TOTAL | 124,493 |
| Inactive member accounts entitled to but not yet receiving benefits | |
| Vested | 40,973 |
| Non-vested | 46,126 |
| TOTAL | 87,099 |
| Retirees and beneficiaries currently receiving benefits | 84,155 |
| TOTAL MEMBER ACCOUNTS | <u>295,747</u> |

Service Credit. An active member receives service credit for each month they work in an eligible position at any participating city and their required member contribution is paid. Service credit can include other types of credit as defined in the TMRS Act (e.g., military service credit and repurchased previously refunded TMRS service credit).

Vesting and Retirement Eligibility. An active member vests after either five or 10 years of service, depending on their city's plan provisions. Members may work for more than one participating city during their career. If a member becomes vested in one participating city, they are vested in all participating cities.

Depending on a city's plan provisions, a member is eligible to retire at age 60 with either five or 10 years of service, or at any age with 20 or 25 years of service.

If a vested member leaves city employment before reaching retirement eligibility, they may leave their contributions with TMRS, receive interest credits on their contributions, and upon reaching that city's retirement eligibility, receive a lifetime monthly retirement benefit.

Notes to Financial Statements

CONTINUED

Contributions. Active Members. Active member contribution rates are adopted by a participating city and may be either 5%, 6% or 7% of the member's total compensation. A city withholds the member's contribution from wages on a pre-tax basis and sends it to TMRS monthly.

Cities. A participating city's contribution rate is determined annually using the Entry Age Normal actuarial cost method based on the liabilities created from the city's benefit options and any changes in benefits or actual experience over time. The city's contribution rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated as a level percent of the city's reported payroll. The normal cost contribution rate is the percentage of total gross payroll that, if applied to all employees' compensation throughout their period of anticipated employment with the city, would be sufficient to pay the expected benefits. The prior service contribution rate amortizes any unfunded actuarial accrued liability over the amortization period for that city. Both the normal cost and prior service contribution rates include the projected costs of annually repeating benefits adopted by a city, such as updated service credit and cost of living adjustments.

City contributions are required to be deposited with TMRS monthly. There is a one-year delay between the actuarial valuation that serves as the basis for a city's contribution rate and the calendar year when the rate goes into effect. Cities may make contributions to TMRS in excess of their actuarially determined contributions as additional monthly contributions or lump sum contributions.

Retirement Benefit Calculation. A member's retirement benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, their age at retirement, and other actuarial factors. City-financed monetary credits, which do not affect the amount a member will receive if they refund their account, are composed of three sources:

- Prior Service Credit is a monetary credit that a city may grant to eligible employees when the city joins TMRS. The credit is used in calculating the employee's retirement benefit and is based on compensation they earned while working for the city before the city joined TMRS.
- Current Service Credit is a monetary credit for service performed by a member after a city joins TMRS and is based on a city's matching ratio (1:1, 1.5:1 or 2:1) of the member's total contributions and interest. A change in a city's matching ratio is applied prospectively.
- Updated Service Credit (USC) is a monetary credit a city may grant to active members. The USC calculation is performed annually on a member's account and may grant supplemental financial credits. The USC calculation considers a member's salary history and the city's plan changes and may increase the value of a member's benefit at retirement.

Retirement Benefits. Benefit Payment Options. When a member applies for retirement, they have three options to determine how their lifetime monthly benefit will be calculated.

- Retiree Life Only provides the largest monthly retirement benefit. A retiree receives a lifetime monthly retirement benefit with no survivor benefits. At the retiree's death, all TMRS payments cease.
- Retiree Life and Survivor provides a reduced lifetime monthly retirement benefit with a lifetime monthly benefit after the retiree's death to their beneficiary. At the retiree's death, the beneficiary receives a percentage (50%, 75% or 100%) of the retiree's monthly benefit each month for the rest of the beneficiary's life.
- Retiree Life and Guaranteed Term provides a reduced lifetime monthly retirement benefit with a monthly benefit to their beneficiary(ies) if the retiree dies before the guaranteed payment term ends. At retirement, the retiree selects a guaranteed payment term of 5, 10 or 15 years that begins at their retirement date. Then, if the retiree dies before their selected term ends, the beneficiary(ies) receives their benefit for the remainder of that term.

Notes to Financial Statements

CONTINUED

Partial Lump-Sum Distribution (PLSD). After a member selects one of the three benefit payment options, they can choose to receive a PLSD equal to 12, 24 or 36 times the Retiree Life Only monthly benefit. The PLSD cannot exceed 75% of the total member contributions and interest. If a member chooses a PLSD, it reduces the amount of their monthly retirement benefit.

Cost-of-Living Adjustment (COLA). A participating city can increase the retiree’s monthly benefit payment annually, effective January 1. Cities may adopt a COLA at a rate equal to either 30%, 50% or 70% of any increase in the Consumer Price Index – All Urban Consumers between the December preceding the retiree’s retirement date and the December one year before the effective date of the increase, minus any previously granted COLA increases. Additionally, cities may adopt a non-retroactive COLA equal to either 30%, 50%, or 70% of the increase in CPI-U, for the 12-month period ending the December 13 months before the effective date of the increase. The non-retroactive option is available for cities that adopt on an annually repeating basis until December 31, 2025.

Member Account Refunds. When a member terminates employment with all participating cities, they can request a refund of their total contributions, plus credited interest. A refund does not include city-financed monetary credits.

Investment Policy. The Board approves an Investment Policy Statement (IPS) that governs the investment and management of Pension Trust Fund assets. The IPS describes investment objectives, beliefs, benchmarks, asset allocation and responsibilities and limitations of the Board, TMRS staff, investment managers and consultants.

The objective of TMRS’ investment program is to ensure that Members receive the benefits they have accrued through their work at participating cities, and at a reasonable and predictable cost to those cities. To achieve this objective, the Board is responsible for adopting an Actuarial Return Assumption (ARA), which is currently 6.75%. The Board’s asset allocation is intended to produce long-term investment returns that meet or exceed the ARA at a level of risk acceptable to the Board.

Table F-8

| Strategic Target Allocation | | | |
|------------------------------------|------------------|-----------------|------------------|
| As of December 31, 2023 | | | |
| Asset Class | Minimum % | Target % | Maximum % |
| Global equity | 25% | 35% | 45% |
| Core fixed income | 1% | 6% | 11% |
| Non-core fixed income | 15% | 20% | 25% |
| Real estate | 7% | 12% | 17% |
| Other public & private markets | 7% | 12% | 17% |
| Hedge funds | 0% | 5% | 10% |
| Private equity | 5% | 10% | 15% |
| Cash equivalents | 0% | 0% | 3% |

As of December 31, 2023, the annual money-weighted rate of return on Pension Trust Fund assets, net of investment expenses, was 11.64%. The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for assets invested.

Notes to Financial Statements

CONTINUED

B. Supplemental Death Benefits Fund

TMRS administers the Supplemental Death Benefits Fund (SDBF) that is an optional death benefit plan that operates like a group-term life insurance plan. The SDBF allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. The SDBF had 823 participating cities as of December 31, 2023.

Table F-9

| Supplemental Death Benefits Fund Member Accounts | |
|---|-----------------------|
| As of December 31, 2023 | |
| Active member accounts | 84,842 |
| Inactive vested member accounts | 12,770 |
| Retirees eligible for benefits | 38,924 |
| Total | <u>136,536</u> |

Contributions. Participating cities contribute to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits. SDBF benefits are paid to designated beneficiaries upon TMRS' receipt of an approved benefit application. The death benefit for active members is a lump-sum payment approximately equal to the member's annual salary. The death benefit for retirees is \$7,500 and is an other post-employment benefit. SDBF benefits are paid from the SDBF and are not an obligation of the Pension Trust Fund.

Notes to Financial Statements

CONTINUED

3. TMRS as Employer

A. Pension Plan

TMRS as an employer participates in the TMRS pension plan and provides pension benefits to all of its eligible employees. Eligible employees may retire at age 60 with five years of service or at any age with 20 years of service. The contribution rate for TMRS employees is 7%, and TMRS' matching ratio is 2:1. TMRS has a repeating 100% USC and a repeating COLA at 70% of the change in the CPI-U. Employees are vested after five years of service.

TMRS' net pension liability (NPL) and pension expense were measured as of the December 31, 2022 actuarial valuation, TMRS' measurement date for GASB Statement No. 68. The NPL of \$11,610,579 is included in accounts payable and other accrued liabilities in the accompanying Statement of Fiduciary Net Position. TMRS' pension expense of \$3,205,786 for the fiscal year 2023 is included in administrative expenses in the accompanying Statement of Changes in Fiduciary Net Position.

Table F-10

| TMRS as Employer — Actuarial Valuation | |
|--|---------------|
| As of Measurement Date | |
| Member Accounts | |
| Active member accounts | 124 |
| Inactive member accounts | 61 |
| Retiree accounts | 57 |
| Total | 242 |
| Net Pension Liability | |
| Total pension liability | \$ 67,473,853 |
| Fiduciary net position | 55,863,274 |
| Net pension liability | \$ 11,610,579 |
| Plan Fiduciary Net Position as a % of Total Pension Liability | 82.79 % |
| Sensitivity of the NPL to changes in the discount rate | |
| 1% increase to 7.75% | \$ 4,120,835 |
| Current rate assumption of 6.75% | \$ 11,610,579 |
| 1% decrease to 5.75% | \$ 20,683,887 |

Notes to Financial Statements

CONTINUED

B. Supplemental Death Benefits

As an employer, TMRS provides a supplemental death benefit to beneficiaries of its employees and retirees. TMRS contributes to the Supplemental Death Benefits Fund (SDBF) at an actuarially determined contribution rate. For 2023, the rate was 0.33% as a percentage of payroll of covered members, of which 0.07% represented the retiree-only (other post-employment benefit) portion. TMRS' employer contributions to the SDBF for the years ended December 31, 2023, 2022 and 2021 were \$51,050, \$24,920 and \$24,025, respectively, representing contributions for both employee and retiree coverage.

C. TMRS Insurance Benefits

TMRS' employees and retirees are eligible for insurance through the Texas Employees Group Benefits Program (GBP), administered by the Employees Retirement System of Texas (ERS). The GBP is administered through a trust governed and managed by ERS. TMRS provides its employees with health, life, disability and dental insurance benefits, and subsidizes the cost of health coverage for its retirees. TMRS' contributions to the GBP for active employees for the years ended December 31, 2023, 2022 and 2021 were \$1,277,599, \$1,227,121 and \$1,171,811, respectively, and \$88,028, \$75,291 and \$76,233, respectively, for retirees.

TMRS' retirees may participate in the GBP's State Retiree Health Plan (SRHP), which is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of the State of Texas and other entities as specified by the state legislature, including TMRS. As a cost-sharing plan, all assets and risks are pooled in the SRHP and the contribution rates are the same for each participating employer. Contribution requirements are established and may be amended by the Texas Legislature. ERS issues an Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the GBP, available at ers.texas.gov.

D. Deferred Compensation

TMRS employees can participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the deferral of a portion of the participant's salary during their employment.

Notes to Financial Statements

CONTINUED

4. Cash

A. Cash in Banks

Cash is held in demand deposit accounts with a banking institution under terms of a depository contract and with TMRS' custodian bank.

Demand deposit account balances with TMRS' depository bank totaled \$317,895, with a book value of \$(2,841,161) as of December 31, 2023. The negative book value represents uncleared checks and is classified as accounts payable and other accrued liabilities on the Statement of Fiduciary Net Position. Cash on deposit with TMRS' custodian bank totaled \$44,018,072 as of December 31, 2023.

B. Custodial Credit Risk

TMRS' deposits are subject to custodial credit risk, which is the risk that, in the event of a bank failure, the deposits might not be recovered. Demand deposits held by the depository bank as of December 31, 2023, to the extent not insured by the Federal Deposit Insurance Corporation (FDIC), were collateralized by securities held by a third-party independent custodian, in TMRS' name, under a joint custody agreement giving TMRS unconditional rights and claims to collateral. Securities pledged as collateral had a fair value of \$4,005,058 as of December 31, 2023. The current FDIC coverage limit is \$250,000 for deposits held in non interest-bearing accounts. Deposits denominated in a foreign currency are neither collateralized nor insured as of December 31, 2023. See Table F-15 for more information.

5. Investments

A. Fair Value of Investments

TMRS categorizes its fair value measurements within a three-tiered hierarchy established by GAAP as follows:

- Level 1: Investments with values based on quoted prices (unadjusted) for identical assets in active markets at the measurement date.
- Level 2: Investments with inputs, other than quoted prices included within Level 1, that are observable for an asset, either directly or indirectly.
- Level 3: Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Notes to Financial Statements

CONTINUED

Table F-11

| Fair Value of Investments | | Fair Value Measurements Using | | | |
|--|---------------------------------|--------------------------------------|-------------------------|----------------|----------------|
| As of December 31, 2023 | | Total Fair Value | Level 1 | Level 2 | Level 3 |
| Fixed income securities | | | | | |
| U.S. Treasury bonds/notes | \$ 970,836,503 | \$ — | \$ 970,836,503 | \$ — | \$ — |
| U.S. government agency | 141,305,745 | — | 141,305,745 | — | — |
| U.S. government-sponsored enterprise | 479,540,536 | — | 479,540,536 | — | — |
| Municipal bonds | 8,899,180 | — | 8,899,180 | — | — |
| Corporate bonds | 622,048,318 | — | 622,048,318 | — | — |
| Collateralized mortgage obligations | 39,591,608 | — | 39,591,608 | — | — |
| Other asset-backed securities | 10,962,728 | — | 10,962,728 | — | — |
| Foreign government bonds | 31,289,272 | — | 31,289,272 | — | — |
| Non-core fixed income securities | 1,542,196,782 | — | 1,542,196,782 | — | — |
| | <u>3,846,670,672</u> | <u>—</u> | <u>3,846,670,672</u> | <u>—</u> | <u>—</u> |
| Public equities | | | | | |
| Equity securities - domestic | 1,639,622,126 | 1,639,622,126 | — | — | — |
| Equity securities - international | 1,322,515,600 | 1,322,515,600 | — | — | — |
| Global equity REITs | 44,226,663 | 44,226,663 | — | — | — |
| | <u>3,006,364,389</u> | <u>3,006,364,389</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total investments by fair value level | \$ 6,853,035,061 | \$ 3,006,364,389 | \$ 3,846,670,672 | \$ — | \$ — |
| Investments measured at Net Asset Value (NAV) | | | | | |
| Non-core fixed income funds | \$ 5,996,376,806 | | | | |
| Other public & private markets funds | 3,599,524,814 | | | | |
| Equity commingled funds | 11,224,712,192 | | | | |
| Hedge funds | 2,105,259,127 | | | | |
| Private equity funds | 4,508,388,458 | | | | |
| Private real estate funds | 4,611,353,404 | | | | |
| Total investments measured at NAV | 32,045,614,801 | | | | |
| Short term investments at cost | 372,311,930 | | | | |
| Total investments | <u>\$ 39,270,961,792</u> | | | | |

Equity securities classified as Level 1 are valued using prices quoted in active markets for those investments. Fixed income securities classified as Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. TMRS did not hold any Level 3 investments as of December 31, 2023.

Investments measured at Net Asset Value (NAV) per share or its equivalent generally do not have readily obtainable fair values. TMRS values these investments based on the financial statements of the investment funds. Table F-12 presents the unfunded commitments, redemption frequency (if currently eligible) and the redemption notice period for TMRS' investments measured at NAV.

Notes to Financial Statements

CONTINUED

Table F-12

| Investments Measured at Net Asset Value (NAV) | | | | |
|--|--------------------------|-----------------------------|---|---------------------------------|
| As of December 31, 2023 | | | | |
| | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Equity commingled funds | | | | |
| Domestic commingled funds | \$ 7,355,443,007 | \$ — | Daily | 1-2 days |
| Global commingled funds | 3,869,269,185 | — | Daily | 1-2 days |
| Non-core fixed income funds | | | | |
| Global high yield | 375,914,760 | — | Daily | 10 days |
| Loans | 3,046,252,548 | 506,751,321 | Quarterly | Varies: 45-60 days |
| Opportunistic credit | 2,566,390,756 | 1,603,467,440 | Varies: Monthly, Quarterly, Yearly, N/A | Varies: 60-90 days, N/A |
| Structured credit | 7,818,742 | — | Quarterly | Varies: 45-60 days |
| Other public & private markets funds | | | | |
| Agriculture | 89,830,168 | 46,485,604 | N/A | N/A |
| Energy | 578,733,850 | 301,474,777 | N/A | N/A |
| Other | 582,595,254 | 850,472,249 | N/A | N/A |
| Infrastructure | 1,918,700,841 | 761,836,475 | Varies: Daily, N/A | Varies: 90 days, N/A |
| Mining | 429,664,701 | 497,009,540 | N/A | N/A |
| Hedge funds | | | | |
| Credit | 388,077,218 | 4,217,941 | Varies: Quarterly, Yearly, N/A | Varies: 90-180 days |
| Equity hedge | 758,668,168 | 10,885,007 | Varies: Monthly, Quarterly, N/A | Varies: 45-80 days |
| Diversified fund of funds | 1,332,895 | — | Quarterly | 95 days |
| Global macro | 280,522,938 | — | Quarterly | Varies: 30-90 days |
| Multi-strategy | 447,982,191 | 52,293,164 | Varies: Quarterly, Rolling 3-year | Varies: 60 days, N/A |
| Relative value | 228,675,717 | — | Varies: Monthly, Quarterly, 2.5 years | Varies: 25-180 days |
| Private equity funds | | | | |
| Buy-out/growth | 3,537,440,497 | 1,960,610,719 | N/A | N/A |
| Special situations | 309,574,612 | 347,707,739 | N/A | N/A |
| Venture/growth | 661,373,349 | 430,752,621 | N/A | N/A |
| Private real estate funds | | | | |
| Core | 3,064,909,339 | 179,513,538 | Varies: Quarterly, N/A | Varies: 45-90 days, N/A |
| Opportunistic | 652,668,179 | 479,146,802 | N/A | N/A |
| Value-added | 893,775,886 | 855,146,505 | N/A | N/A |
| Total | \$ 32,045,614,801 | \$ 8,887,771,442 | | |

Notes to Financial Statements

CONTINUED

B. Investments Measured at Net Asset Value

- **Equity commingled funds.** Equity commingled funds offer daily liquidity and provide return and risk characteristics that approximate the overall domestic and international securities included in an underlying index.
- **Non-core fixed income funds.** Non-core fixed income funds seek high income and/or price appreciation. Liquidity, volatility, expected return and investment horizon vary with each strategy.
- **Other public and private markets funds (OPPM).** OPPM funds invest in public and private market equity and debt strategies, which include natural resources, infrastructure, and energy. Liquidity, volatility, expected return and investment horizon vary with each strategy, with private market OPPM funds having a duration of 8-14 years.
- **Hedge funds.** Hedge funds offer favorable stand-alone risk-adjusted returns and diversification for the Pension Trust Fund and utilize varying instruments and strategies including: the use of leverage, shorting, and derivatives, among others. Hedge funds are typically subject to provisions that may limit withdrawals.
- **Private equity funds.** Private equity funds primarily invest in non-publicly traded equity and debt securities. These investments are typically closed-end funds with duration of 10-14 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated.
- **Private real estate funds.** Private real estate funds invest in commercial real estate, housing, and debt collateralized by real estate, among other related strategies. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 8-12 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received in the form of quarterly income, as redemption proceeds, and/or as the underlying assets of the funds are liquidated.

C. Investment Risk

TMRS' investments are subject to various risks, including custodial credit risk, credit default risk, concentration of credit risk, interest rate risk and foreign currency risk.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of failure of the counterparty, TMRS will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. TMRS' assets may be held in the name of agents, nominees, depository trust companies or other entities. As of December 31, 2023, all investment securities were registered in TMRS' name or in the name of its custodian and are held by the custodian.

Credit Default Risk. Credit default risk is the risk that an issuer or other counterparty to an investment will not fulfill its repayment obligations. TMRS' investment guidelines set minimum credit ratings for the core fixed income portfolio to manage credit default risk. As of December 31, 2023, TMRS' core fixed income portfolio complied with the investment guidelines on credit default risk. Investment guidelines established with the individual investment managers address the management of credit default risk for the non-core fixed income portfolio.

Notes to Financial Statements

CONTINUED

Table F-13

| Fixed Income Securities with Exposure to Credit Default Risk | | | | | | | | |
|--|-------------------------|--|---------------------|-----------------------|---|--------------------------------|-------------------------------------|--|
| As of December 31, 2023 | | | | | | | | |
| Bond Rating | Total Fair Value | U.S. Government- Sponsored Enterprise | Municipal Bonds | Corporate Bonds | Collateralized Mortgage Obligations | Foreign Government Bonds | Other Asset-Backed Securities | Non-Core Fixed Income Securities |
| Securities subject to credit default risk | | | | | | | | |
| AAA | \$ 134,598,504 | \$ 2,146,356 | \$ 1,229,643 | \$ 39,423,141 | \$ 25,229,576 | \$ 1,887,878 | \$ 10,861,234 | \$ 53,820,676 |
| AA | 113,610,536 | — | 6,053,808 | 43,935,526 | — | 5,940,222 | 50,578 | 57,630,402 |
| A | 300,075,571 | — | 1,371,842 | 258,631,855 | — | 5,649,788 | 50,916 | 34,371,170 |
| BBB | 374,705,402 | — | 243,887 | 266,062,386 | — | 17,811,384 | — | 90,587,745 |
| BB | 287,390,059 | — | — | 13,496,299 | — | — | — | 273,893,760 |
| B | 256,074,058 | — | — | — | — | — | — | 256,074,058 |
| CCC | 122,253,621 | — | — | — | — | — | — | 122,253,621 |
| CC | 15,687,698 | — | — | — | — | — | — | 15,687,698 |
| C | 42,519,603 | — | — | — | — | — | — | 42,519,603 |
| D | 6,525,500 | — | — | — | — | — | — | 6,525,500 |
| Not Rated | 1,081,087,872 | 477,394,180 | — | 499,111 | 14,362,032 | — | — | 588,832,549 |
| Total | \$ 2,734,528,424 | \$ 479,540,536 | \$ 8,899,180 | \$ 622,048,318 | \$ 39,591,608 | \$ 31,289,272 | \$ 10,962,728 | \$ 1,542,196,782 |
| Securities not subject to credit default risk | | | | | | | | |
| U.S. Treasury bonds/notes | 970,836,503 | | | | | | | |
| U.S. government agency | 141,305,745 | | | | | | | |
| Total | \$ 3,846,670,672 | | | | | | | |

Table F-13 excludes non-core fixed income funds, which are exposed to credit default risk but for which credit ratings are not available.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of TMRS' investment in a single issuer.

TMRS' investment guidelines address the management of concentration of credit risk for the core fixed income asset class portfolio.

- Investments in a single government related issuer (excluding U.S. Treasuries and U.S. government agencies) will not exceed 5% of the total fair value of the core fixed income portfolio and manager mandates.
- Investments in a single corporate issuer will not exceed 2% of the total fair value of the core fixed income portfolio and manager mandates.
- For asset-backed, non-agency mortgage-backed and commercial mortgage-backed securities, each separate trust (pool of assets) is defined as a separate issuer and will not exceed 2% of the total fair value of the core fixed income portfolio and manager mandates.

Concentration risk for the other asset class portfolios is managed through diversification of investment managers, investment vehicles, sectors and geographic/economic locations.

Notes to Financial Statements

CONTINUED

As of December 31, 2023, TMRS did not exceed any of the issuer diversification limits in the investment guidelines.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. TMRS' fixed income securities held in the Core Fixed Income and Non-Core Fixed Income asset classes are exposed to interest rate risk.

Core Fixed Income. Interest rate risk of the core fixed income portfolio is controlled through duration management. Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates, and is expressed as a number of years. TMRS' investment guidelines require duration of the core fixed income portfolio remain within +/- 25% of the Bloomberg U.S. Aggregate Bond Index, which was 6.2 years as of December 31, 2023. As of December 31, 2023, TMRS' core fixed income portfolio had an effective duration of 6.13 as of December, 31, 2023 and was therefore in compliance with the investment guidelines for interest rate risk.

Non-Core Fixed Income. Investment guidelines established with the individual investment managers address the management of interest rate risk for the non-core fixed income portfolio. TMRS' non-core fixed income portfolio had an effective duration of 2.47 at December 31, 2023.

Table F-14

| Fixed Income Securities with Exposure to Interest Rate Risk | | |
|--|-------------------------|---------------------------|
| As of December 31, 2023 | | |
| | Fair Value | Effective Duration |
| Core fixed income securities: | | |
| U.S. Treasury bonds/notes | \$ 970,836,503 | 6.07 |
| U.S. government agency | 141,305,745 | 5.29 |
| U.S. government-sponsored enterprise | 479,540,536 | 5.84 |
| Municipal bonds | 8,899,180 | 11.24 |
| Corporate bonds | 622,048,317 | 6.68 |
| Collateralized mortgage obligations | 39,591,609 | 4.14 |
| Other asset-backed securities | 10,962,728 | 1.81 |
| Foreign government bonds | 31,289,272 | 7.54 |
| Total core fixed income | 2,304,473,890 | 6.13 |
| Non-core fixed income securities | 1,542,196,782 | 2.47 |
| Totals | \$ 3,846,670,672 | 4.66 |

Table F-14 excludes non-core fixed income funds, which are exposed to interest rate risk but for which duration information is not available.

Notes to Financial Statements

CONTINUED

Foreign Currency Risk. Foreign currency risk is the risk that changes in currency exchange rates will affect the fair value of an investment or a deposit. Table F-15 displays TMRS' direct exposure to foreign currency risk but does not include indirect exposure from the underlying assets of commingled or private investment funds.

Table F-15

Foreign Currency Exposure (in U.S. dollars)

As of December 31, 2023

| Currency | Cash Equivalents | Foreign Currency Contracts | Fixed Income Securities | Public Equities | Private Equity | Other Public & Private Markets | Private Real Estate | Total |
|---------------------|---------------------|----------------------------|-------------------------|-------------------------|----------------------|--------------------------------|----------------------|-------------------------|
| Australian Dollar | \$ 133,358 | \$ (238) | \$ — | \$ 16,691,155 | \$ — | \$ 53,044,498 | \$ — | \$ 69,868,773 |
| Brazilian Real | 485,437 | — | — | 53,284,501 | — | — | — | 53,769,938 |
| Canadian Dollar | 66,205 | — | — | 15,562,739 | — | — | — | 15,628,943 |
| Chilean Peso | 12,967 | — | — | 4,892,476 | — | — | — | 4,905,443 |
| Czech Koruna | — | — | — | 163,826 | — | — | — | 163,826 |
| Colombian Peso | 3,707 | — | — | 67,957 | — | — | — | 71,664 |
| Danish Krone | — | — | — | 9,607,859 | — | — | — | 9,607,859 |
| Egyptian Pound | 31,896 | — | — | — | — | — | — | 31,896 |
| Euro Currency | 258 | (493) | — | 239,668,796 | 51,587,089 | 105,476,264 | 65,788,681 | 462,520,595 |
| Hong Kong Dollar | 4,094 | 545 | — | 171,236,062 | — | — | — | 171,240,701 |
| Hungarian Forint | 8,698 | — | — | 8,571,701 | — | — | — | 8,580,399 |
| Indian Rupee | 350,321 | — | — | 148,367,820 | — | — | — | 148,718,141 |
| Indonesian Rupiah | 37,980 | — | — | 26,063,823 | — | — | — | 26,101,803 |
| Japanese Yen | 5,814 | 92 | — | 138,651,223 | — | — | — | 138,657,128 |
| Malaysian Ringgit | 91,505 | — | — | 4,706,285 | — | — | — | 4,797,791 |
| Mexican Peso | 1,670 | — | — | 12,375,954 | — | — | — | 12,377,624 |
| New Israeli Shequel | 17,639 | — | — | 1,596,724 | — | — | — | 1,614,363 |
| New Taiwan Dollar | 335,777 | (251) | — | 139,300,520 | — | — | — | 139,636,046 |
| New Zealand Dollar | 2,787 | — | — | — | — | — | — | 2,787 |
| Norwegian Krone | 38,421 | — | — | 6,528,932 | — | — | — | 6,567,353 |
| Philippine Peso | 1,532 | — | — | 82,587 | — | — | — | 84,119 |
| Polish Zloty | 59,286 | — | — | 9,042,003 | — | — | — | 9,101,289 |
| Pound Sterling | 72 | 693 | — | 60,918,645 | — | — | 1,473,694 | 62,393,104 |
| Qatari Rial | — | — | — | 645,438 | — | — | — | 645,438 |
| Saudi Riyal | 110,743 | — | — | 27,177,954 | — | — | — | 27,288,697 |
| Singapore Dollar | 52,500 | — | — | 1,529,863 | — | — | — | 1,582,363 |
| South African Rand | 49,994 | (588) | — | 14,383,508 | — | — | — | 14,432,914 |
| South Korean Won | 190,416 | (519) | — | 93,410,282 | — | — | — | 93,600,179 |
| Swedish Krona | 44,026 | — | — | 9,590,138 | — | — | — | 9,634,164 |
| Swiss Franc | 45,364 | — | — | 24,625,373 | — | — | — | 24,670,738 |
| Thailand Baht | 1,851 | — | — | 25,148,145 | — | — | — | 25,149,996 |
| Turkish Lira | 46,104 | — | — | 10,597,022 | — | — | — | 10,643,126 |
| UAE Dirham | 3,303 | — | — | 7,580,431 | — | — | — | 7,583,734 |
| Yuan Renminbi | — | — | — | 40,520,751 | — | — | — | 40,520,751 |
| Total | \$ 2,233,724 | \$ (759) | \$ — | \$ 1,322,590,493 | \$ 51,587,089 | \$ 158,520,762 | \$ 67,262,374 | \$ 1,602,193,684 |

Notes to Financial Statements

CONTINUED

C. Derivatives

TMRS may allow its investment managers to use derivatives to manage risk. Derivative instruments, including futures contracts, are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. TMRS' derivative instruments are considered investments and not hedges for accounting purposes.

Table F-16 details TMRS' exposure to derivatives at December 31, 2023.

Table F-16

| Futures Contracts | | | |
|----------------------------------|------------------------|-------------------------|--------------------------------|
| As of December 31, 2023 | | | |
| Futures Contract | Expiration Date | Notional | Accumulated Gain/(Loss) |
| U.S. 10-Yr Treasury Note Futures | 3/19/2024 | \$ (62,315,625) | \$ (2,277,000) |
| U.S. 5-Yr Treasury Note Futures | 3/28/2024 | (21,102,047) | (525,922) |
| U.S. 2-Yr Treasury Note Futures | 3/28/2024 | (22,856,461) | (259,289) |
| Total | | \$ (106,274,133) | \$ (3,062,211) |

Futures contracts classified in Level 1 are valued using prices quoted in the active markets for these contracts. The notional values are not recorded on the financial statements and the accumulated gains/ (losses) are recorded as unsettled trades on the Statement of Fiduciary Net Position.

6. Commitments and Contingencies

As of December 31, 2023, TMRS had \$8.9 billion of unfunded commitments to private investment funds.

Required Supplementary Information

Table F-17 presents the money-weighted rate of return over the last 10 years for TMRS' investments in accordance with GASB 67, which differs from the time-weighted performance reported elsewhere in this Report.

Table F-17

Money-Weighted Rate of Return — Pension Trust Fund
For the Years Ended December 31

| Year | Rate of Return |
|------|----------------|
| 2023 | 11.64 % |
| 2022 | (7.36)% |
| 2021 | 12.92 % |
| 2020 | 7.55 % |
| 2019 | 14.68 % |
| 2018 | (2.38)% |
| 2017 | 13.82 % |
| 2016 | 7.55 % |
| 2015 | 0.08 % |
| 2014 | 5.85 % |

See accompanying Independent Auditors' Report.

Supplemental Schedules

Table F-18

Combined Schedule of Changes in Fiduciary Net Position For the Year Ended December 31, 2023

| | Benefit Accumulation Fund | Supplemental Disability Benefits Fund | Endowment Fund | Expense Fund | Full Benefit Arrangement Fund | Total Pension Trust Fund | Supplemental Death Benefits Fund | Total |
|---|---------------------------------|---|------------------------|---------------------|-------------------------------------|-----------------------------|--|----------------------|
| ADDITIONS | | | | | | | | |
| City contributions | \$ 1,183,358,707 | \$ — | \$ — | \$ — | \$ 2,125,205 | \$ 1,185,483,912 | \$ 19,233,365 | \$ 1,204,717,277 |
| Member contributions | 582,825,289 | — | — | — | — | 582,825,289 | — | 582,825,289 |
| Net investment income | — | — | 4,129,898,988 | (10,688,322) | — | 4,119,210,666 | — | 4,119,210,666 |
| Other | — | — | 26,239 | — | — | 26,239 | — | 26,239 |
| Total additions | 1,766,183,996 | — | 4,129,925,227 | (10,688,322) | 2,125,205 | 5,887,546,106 | 19,233,365 | 5,906,779,471 |
| DEDUCTIONS | | | | | | | | |
| Retirement benefits | 1,902,459,102 | 43,325 | — | — | 2,125,205 | 1,904,627,632 | — | 1,904,627,632 |
| Supplemental death benefits | — | — | — | — | — | — | 14,617,888 | 14,617,888 |
| Member account refunds | 70,645,434 | — | — | — | — | 70,645,434 | — | 70,645,434 |
| Administrative expenses | — | — | — | 26,212,728 | — | 26,212,728 | — | 26,212,728 |
| Total deductions | 1,973,104,536 | 43,325 | — | 26,212,728 | 2,125,205 | 2,001,485,794 | 14,617,888 | 2,016,103,682 |
| FUND TRANSFERS | | | | | | | | |
| Operating budget transfer | — | — | (34,800,000) | 34,800,000 | — | — | — | — |
| Allocation from Interest Reserve | 4,157,500,301 | 11,421 | (4,157,721,108) | — | — | (209,386) | 209,386 | — |
| Escheated funds | (3,083,315) | — | 3,083,315 | — | — | — | — | — |
| Net fund transfers | 4,154,416,986 | 11,421 | (4,189,437,793) | 34,800,000 | — | (209,386) | 209,386 | — |
| CHANGE IN FIDUCIARY NET POSITION | 3,947,496,446 | (31,904) | (59,512,566) | (2,101,050) | — | 3,885,850,926 | 4,824,863 | 3,890,675,789 |
| FIDUCIARY NET POSITION | | | | | | | | |
| Beginning of year | 34,873,878,445 | 250,073 | 719,586,377 | 6,775,892 | — | 35,600,490,787 | 3,153,989 | 35,603,644,776 |
| End of year | \$ 38,821,374,891 | \$ 218,169 | \$ 660,073,811 | \$ 4,674,842 | \$ — | \$ 39,486,341,713 | \$ 7,978,852 | \$ 39,494,320,565 |

See accompanying Independent Auditors' Report.

The Full Benefit Arrangement Fund is separate from the Pension Trust Fund, but is combined for presentation purposes only.

Supplemental Schedules

CONTINUED

Table F-19

Schedule of Administrative and Investment Expenses
For the Year Ended December 31, 2023

| | Administrative Expenses | Investment Expenses |
|--|----------------------------|------------------------|
| Personnel services | | |
| Staff salaries and payroll taxes | \$ 12,763,575 | \$ 4,274,158 |
| Employee benefits | 3,771,045 | 851,418 |
| Total personnel services | 16,534,620 | 5,125,576 |
| Professional services | | |
| Actuarial | 775,700 | — |
| Audit | 165,245 | — |
| Custodial and banking | 9,818 | 1,515,000 |
| Information services consulting | 909,744 | — |
| Investment consulting | — | 1,811,400 |
| Legal | 152,952 | 474,478 |
| Other services | 632,489 | — |
| Total professional services | 2,645,948 | 3,800,878 |
| Facilities | 2,635,330 | — |
| City and member outreach | 655,357 | — |
| Information technology | | |
| Cloud services | 891,155 | 1,580,902 |
| Hardware/software and support | 1,315,796 | — |
| Total information technology | 2,206,951 | 1,580,902 |
| Other administrative | | |
| Board of Trustees and Committees | 73,403 | — |
| Depreciation | 565,374 | — |
| Professional development | 216,921 | 57,145 |
| Supplies/document storage/miscellaneous | 489,108 | 3,922 |
| Travel | 189,716 | 119,899 |
| Total other administrative | 1,534,522 | 180,966 |
| Investment management fees paid from Trust Fund | — | 18,425,546 |
| Totals | \$ 26,212,728 | \$ 29,113,868 |

See accompanying Independent Auditors' Report.

Fees for private investments are not reflected as investment expenses in TMRS' financial statements but are included in the net appreciation in fair value of investments as reported on the Statement of Changes in Fiduciary Net Position.

Supplemental Schedules

CONTINUED

Table F-20

| Schedule of Professional Services | |
|--|---------------------|
| For the Year Ended December 31, 2023 | |
| Actuarial | |
| Gabriel, Roeder, Smith & Company | \$ 775,700 |
| Audit | |
| CliftonLarsonAllen LLP | 165,245 |
| Banking | |
| JPMorgan Chase Bank, N.A. | 9,818 |
| Information services consulting | |
| Pension administration system | 574,038 |
| Information systems support | 233,858 |
| Network management and security | 101,848 |
| Total information services consulting | 909,744 |
| Legal | |
| Fiduciary counsel | 65,708 |
| Other legal services | 87,244 |
| Total legal | 152,952 |
| Other services | |
| Executive recruiting | 212,000 |
| Governance/strategic planning/other Board consulting | 130,776 |
| Governmental relations support | 84,000 |
| Benefit administration process improvement | 81,600 |
| Disability review | 42,630 |
| Digital communications management | 35,416 |
| Member mortality records | 20,096 |
| Insurance risk management | 13,476 |
| Publications | 12,495 |
| Total other services | 632,489 |
| Total Professional Services | \$ 2,645,948 |

See accompanying Independent Auditors' Report.

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Investment Section

Report on Investment Activity

Letter from the Chief Investment Officer

Outline of Investment Policies

Asset Allocation

Investment Summary

Largest Holdings

Investment Results

Investment Expenses

Investment Managers

Report on Investment Activity



June 4, 2024

Board of Trustees

Texas Municipal System
P.O. Box 149153
Austin, Texas 78714-9153

Dear Trustees:

The following is a report on the performance of the plan for the fiscal year ended December 31, 2023, with background on the underlying capital market environment.

Market Review for the Year Ended December 31, 2023

Most asset classes (except broad based commodities) delivered positive performance in 2023. In the fiscal year ending December 31, 2023, U.S. stocks, as measured by the Russell 1000 Index returned 26.5%. International stocks returned 18.2% as measured by the MSCI EAFE Index. Emerging markets returned 9.8%, underperforming both U.S. and international-developed markets, however the significant weight to China was a drag on the index. U.S. high quality fixed income returns were also positive over the year, as the Bloomberg U.S. Aggregate Bond Index rose 5.5%.

The U.S. economy experienced a “no landing” as inflation pressures declined, while growth defied expectations to the upside as US real GDP rose 2.5% for the year. The Fed ended its current iteration of rate hikes in June. Consequently, risk assets rallied late in the year anchored on the expectations of lower inflation and pricing in a large number of rate cuts in 2024 by the Fed.

The TMRS Investment Portfolio

As of December 31, 2023, the fair value of the TMRS total investment portfolio was \$39.3 billion and its return, net-of-fees, was 11.6%. In the same period, the median fund in the InvMetrics peer group of Public Defined Benefit plans greater than \$10 billion in assets returned 11.3%. TMRS’s five-year annualized return net-of-fees for the period ended December 31, 2023, was 7.8%, outperforming the Actual Allocation Benchmark by 1.2% and the Board’s Actuarial Return Assumption of 6.75%.

All asset class allocations remain in compliance with the targeted ranges as outlined by the Investment Policy Statement. With most global capital markets realizing strong positive returns in the fiscal year ended December 31, 2023, NEPC continues to be supportive of TMRS’s chosen asset allocation.

NEPC, LLC serves as TMRS’s independent investment consultant, providing TMRS with asset allocation guidance, quarterly economic and investment market updates, and performance reviews, together with investment manager monitoring and selection advice. In preparing our performance analysis for the plan, we rely on the accuracy of financial data and performance provided by TMRS’s custodian bank, State Street. Performance is calculated using a time-weighted rate of return methodology based upon fair values. The money-weighted rate of returns presented in the Financial Section of this Report is calculated using a different methodology. TMRS’s goals are measured against stated policy objectives, appropriate benchmarks, and comparative universes over multiple time periods. This review process allows TMRS to evaluate whether established goals are being achieved on an absolute, relative, and risk-adjusted basis.

Best Regards,

A handwritten signature in black ink, appearing to read 'Samuel Austin, III'.

Samuel Austin, III, Partner, NEPC

Letter from the Chief Investment Officer



To: The Trustees, Members, Retirees, Beneficiaries, and Participating Cities of the Texas Municipal Retirement System

It is with humility and a deep sense of responsibility that I address you as Chief Investment Officer. First, I would like to extend my gratitude to David Hunter for his dedication and leadership of the Investment team. His commitment and vision have been instrumental in setting a strong foundation for the next chapter of TMRS' investment success and growth.

Since my arrival in January 2024, the team has aligned on three key strategic areas. First, the team will continue to build a benchmark-aligned global public markets portfolio with selective active mandates that generate long-term outperformance. Secondly, the team will focus on strengthening and upgrading our private markets relationships as the greatest dispersion of manager returns lies in private markets. In addition, increasing private market co-investments, which are investments TMRS makes alongside investment managers on a reduced or no-fee basis, will be a priority. Lastly, we will focus on attracting the nation's best investment talent and building a culture that attracts and partners with the world's best investment managers.

I am proud to announce that TMRS claims compliance with the Global Investment Performance Standards (GIPS®), and that the Trust Fund was examined, and the organization verified for 2023. All valuations are reported in USD. GIPS® is a registered trademark of the CFA Institute. CFA Institute does not endorse or promote TMRS, nor does it warrant the accuracy or quality of the content contained herein. A copy of the 2023 GIPS Asset Owner report can be obtained by emailing invrisk@tmrs.com.

Trust Fund portfolio details and an investment market overview can be found in NEPC's letter in this section of the ACFR. Detailed asset allocation and performance reports prepared by NEPC are available at tmrs.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Yup Kim", is written over a light blue circular background.

Yup Kim
Chief Investment Officer
June 4, 2024

Outline of Investment Policies

The TMRS Board of Trustees (Board) adopts an Investment Policy Statement (IPS) that governs the management of Trust Fund investments. The IPS describes investment objectives, beliefs, benchmarks, asset allocation and responsibilities of the Board, staff, and investment managers and consultants. The Board reviews the IPS annually.

Investment Program Objective

TMRS' investment program objective is to ensure that Members receive the benefits they have accrued through their employment with participating cities at a reasonable and predictable cost to those cities. To achieve this objective, the Board, in consultation with its Consulting Actuary, adopts an Actuarial Return Assumption (ARA). Trust Fund assets will be invested to achieve a total return that meets or exceeds the current ARA of 6.75%.

Standards of Care

A. Standard of Care. As fiduciaries, the Board must:

1. Exercise the degree of judgment and care, under the circumstances that persons of prudence, discretion and intelligence exercise in the management of their own affairs, considering the probable income and safety of their capital.
2. Evaluate investment decisions in the context of the entire Trust Fund portfolio and with appropriate risk and return objectives.

B. Conflict of Interest Prohibited. The Board, staff, and investment managers and consultants will refrain from any activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to disclose, in writing, any known relationships that could create, or appear to create, a conflict of interest.

C. Decisions in the Best Interest of TMRS. The Board and staff are required to make all investment decisions in the best interest of TMRS and shall comply with applicable TMRS policies on personal investment activities.

Investment Management

The Board is responsible for the administration of TMRS and its investment program, and the Board must discharge its duties solely in the interest of providing benefits to members, retirees and beneficiaries.

The Board adopts investment beliefs based on capital market theories and other investment management principles generally accepted by long-term focused institutional investors.

Outline of Investment Policies

CONTINUED

Asset Allocation

One of the Board's investment beliefs is that the primary determinant of portfolio risk and return is TMRS' long-term asset allocation. The Board's Asset Allocation includes asset classes, strategic target allocations with minimum and maximum allocation ranges, and benchmarks to measure investment performance. The Asset Allocation is based on an Asset Allocation Study that includes expectations for long-term return and risk, and is intended to produce investment returns equal to or greater than the actuarial return assumption (ARA) at a level of risk acceptable to the Board. In adopting the Asset Allocation, the Board considers TMRS' assets and liabilities, risk and return trade-offs, the ability to deliver on promised benefit payments at a reasonable and predictable cost to participating cities, the risk of permanent loss of capital, Trust Fund liquidity, and the ability to maintain a long-term strategy during sustained periods of market volatility.

The Board has adopted the following Asset Allocation and respective benchmarks as of December 31, 2023:

Table I-1

| Asset Allocation | | | | |
|--------------------------------|-----------|----------|-----------|---|
| Asset Class | Minimum % | Target % | Maximum % | Benchmark |
| Global equity | 25% | 35% | 45% | MSCI All Country World Investable Market Index, Net |
| Core fixed income | 1% | 6% | 11% | Bloomberg U.S. Aggregate Bond Index |
| Non-core fixed income | 15% | 20% | 25% | Bloomberg U.S. Aggregate Bond Index + 1.50% |
| Real estate | 7% | 12% | 17% | NCREIF - ODCE Index, Net |
| Other public & private markets | 7% | 12% | 17% | MSCI All Country World Investable Market Index, Net |
| Hedge funds | 0% | 5% | 10% | HFRI Asset Weighted Composite Index |
| Private equity | 5% | 10% | 15% | MSCI All Country World Investable Market Index, Net |
| Cash equivalents | 0% | 0% | 3% | FTSE 1-Month U.S. T-Bill Index |

The Asset Allocation is reviewed at least annually for reasonableness, taking into consideration current capital markets and economic conditions and the Board's views regarding long-term investment goals and objectives.

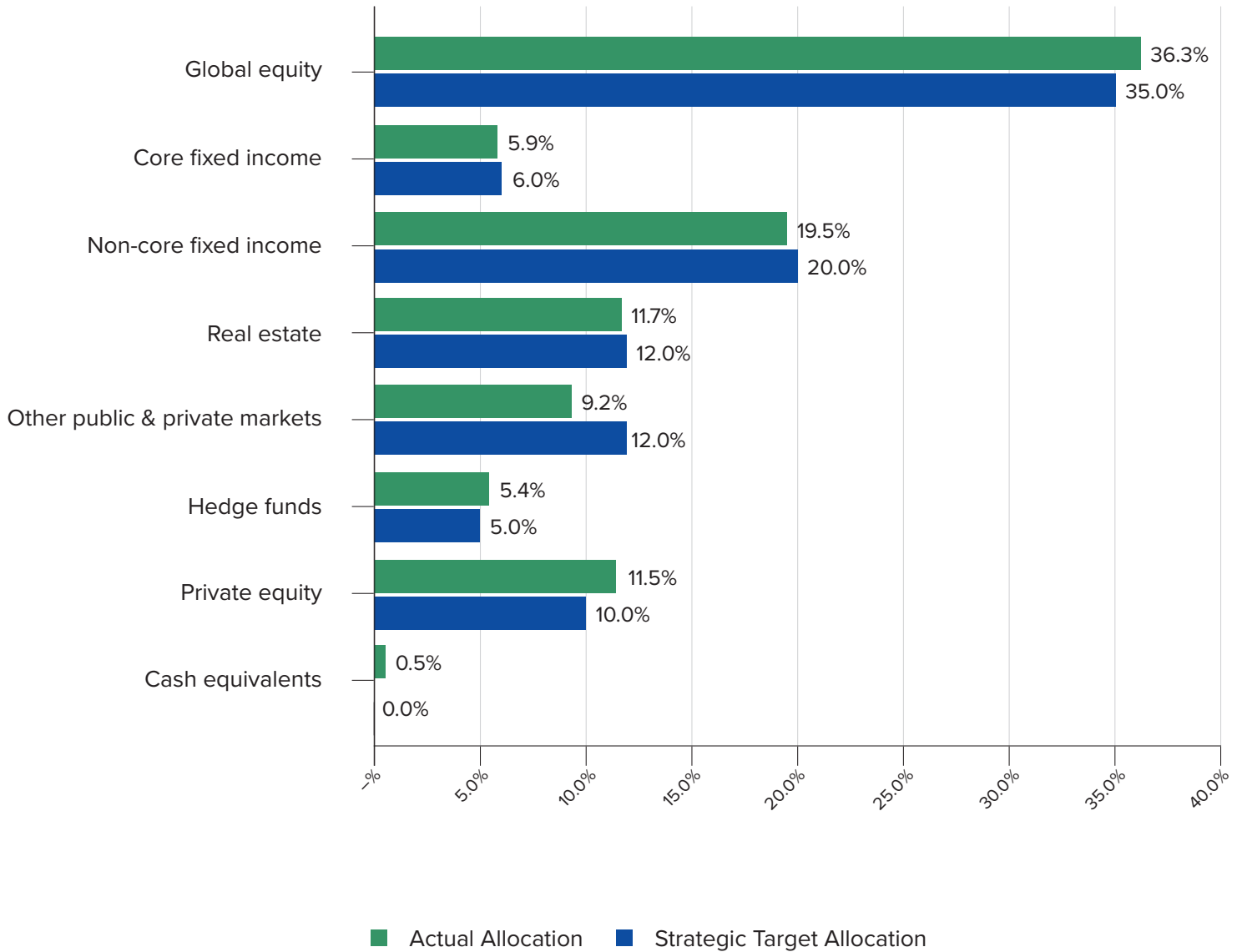
An Asset Allocation Study that comprehensively reviews the Asset Allocation is completed at least every four years. The Board verifies or amends its Asset Allocation upon review of an Asset Allocation Study.

An Asset-Liability Modeling Study is conducted at least every four years.

The Board assesses the Asset Allocation's performance over five-year rolling periods compared to the ARA and asset class benchmarks.

Asset Allocation

Actual Allocation compared to Strategic Target Allocation
As of December 31, 2023



Investment Summary

The following summary of investments presents the investment values categorized by asset class, and is therefore not consistent with the categorization on the Statement of Fiduciary Net Position

Table I-2

| Investment Summary by Asset Class | | |
|---|--------------------------|-------------------------|
| As of December 31, 2023 | | |
| | Fair Value | Percent of Total |
| Global equity | | |
| Short term investments | \$ 37,237,901 | 0.1 % |
| Domestic public equity securities | 1,639,622,126 | 4.2 |
| International public equity securities | 1,322,515,600 | 3.4 |
| REITS | 44,226,663 | 0.1 |
| Commingled public equity funds | 11,224,712,192 | 28.5 |
| Total global equity | 14,268,314,482 | 36.3 |
| Core fixed income | | |
| Short term investments | 21,738,605 | 0.1 |
| Fixed income securities | 2,304,473,890 | 5.8 |
| Total core fixed income | 2,326,212,495 | 5.9 |
| Non-core fixed income | | |
| Short term investments | 98,663,477 | 0.3 |
| Fixed income securities | 1,542,196,782 | 3.9 |
| Non-core fixed income funds | 5,996,376,806 | 15.3 |
| Total non-core fixed income | 7,637,237,065 | 19.5 |
| Real estate | | |
| Private real estate funds | 4,611,353,404 | 11.7 |
| Total real estate | 4,611,353,404 | 11.7 |
| Other public & private markets | | |
| Other public & private markets funds | 3,599,524,814 | 9.2 |
| Total other public & private markets | 3,599,524,814 | 9.2 |
| Hedge funds | | |
| Hedge funds | 2,105,259,127 | 5.4 |
| Total hedge funds | 2,105,259,127 | 5.4 |
| Private equity | | |
| Private equity funds | 4,508,388,458 | 11.5 |
| Total private equity | 4,508,388,458 | 11.5 |
| Cash equivalents | | |
| Short term investments | 214,671,947 | 0.5 |
| Total cash equivalents | 214,671,947 | 0.5 |
| Total Investments | \$ 39,270,961,792 | 100.0 % |
| Other investment-related items | | |
| Custodial cash | 44,018,072 | |
| Interest and dividends receivable | 40,298,174 | |
| Unsettled trades receivable | 10,372,935 | |
| Management fees payable | (5,556,478) | |
| Unsettled trades payable | (29,010,791) | |
| Trust fund net assets value | \$ 39,331,083,704 | |

Largest Holdings

Table I-3

| Largest Holdings – Public Equities | | |
|--|---------------------|-------------------|
| As of December 31, 2023 | | |
| Description | Shares/Units | Fair Value |
| Apple Inc. | 304,056 | \$58,539,902 |
| Microsoft Corporation | 137,293 | \$51,627,660 |
| Samsung Electronics Co Ltd. | 597,822 | \$36,438,409 |
| Tencent Holdings Ltd. | 859,300 | \$32,309,517 |
| Taiwan Semiconductor Manufacturing Company | 1,475,000 | \$28,499,862 |
| Amazon.com Inc. | 180,770 | \$27,466,194 |
| Nvidia Corp. | 48,042 | \$23,791,359 |
| Siemens Ag Reg | 119,105 | \$22,356,265 |
| Taiwan Semiconductor SP ADR | 206,236 | \$21,448,544 |
| Alibaba Group Holding Ltd | 2,132,152 | \$20,642,845 |

Table I-4

| Largest Holdings – Fixed Income Securities | | | | |
|---|---------------|-----------------|------------------|-------------------|
| As of December 31, 2023 | | | | |
| Description | Coupon | Maturity | Par Value | Fair Value |
| U.S. Treasury Note/Bond | 3.875% | 4/30/2025 | \$69,105,000 | \$68,500,331 |
| U.S. Treasury Note/Bond | 3.375% | 5/15/2033 | \$64,800,000 | \$62,329,500 |
| U.S. Treasury Note/Bond | 4.750% | 7/31/2025 | \$60,000,000 | \$60,289,453 |
| U.S. Treasury Note/Bond | 4.125% | 7/31/2028 | \$50,010,000 | \$50,576,519 |
| U.S. Treasury Note/Bond | 4.000% | 12/15/2025 | \$45,338,000 | \$45,112,195 |
| U.S. Treasury Note/Bond | 3.625% | 5/15/2026 | \$42,000,000 | \$41,530,781 |
| U.S. Treasury Note/Bond | 3.125% | 8/31/2027 | \$41,995,000 | \$40,848,340 |
| U.S. Treasury Note/Bond | 3.625% | 5/15/2053 | \$39,800,000 | \$36,982,906 |
| U.S. Treasury Note/Bond | 3.500% | 2/15/2033 | \$28,156,000 | \$27,362,463 |
| U.S. Treasury Note/Bond | 3.500% | 4/30/2030 | \$26,710,000 | \$26,145,021 |

A complete portfolio listing will be provided upon request.

The tables above list the top ten direct holdings of public equity and fixed income securities, and do not include the individual securities held through investment in commingled funds.

Investment Results

Total Trust Fund and Asset Class returns for the year ended December 31, 2023 are provided in Table I-5.

Table I-5

| Total Trust Fund and Asset Class Returns | | | | |
|---|---------------|----------------|----------------|-----------------|
| | 1 Year | 3 Years | 5 Years | 10 Years |
| Trust fund | 11.64% | 5.29% | 7.79% | 6.15% |
| Trust fund active weighted benchmark | 11.99% | 3.28% | 6.55% | 5.40% |
| Core fixed income | 5.80% | -3.14% | 1.46% | 2.03% |
| Core fixed income Benchmark | 5.53% | -3.31% | 1.10% | 1.81% |
| Non-core fixed income | 11.39% | 4.48% | 5.61% | N/A |
| Non-core fixed income benchmark | 7.11% | -0.43% | 2.49% | N/A |
| Global equity | 21.56% | 5.06% | 10.91% | 7.80% |
| Global equity benchmark | 21.58% | 5.46% | 11.49% | 8.12% |
| Real estate | -7.71% | 8.11% | 6.07% | 8.76% |
| Real estate benchmark | -12.73% | 4.09% | 3.75% | 7.03% |
| Other public & private markets | 14.50% | 7.33% | 8.11% | 4.80% |
| Other public & private markets benchmark | 21.58% | 4.42% | 5.56% | 3.92% |
| Hedge funds | 10.50% | 3.90% | 5.87% | N/A |
| Hedge funds benchmark | 3.74% | 3.29% | 5.67% | N/A |
| Private equity | 7.86% | 16.51% | 18.37% | N/A |
| Private equity benchmark | 21.58% | 7.19% | 12.60% | N/A |
| Cash equivalents | 5.55% | 2.39% | 1.97% | 1.38% |
| Cash equivalents benchmark | 5.13% | 2.19% | 1.84% | 1.21% |

N/A means TMRS was not invested in the asset class for 10 years.

Rates of return are calculated from December 31, 2023 values, net of external investment management fees through December 31, 2020, and net of external and internal investment management fees from January 1, 2021 to December 31, 2023, using time-weighted rate of return.

Benchmarks for each asset class as of December 31, 2023 are as follows:

Total fund active weighted benchmark return is the weighted-average of the asset class composite benchmarks associated with each fund.

Core fixed income benchmark return is calculated monthly using the Bloomberg U.S. Aggregate Bond Index.

Non-core fixed income benchmark return is calculated monthly using the Bloomberg U.S. Aggregate Bond Index + 1.5%.

Global equity benchmark return is calculated monthly using the MSCI All Country World Investable Market Index, Net.

Real estate benchmark return is calculated quarterly using the National Council of Real Estate Investment Fiduciaries — Open-End Diversified Core Equity Index, Net.

Other public and private markets (OPPM) benchmark return is calculated monthly using the MSCI All Country World Investable Market Index, Net.

Hedge funds benchmark return is calculated monthly using the HFRI Asset Weighted Composite Index.

Private equity benchmark return is calculated quarterly using the MSCI All Country World Investable Market Index, Net.

Cash equivalent benchmark return is the FTSE 1-Month U.S. Treasury Bill Index.

Investment Expenses

Table I-6

| Schedule of Investment Expenses | |
|---|----------------------|
| For the Year Ended December 31, 2023 | |
| Staff salaries and payroll taxes | \$ 4,274,158 |
| Employee benefits | 851,418 |
| Custodial services | 1,515,000 |
| Investment consulting | 1,811,400 |
| Legal | 474,478 |
| Information technology | 1,580,902 |
| Other administrative | 180,966 |
| Management fees paid from Trust Fund | 18,425,546 |
| Total investment expenses | \$ 29,113,868 |

Table I-7

| Schedule of External Investment Fees | | | | | | |
|---|---|--|---|-------------------------------------|--|---|
| For the Year Ended December 31, 2023 | | | | | | |
| Asset Class | Management Fees Paid From Trust Fund | Management Fees Netted from NAV | Total Investment Management Fees | Brokerage Fees / Commissions | Performance Fees / Carried Interest Netted from NAV | Total Direct / Indirect Fees and Commissions |
| | (1) | (2) | (3) = (1)+(2) | (4) | (5) | (6) = (3)+(4)+(5) |
| Global equity | \$ 12,718,003 | \$ — | \$ 12,718,003 | \$ 891,513 | \$ — | \$ 13,609,516 |
| Fixed income | 5,707,543 | 43,207,283 | 48,914,826 | — | 64,824,044 | 113,738,870 |
| Real assets | — | 46,270,397 | 46,270,397 | — | (18,410,850) | 27,859,547 |
| Alternative/other | — | 166,052,852 | 166,052,852 | — | 160,380,536 | 326,433,388 |
| Cash equivalents | — | 265,148 | 265,148 | — | — | 265,148 |
| Totals | \$ 18,425,546 | \$ 255,795,680 | \$ 274,221,226 | \$ 891,513 | \$ 206,793,730 | \$ 481,906,469 |

Fees for private investments are not reflected as investment expenses in TMRS' financial statements but are included in the net appreciation/(depreciation) in fair value of investments as reported in the Statement of Changes in Fiduciary Net Position. The alternative/other asset class includes hedge funds, other public and private markets funds, and private equity funds.

Investment Managers

Pursuant to Texas Government Code 802.103, Table I-8 discloses all investment managers engaged by TMRS.

Table I-8

| Investment Managers As of December 31, 2023 |
|---|
| Acadian Asset Management |
| Arrowstreet Capital |
| Champlain Investment Partners |
| Columbia Management Investment Advisers |
| Ellington Management Group |
| Northern Trust Investments |
| Voya Investment Management |
| Wellington Management |
| William Blair Investment Management |

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Actuarial Section

Pension Trust Fund

Actuary's Certification Letter

Summary of Actuarial Assumptions

Definitions

Participating Cities and Active Members

Retiree and Beneficiary Data

Summary of Actuarial Liabilities and Funding Progress

Funded Portion of Actuarial Liabilities by Type

Supplemental Death Benefits Fund (SDBF)

Actuary's Certification Letter

Summary of Actuarial Assumptions

Membership and Contribution Rate Data

Actuary's Certification Letter (Pension Trust Fund)



P: 469.524.0000 | www.grsconsulting.com

May 30, 2024

Board of Trustees
Texas Municipal Retirement System
Austin, Texas 78731

Dear Trustees:

In accordance with the Texas Municipal Retirement System (TMRS) Act, the annual actuarial valuation of the assets and liabilities of the TMRS Pension Trust Fund was completed as of December 31, 2023.

The financing objective for each TMRS participating city plan is to provide retirement, death and disability benefits for the city's employees financed by an employer contribution rate. This rate is determined annually and is expected to remain approximately level as a percentage of the city's covered payroll. In TMRS, a city's actuarially determined employer contribution rate consists of two components: the employer normal cost contribution rate and the prior service contribution rate. Both rates are determined as a level percentage of payroll. The normal cost contribution rate finances the portion of an active Member's projected retirement benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial accrued liability ("UAAL") over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating updated service credits and cost of living adjustments.

The participating cities' contribution rates are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are actuarially determined and are based upon the plan provisions in effect as of April 1, 2024 and the actuarial assumptions and methodology adopted by the Board. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one year after the valuation date. For example, the rates determined by the December 31, 2023 actuarial valuation will be applicable for the calendar year beginning January 1, 2025 and ending December 31, 2025.

To test how well the financing objective for each city plan is being achieved, annual actuarial valuations are made. These actuarial valuations recognize differences in the past year between the actuarial assumptions and the actual experience, and any benefit changes for each plan. A separate actuarial valuation for each participating city was made based upon the plan of benefits in effect as of April 1, 2024.

TMRS staff supplied data for retired, active and inactive Members as of December 31, 2023. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. TMRS staff also supplied the asset data and financial information as of December 31, 2023. The amounts of the assets in the actuarial valuations agree with the amounts as reported by TMRS.

Actuary's Certification Letter (Pension Trust Fund)

CONTINUED

The current actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. These assumptions were adopted by the Board in 2023 and were first used in the December 31, 2023 valuation. The Actuarial Experience Investigation Study report dated September 28, 2023 details the analysis and changes to assumptions since the prior valuation.

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

It is our opinion that the recommended assumptions and methods are internally consistent and are reasonably based on TMRS' past and anticipated future experience and comply with the parameters for disclosure as set forth in Governmental Accounting Standards Board Statement No. 67. GRS prepared the following schedules in the Actuarial Section:

Participating Cities and Active Members
Retiree and Beneficiary Data
Summary of Actuarial Liabilities and Funding Progress
Funded Portion of Actuarial Liabilities by Type

All of our work and all of the actuarial assumptions and methods used for funding purposes conform with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of the TMRS Act and, where applicable, the Internal Revenue Code and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Both are Members of the American Academy of Actuaries, both meet all of the Qualification Standards of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Respectfully Submitted,



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



Janie Shaw, MAAA, ASA, EA
Consultant



Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Summaries of meaningful actuarial assumptions and methods are provided below. A full description of all actuarial assumptions and methods can be found in the Actuarial Valuation Report as of December 31, 2023 (tmrs.com/actuarial_reports.php).

I. Economic Assumptions

A. General Inflation

2.50% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 6.75% per year, compounded annually.
2. Supplemental Disability Benefits Fund and individual employee accounts: 5.00% per year, compounded annually.

C. Overall Payroll Growth

2.75% per year, adjusted lower for cities with a decrease in the number of contributing members from 2008 to 2022.

D. Individual Salary Increases

Salaries are assumed to increase once a year, on January 1, by the following graduated service-based scale.

| Years of Service | Increase Rate % |
|------------------|-----------------|
| 1 | 11.85 |
| 2 | 7.60 |
| 3 | 7.10 |
| 4 | 6.60 |
| 5 | 6.35 |
| 6 | 6.10 |
| 7 | 5.85 |
| 8 | 5.60 |
| 9 | 5.35 |
| 10 | 5.10 |
| 11 – 12 | 4.85 |
| 13 – 15 | 4.60 |
| 16 – 20 | 4.35 |
| 21 – 24 | 4.10 |
| 25+ | 3.60 |

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

CONTINUED

E. Cost of Living Adjustments (COLAs).

The Consumer Price Index (CPI-U) is assumed to be 2.50% per year prospectively. COLAs, when applicable, are 30%, 50% or 70% of CPI-U, according to the provisions adopted by each city. The actual future assumptions for the traditional retroactive COLA are as follows: 0.87% per year for the 30% CPI provision, 1.38% per year for the 50% CPI provision and 1.86% per year for the 70% CPI provision. The future assumptions for non-retroactive COLA features are as follows: 0.75% per year for the 30% CPI provision, 1.25% per year for the 50% CPI provision, and 1.75% per year for the 70% CPI provision.

F. Load for Updated Service Credit (USC).

The USC calculation includes a load on the final average earnings of 0.1% per year into the future that the calculation is performed.

II. Demographic Assumptions

A. Termination Rates.

The base table rates vary by years of service and the number of years until retirement eligibility. For each city, the base table is then multiplied by 75% to 125% based on the experience and size of the individual city. A further multiplier is applied depending on an employee's classification: 1) Firefighter = 63%, 2) Police = 82%, or 3) Other = 116%.

The probabilities for the member's first three years of service are 22.5%, 17.5%, and 14.5%. After three years of service, base termination rates are applied. A sample of the base rates follows:

| Years From Retirement | Rate |
|-----------------------|--------|
| 1 | 0.0272 |
| 2 | 0.0301 |
| 3 | 0.0332 |
| 4 | 0.0367 |
| 5 | 0.0406 |
| 6 | 0.0449 |
| 7 | 0.0496 |
| 8 | 0.0548 |
| 9 | 0.0606 |
| 10 | 0.0670 |
| 11 | 0.0741 |
| 12 | 0.0819 |
| 13 | 0.0905 |
| 14 | 0.1001 |
| 15 | 0.1106 |
| 16 | 0.1223 |

Termination rates end at first eligibility for retirement.

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

CONTINUED

B. Forfeiture Rates (withdrawal of member contributions after termination).

Forfeiture rates for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in Section II. A. The withdrawal rates for cities with a 2:1 match are shown below; 6% is added to the rates for 1.5:1 cities, and 12% is added for 1:1 cities.

| Age | Percent of Terminating Employees Choosing to Take a Refund |
|-----|--|
| 25 | 37.9% |
| 30 | 35.1% |
| 35 | 32.3% |
| 40 | 29.5% |
| 45 | 26.7% |
| 50 | 23.9% |
| 55 | 21.1% |

Forfeiture rates end at first eligibility for retirement.

C. Mortality Rates.

1. Service Retirees and Beneficiary Mortality Rates.

The gender-distinct 2019 Municipal Retirees of Texas mortality tables are used for calculating the actuarial liability and the retirement contribution rates. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the Scale MP-2021 to account for future mortality improvements. An example for the life expectancies of a 65 year-old retiree (including projection) is shown below:

| Proposed Life Expectancy for an Age 65 Retiree (in Years) | | | | | |
|---|--------------------|------|------|------|------|
| Gender | Year of Retirement | | | | |
| | 2023 | 2028 | 2033 | 2038 | 2043 |
| Male | 19.6 | 20.0 | 20.3 | 20.7 | 21.1 |
| Female | 22.8 | 23.2 | 23.5 | 23.8 | 24.2 |

2. Disabled Retiree Mortality Rates.

For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger male and female members, respectively, who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

3. Pre-Retirement Mortality Rates.

TMRS uses the PUB(10) mortality tables, with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements.

Summary of Actuarial Assumptions and Methods (Pension Trust Fund)

CONTINUED

D. Annuity Purchase Rates (APRs).

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled retirees, the APRs until 2027 are being phased-in based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females, with both rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032, and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For retirees, a unisex blend of 70% of the males table and 30% of the females table is used, while 30% of the males table and 70% of the females table is used for beneficiaries.

E. Disability Rates.

| Age | Males and Females |
|-----|-------------------|
| 20 | 0.000002 |
| 25 | 0.000015 |
| 30 | 0.000059 |
| 35 | 0.000155 |
| 40 | 0.000296 |
| 45 | 0.000482 |
| 50 | 0.000713 |
| 55 | 0.000988 |
| 60 | 0.001308 |
| 65 | 0.001672 |

F. Service Retirement Rates.

The base table rates vary by age and are applied to both active and inactive members.

| Age | Rate |
|-------------|------|
| <50 | 0.07 |
| 50-52 | 0.08 |
| 53 | 0.09 |
| 54 | 0.10 |
| 55 | 0.11 |
| 56 | 0.12 |
| 57 | 0.13 |
| 58 | 0.14 |
| 59 | 0.15 |
| 60 | 0.16 |
| 61 | 0.17 |
| 62 | 0.20 |
| 63-64 | 0.20 |
| 65-74 | 0.30 |
| 75 and over | 1.00 |

III. Methods and Assumptions

A. Valuation of Assets.

The actuarial value of assets is based on the fair value of assets with a ten-year phase-in of actual investment return in excess of (less than) expected investment income. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first and the net remaining bases continue to be recognized on their original timeframe. The actuarial value of assets is further adjusted by 33% of any difference between the initial value and a 12% corridor around the fair value of assets, if necessary.

B. Actuarial Cost Method.

The Entry Age Normal Actuarial Cost Method is used, which develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the prior service cost or amortization of the unfunded actuarial accrued liability.

C. Amortization Policy.

For underfunded cities, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of “laddering”. Bases that existed prior to this valuation continue to be amortized on their original schedule. New loss bases for cities with fifteen or more employees are amortized over individual periods of not more than 20 years. New gains (including lump sum contributions) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City.

Once a city becomes overfunded, all prior amortization bases are erased and an amount of the surplus is credited against the contribution rate to keep the funded ratio constant year-over-year.

Ad-hoc USC and COLA benefit enhancements are amortized over individual periods using a level dollar policy. The period will be based on the minimum of 12 years or the current life expectancy of the covered group.

D. Small City Methodology.

For cities with fewer than 20 employees, more conservative methods and assumptions are used, including lower termination rates, longer life expectancies and shorter amortization periods.

Definitions (Pension Trust Fund)

Actuarial accrued liability. The actuarial present value of benefits attributable to all periods prior to the valuation date.

Actuarial value of assets. The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an actuarial valuation.

Actuarially Determined Employer Contribution (ADEC). The city's periodic required contributions to the defined benefit pension plan, calculated in accordance with current TMRS funding policy.

Amortization period. The period over which the existing unfunded or overfunded actuarial accrued liability is projected to be paid off, as a level percentage of payroll.

Entry Age Normal actuarial cost method. The Entry Age Normal actuarial cost method develops the annual cost of the plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for a member is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of these rates is the total normal cost rate. The actuarial accrued liability is based on the portion of benefits attributable to service credited prior to the valuation date. Actuarial gains (losses), as they occur, reduce (increase) the unfunded actuarial accrued liability.

Funded ratio. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding policy. The program for the amounts and timing of contributions to be made by plan members and participating cities to provide the benefits specified by a pension plan.

Normal cost contribution rate. The actuarial present value of benefits allocated to a valuation year by the actuarial cost method, expressed as a percentage of the covered payroll. It is equal to the sum of the actuarial present value of benefits allocated to the year following the valuation date, divided by the compensation expected to be received during the next year for the closed group of members as of the valuation date.

Overfunded actuarial accrued liability. The excess of the actuarial value of assets over the actuarial accrued liability.

Prior service cost contribution rate. The level percentage of payroll required to amortize the unfunded or overfunded actuarial accrued liability over a specified amortization period. If the rate is negative, it is offset against the normal cost, with the limitation that the sum of the two rates cannot be negative.

Unfunded actuarial accrued liability. The excess of the actuarial accrued liability over the actuarial value of assets.

Participating Cities and Active Members (Pension Trust Fund)

Table A-1

| Participating Cities and Active Members | | | | | |
|---|-------------------------|----------------|------------------|--------------------|----------------------------------|
| Valuation Date | Number of Active Cities | Active Members | | | |
| | | Number | Annual Payroll | Average Annual Pay | % Increase in Average Annual Pay |
| 12/31/2014 | 853 | 104,019 | \$ 5,374,536,634 | \$ 51,956 | 3.4% |
| 12/31/2015 | 859 | 106,894 | \$ 5,683,846,845 | \$ 53,898 | 3.7% |
| 12/31/2016 | 864 | 108,891 | \$ 5,884,788,962 | \$ 54,543 | 1.2% |
| 12/31/2017 | 875 | 110,208 | \$ 6,188,490,343 | \$ 56,490 | 3.6% |
| 12/31/2018 | 879 | 111,851 | \$ 6,444,177,866 | \$ 58,040 | 2.7% |
| 12/31/2019 | 878 | 114,384 | \$ 6,790,788,227 | \$ 60,033 | 3.4% |
| 12/31/2020 | 886 | 114,497 | \$ 7,161,381,734 | \$ 62,577 | 4.2% |
| 12/31/2021 | 892 | 116,053 | \$ 7,345,701,461 | \$ 63,723 | 1.8% |
| 12/31/2022 | 909 | 119,723 | \$ 7,896,581,238 | \$ 66,984 | 5.1% |
| 12/31/2023 | 921 | 124,493 | \$ 8,676,096,637 | \$ 71,053 | 6.1% |

As of December 31, 2023, there were 13 cities with no active contributing members and no city contributions due. Thus, there were 934 total cities, with 921 of them active.

The average annual pay was calculated by dividing the annual payroll by the average of the number of contributing members at the beginning and the end of the year.

Retiree and Beneficiary Data (Pension Trust Fund)

Table A-2

| Retiree and Beneficiary Data | | | | | | | | | |
|------------------------------|--------------------|----------------|--------------------|----------------|--------------------|------------------|------------------------------|------------------------|--|
| Year Ended | Added to Rolls | | Removed from Rolls | | End of Year | | % Increase in Annual Benefit | Average Annual Benefit | |
| | Number of Accounts | Annual Benefit | Number of Accounts | Annual Benefit | Number of Accounts | Annual Benefit | | | |
| 12/31/2014 | 4,319 | \$ 92,940,036 | 833 | \$ 11,533,222 | 53,455 | \$ 926,062,827 | 9.6% | \$ 17,324 | |
| 12/31/2015 | 3,916 | \$ 76,796,719 | 890 | \$ 12,357,106 | 56,481 | \$ 990,502,440 | 7.0% | \$ 17,537 | |
| 12/31/2016 | 4,073 | \$ 82,664,225 | 943 | \$ 13,821,624 | 59,611 | \$ 1,059,345,041 | 7.0% | \$ 17,771 | |
| 12/31/2017 | 4,198 | \$ 95,727,539 | 1,033 | \$ 14,068,157 | 62,776 | \$ 1,141,004,423 | 7.7% | \$ 18,176 | |
| 12/31/2018 | 4,448 | \$ 98,030,847 | 1,173 | \$ 16,549,004 | 66,051 | \$ 1,222,486,266 | 7.1% | \$ 18,508 | |
| 12/31/2019 | 4,758 | \$ 107,229,230 | 1,184 | \$ 18,442,625 | 69,625 | \$ 1,311,272,871 | 7.3% | \$ 18,833 | |
| 12/31/2020 | 4,871 | \$ 117,495,300 | 1,394 | \$ 20,566,206 | 73,102 | \$ 1,408,201,965 | 7.4% | \$ 19,264 | |
| 12/31/2021 | 5,115 | \$ 115,206,771 | 1,542 | \$ 23,545,014 | 76,675 | \$ 1,499,863,722 | 6.5% | \$ 19,561 | |
| 12/31/2022 | 5,464 | \$ 170,491,842 | 1,531 | \$ 23,328,304 | 80,608 | \$ 1,647,027,260 | 9.8% | \$ 20,433 | |
| 12/31/2023 | 4,994 | \$ 164,389,250 | 1,447 | \$ 25,069,967 | 84,155 | \$ 1,786,346,543 | 8.5% | \$ 21,227 | |

The number of retirement accounts is greater than the number of employees who retired because some retirees worked for more than one participating city in TMRS and retired with a separate benefit from each participating city. As of December 31, 2023, there were 12,398 more retirement accounts than retirees. In addition, this schedule excludes 1,191 retirees who received a single payment in lieu of a monthly benefit. Upon their death, these retirees are still entitled to supplemental death benefits for their beneficiaries if their city provides this benefit.

The Average Annual Benefit in Table A-2 is 12 times the amount payable in January following the valuation date, including any retirement benefit increase, if applicable.

Summary of Actuarial Liabilities and Funding Progress (Pension Trust Fund)

Table A-3

| Summary of Actuarial Liabilities and Funding Progress (dollars in millions) | | | | | | | | |
|---|---------------------------|-----------------------------------|------------------------|-------------------------------|-----------------|--|--------------------|-----------------------------|
| Annual Report Year | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Funded Ratio (1) / (2) | Unfunded AAL (UAAL) (2) - (1) | Covered Payroll | UAAL as a % of Covered Payroll (4) / (5) | City Contributions | Average City Rate (7) / (5) |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 2014 | \$ 22,861.0 | \$ 26,647.5 | 85.8% | \$ 3,786.5 | \$ 5,374.5 | 70.5% | \$ 719.2 | 13.4% |
| 2015 ¹ | \$ 24,347.7 | \$ 28,378.9 | 85.8% | \$ 4,031.2 | \$ 5,683.9 | 70.9% | \$ 750.8 | 13.2% |
| 2016 | \$ 25,844.0 | \$ 29,963.3 | 86.3% | \$ 4,119.2 | \$ 5,884.8 | 70.0% | \$ 767.1 | 13.0% |
| 2017 | \$ 27,813.6 | \$ 31,811.6 | 87.4% | \$ 3,998.0 | \$ 6,188.5 | 64.6% | \$ 837.1 | 13.5% |
| 2018 | \$ 29,385.1 | \$ 33,731.5 | 87.1% | \$ 4,346.4 | \$ 6,444.2 | 67.4% | \$ 880.1 | 13.7% |
| 2019 ² | \$ 31,313.8 | \$ 35,584.9 | 88.0% | \$ 4,271.1 | \$ 6,790.8 | 62.9% | \$ 928.7 | 13.7% |
| 2020 ³ | \$ 33,609.6 | \$ 37,535.9 | 89.5% | \$ 3,926.3 | \$ 7,161.4 | 54.8% | \$ 1,191.7 | 16.6% |
| 2021 ⁴ | \$ 36,282.0 | \$ 40,081.9 | 90.5% | \$ 3,799.9 | \$ 7,345.7 | 51.7% | \$ 1,076.9 | 14.7% |
| 2022 ⁵ | \$ 38,208.7 | \$ 42,597.5 | 89.7% | \$ 4,388.8 | \$ 7,896.6 | 55.6% | \$ 1,144.8 | 14.5% |
| 2023 ⁶ | \$ 40,358.2 | \$ 44,981.1 | 89.7% | \$ 4,622.9 | \$ 8,676.1 | 53.3% | \$ 1,185.5 | 13.7% |

¹Actuarial assumptions were modified as of the December 31, 2015 valuation.

²Actuarial assumptions were modified as of the December 31, 2019 valuation.

³The increase in city contributions in 2020 is primarily due to \$210.3 million in additional lump sum contributions by two cities that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 13.7%.

⁴City contributions in 2021 include \$62.3 million in additional lump sum contributions, of which \$57.7 million was contributed by one city that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 13.8%.

⁵City contributions in 2022 include \$76.8 million in additional lump sum contributions, of which \$67.3 million was contributed by one city that issued pension obligation bonds. Excluding these additional contributions, the average city rate would have been 13.5%.

⁶Actuarial assumptions were modified as of the December 31, 2023 valuation.

Each TMRS participating city is financially responsible for its own plan. Therefore, the aggregate numbers shown in the above table reflect only the aggregate condition of TMRS and do not indicate the status of any city's plan.

Columns (1) and (2) of the table also include the assets and liabilities of the Supplemental Disability Benefits Fund.

Funded Portion of Actuarial Liabilities by Type (Pension Trust Fund)

Table A-4

| Funded Portion of Actuarial Liabilities by Type (dollars in millions) | | | | | | | |
|---|------------------------------|----------------------------|---|-----------------------------------|--|--------|-------|
| Valuation Date | Actuarial Liabilities for | | | Net Assets Available for Benefits | Portion of Actuarial Liabilities Covered by Net Assets (%) | | |
| | Current Member Contributions | Retirees and Beneficiaries | Current Members (Employer-Financed Portion) | | (1) | (2) | (3) |
| | (1) | (2) | (3) | | | | |
| 12/31/2014 | \$ 5,088.20 | \$ 10,768.53 | \$ 10,790.77 | \$ 22,860.98 | 100.0% | 100.0% | 64.9% |
| 12/31/2015 | \$ 5,312.30 | \$ 11,615.49 | \$ 11,451.11 | \$ 24,347.73 | 100.0% | 100.0% | 64.8% |
| 12/31/2016 | \$ 5,529.96 | \$ 12,478.45 | \$ 11,954.89 | \$ 25,844.05 | 100.0% | 100.0% | 65.5% |
| 12/31/2017 | \$ 5,747.30 | \$ 13,412.03 | \$ 12,652.30 | \$ 27,813.57 | 100.0% | 100.0% | 68.4% |
| 12/31/2018 | \$ 5,986.10 | \$ 14,403.10 | \$ 13,342.30 | \$ 29,385.10 | 100.0% | 100.0% | 67.4% |
| 12/31/2019 | \$ 6,210.50 | \$ 15,467.50 | \$ 13,906.90 | \$ 31,313.81 | 100.0% | 100.0% | 69.3% |
| 12/31/2020 | \$ 6,447.73 | \$ 16,508.76 | \$ 14,579.37 | \$ 33,609.58 | 100.0% | 100.0% | 73.1% |
| 12/31/2021 | \$ 6,691.04 | \$ 17,979.79 | \$ 15,411.10 | \$ 36,281.97 | 100.0% | 100.0% | 75.3% |
| 12/31/2022 | \$ 6,917.90 | \$ 19,694.60 | \$ 15,985.00 | \$ 38,208.70 | 100.0% | 100.0% | 72.5% |
| 12/31/2023 | \$ 7,259.60 | \$ 20,777.00 | \$ 16,944.50 | \$ 40,358.20 | 100.0% | 100.0% | 72.7% |

The financing objective for each TMRS participating city's plan is to finance long-term benefit liabilities through contributions that remain approximately level from year to year as a percentage of the city's payroll. If the contributions to each plan are level over the long term and soundly executed, each plan will pay all benefits when due — the ultimate test of financial soundness.

The table above shows one short-term means of checking a system's funding progress. The present assets are compared with: (1) current member contributions on deposit, (2) liabilities for future benefits to present retirees and (3) the employer-financed portion of the liabilities for service already rendered by current members. In a system that has been following the discipline of level percentage of payroll financing, the liabilities for current member contributions on deposit (liability 1) and the liabilities for future benefits to present retirees (liability 2) will be fully covered by present assets, except in rare circumstances. In addition, the employer-financed portion of liabilities for service already rendered by current members (liability 3) will be at least partially covered by the remainder of present assets. Generally, if a system has been using level cost financing, and if there are no changes in benefits, actuarial assumptions, or methods, the funded portion of liability 3 will increase over time, although it is uncommon for it to be fully funded.

Each TMRS participating city is financially responsible for its own plan. Therefore, the aggregate numbers shown above reflect only the aggregate condition of TMRS and do not indicate the status of any one plan.

Actuary's Certification Letter (Supplemental Death Benefits Fund)



P: 469.524.0000 | www.grsconsulting.com

May 30, 2024

Board of Trustees
Texas Municipal Retirement System
Austin, Texas 78731

Dear Trustees:

The TMRS Supplemental Death Benefits Fund (SDBF) is an optional cost-sharing multiple-employer defined benefit group life insurance plan. It provides death benefits to both active and retired members, and each participating city can elect to cover just active members, or active and retired members. A supplemental death contribution rate is determined annually for each participating city as a percentage of that city's covered payroll. The contribution rate finances the expected benefit payments each year on a pay-as-you-go basis.

The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Benefits are paid to both actives and retirees from the SDBF. Therefore, it is our understanding that reporting under the Governmental Accounting Standards Board ("GASB") Statement No. 74 is not required, since the SDBF is not an OPEB trust as described in paragraph 3 of the statement. GRS will provide information to each participating city for their reporting under GASB Statement No 75.

The contribution rates for the cities participating in the SDBF are certified annually by the Board of Trustees which is responsible for establishing and maintaining the funding policy. These rates are determined actuarially, based on the plan provisions in effect as of April 1, 2024 and the actuarial assumptions and methodology adopted by the Board. The current actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the period ending December 31, 2022. These assumptions were adopted by the Board in 2023 and were first used in the December 31, 2023 valuation. The Actuarial Experience Investigation Study report dated September 28, 2023 details the analysis and changes to assumptions since the prior valuation. The Board's current policy is that the contribution rates determined by a given actuarial valuation become effective one (1) year after the valuation date. For example, the rates determined by the December 31, 2023 actuarial valuation will be applicable for the calendar year beginning January 1, 2025 and ending December 31, 2025.

TMRS staff supplied the data for active and retired Members as of December 31, 2023. We did not audit this data, but we did apply a number of tests to the data and we concluded that it was reasonable and consistent with the prior year's data. TMRS staff also supplied the asset data and financial information as of December 31, 2023.

Actuary's Certification Letter (Supplemental Death Benefits Fund)

CONTINUED

GRS prepared the following schedules in the Actuarial Section:

Participating Employers and Covered Members

Average Contribution Rates

All of our work and all of the actuarial assumptions and methods conform with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of the TMRS Act and, where applicable, the Internal Revenue Code and the Statements of the Governmental Accounting Standards Board.

The undersigned are independent actuaries and consultants. Both are Members of the American Academy of Actuaries, both meet all of the Qualification Standards of the American Academy of Actuaries, and both are experienced in performing valuations for large public retirement systems.

Respectfully Submitted,



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



Janie Shaw, MAAA, ASA, EA
Consultant



Summary of Actuarial Assumptions (Supplemental Death Benefits Fund)

These actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. No other demographic assumptions are applicable for purposes of developing the SDBF contribution rates.

I. Assumptions

A. Mortality Rates.

Same as for the Pension Trust Fund.

B. Discount/Crediting Rate.

The discount rate is 4.25% per year, compounded annually, and derived as a blend of the 5% statutory interest credit rate for the portion of the benefits financed by advance funding contributions and a short-term interest rate for the portion of the benefits financed by current contributions.

C. Actuarial Cost Method.

To calculate a city's actuarially determined contribution rate, the one-year term cost is used.

D. Valuation of Assets.

Assets in the SDBF are valued at fund value (or fund balance). However, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.

E. Contribution Rate Calculation.

The contribution rate for the SDBF is equal to the expected benefit payments during the upcoming year divided by the annualized pay of current active members, and is calculated separately for actives and retirees. A load equal to 1.5 and 1.1, respectively, is applied to the term cost for active coverage and retiree coverage.

II. Benefit Provisions

A. Participation in SDBF.

Participation in the SDBF is optional and may be rescinded. Each city that chooses to participate can elect to cover just active members, or both active members and retirees.

B. Benefit Eligibility.

Benefits are payable if the death occurs during the period in which a city has elected to participate in the SDBF. For retirees who have service with multiple TMRS cities, benefits are payable only if the city from which the member retired participates in the SDBF when the death occurs.

C. Benefit Amount.

The death benefit for active members provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.

Membership and Contribution Rate Data (Supplemental Death Benefits Fund)

Table A-5

| Participating Cities and Covered Members | | | | | | | | |
|--|--------------------------------|----------------|-----------------|------------------|---------------|------------------|--------------------|----------------------------------|
| Actuarial Valuation Date | Number of Participating Cities | Active Members | Retired Members | Inactive Members | Total Members | Annual Payroll | Average Annual Pay | % Increase in Average Annual Pay |
| 12/31/2014 | 743 | 69,391 | 24,569 | 7,672 | 101,632 | \$ 3,526,108,551 | \$ 50,815 | 3.7% |
| 12/31/2015 | 753 | 71,287 | 25,819 | 7,921 | 105,027 | \$ 3,707,706,923 | \$ 52,011 | 2.4% |
| 12/31/2016 | 753 | 72,742 | 26,884 | 8,513 | 108,139 | \$ 3,887,244,457 | \$ 53,439 | 2.7% |
| 12/31/2017 | 764 | 73,757 | 28,947 | 8,989 | 111,693 | \$ 4,096,626,695 | \$ 55,542 | 3.9% |
| 12/31/2018 | 768 | 75,035 | 30,453 | 9,555 | 115,043 | \$ 4,279,380,674 | \$ 57,032 | 2.7% |
| 12/31/2019 | 766 | 76,953 | 32,039 | 9,957 | 118,949 | \$ 4,559,480,007 | \$ 59,250 | 3.9% |
| 12/31/2020 | 777 | 77,880 | 33,723 | 10,409 | 122,012 | \$ 4,886,294,497 | \$ 62,741 | 5.9% |
| 12/31/2021 | 783 | 79,205 | 35,323 | 11,284 | 125,812 | \$ 5,023,116,464 | \$ 63,419 | 1.1% |
| 12/31/2022 | 800 | 81,535 | 37,237 | 12,166 | 130,938 | \$ 5,390,625,108 | \$ 66,114 | 4.2% |
| 12/31/2023 | 813 | 84,842 | 38,924 | 12,770 | 136,536 | \$ 5,929,365,834 | \$ 69,887 | 5.7% |

Table A-6

| Average Contribution Rates | | |
|----------------------------|-----------------|------------------|
| Actuarial Valuation Date | Active Coverage | Retiree Coverage |
| 12/31/2014 | 0.17% | 0.05% |
| 12/31/2015 | 0.16% | 0.05% |
| 12/31/2016 | 0.17% | 0.05% |
| 12/31/2017 | 0.17% | 0.06% |
| 12/31/2018 | 0.17% | 0.06% |
| 12/31/2019 ¹ | 0.12% | 0.16% |
| 12/31/2020 | 0.12% | 0.16% |
| 12/31/2021 ² | 0.25% | 0.17% |
| 12/31/2022 ² | 0.25% | 0.17% |
| 12/31/2023 ³ | 0.19% | 0.17% |

¹Mortality assumptions and premium calculation methods were modified as of the December 31, 2019 valuation.

²Premium calculations determined by the December 31, 2021 and December 31, 2022 actuarial valuations include a load for adverse experience of 2.0 and 1.1 for active and retiree coverage, respectively.

³Premium calculations determined by the December 31, 2023 actuarial valuations include a load for adverse experience of 1.5 and 1.1 for active and retiree coverage, respectively.

Contribution rates are effective on January 1st, twelve months from the actuarial valuation date.

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Statistical Section

Statistical Section Overview
Financial Trends Information
Demographic Information

Statistical Section Overview

The Statistical Section provides historical context for understanding the Basic Financial Statements and Required Supplementary Information. This section presents information consistent with GASB Statement No. 44, Economic Condition Reporting: The Statistical Section.

Fiduciary Net Position and Changes in Fiduciary Net Position for the Pension Trust Fund and the Supplemental Death Benefits Fund are presented for the last 10 years. Information reported in these tables is derived from the Basic Financial Statements located in the Financial Section of this and prior years' annual reports.

The Schedule of Average Benefit Payments for New Retirements provides information on the average monthly benefit and number of retirees over the last 10 years, categorized in five-year increments of credited service.

The Schedule of Retirement Benefit Recipients by Type of Benefit presents the benefit options selected by current retirees in ranges of monthly benefit levels.

The Schedules of Principal Participating Cities show the top 10 participating cities based on membership size for the Pension Trust Fund and the Supplemental Death Benefits Fund as of December 31, 2023 and 2014.

Financial Trends Information

Table S-1 (1 of 2)

| Fiduciary Net Position — Last 10 Years (Pension Trust Fund) | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| For the Year Ended December 31 | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Assets | | | | | |
| Cash | \$ — | \$ 2,177,000 | \$ 27,225,142 | \$ 9,884,675 | \$ 1,558,193 |
| Receivables | 1,602,411,077 | 1,463,421,640 | 1,303,373,082 | 1,044,073,551 | 776,615,427 |
| Investments, at fair value | 23,896,100,903 | 24,289,053,366 | 25,830,231,450 | 28,921,028,586 | 27,973,620,811 |
| Invested securities lending collateral | 1,030,835,345 | 864,114,464 | — | — | — |
| Capital assets, net | 7,889,360 | 9,909,170 | 9,766,674 | 9,732,194 | 9,141,099 |
| Other assets | 147,844 | 222,581 | 368,307 | 405,087 | 467,613 |
| Total assets | 26,537,384,529 | 26,628,898,221 | 27,170,964,655 | 29,985,124,093 | 28,761,403,143 |
| Liabilities | | | | | |
| Accounts payable and other accrued liabilities | 22,217,938 | 27,656,575 | 27,587,168 | 32,623,226 | 125,878,994 |
| Unsettled investment trades payable | 1,732,031,882 | 2,005,738,646 | 1,890,218,410 | 1,284,876,114 | 935,255,033 |
| Securities lending collateral | 1,033,480,569 | 866,849,709 | — | — | — |
| Funds held for Supplemental Death Benefits Fund | 22,176,214 | 20,490,711 | 19,953,304 | 18,250,136 | 16,639,677 |
| Total liabilities | 2,809,906,603 | 2,920,735,641 | 1,937,758,882 | 1,335,749,476 | 1,077,773,704 |
| Fiduciary net position | \$ 23,727,477,926 | \$ 23,708,162,580 | \$ 25,233,205,773 | \$ 28,649,374,617 | \$ 27,683,629,439 |

Financial Trends Information

CONTINUED

Table S-1 (2 of 2)

| Fiduciary Net Position — Last 10 Years (Pension Trust Fund) | | | | | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| For the Year Ended December 31 | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Assets | | | | | |
| Cash | \$ 193,356 | \$ 2,867,326 | \$ 9,959,259 | \$ 5,785,347 | \$ 44,018,072 |
| Receivables | 478,902,839 | 832,754,091 | 523,963,113 | 339,496,611 | 221,625,311 |
| Investments, at fair value | 31,871,201,335 | 34,522,349,701 | 38,790,225,854 | 35,497,407,048 | 39,270,961,792 |
| Invested securities lending collateral | — | — | — | — | — |
| Capital assets, net | 8,482,497 | 7,941,114 | 9,585,115 | 2,938,554 | 2,381,758 |
| Other assets | 470,275 | 4,910,730 | 5,748,571 | 4,853,356 | 12,200,087 |
| Total assets | 32,359,250,302 | 35,370,822,962 | 39,339,481,912 | 35,850,480,916 | 39,551,187,020 |
| Liabilities | | | | | |
| Accounts payable and other accrued liabilities | 30,338,457 | 31,766,265 | 21,851,012 | 22,500,046 | 29,805,802 |
| Unsettled investment trades payable | 501,738,825 | 1,044,469,796 | 719,990,711 | 225,503,368 | 29,010,791 |
| Securities lending collateral | — | — | — | — | — |
| Funds held for Supplemental Death Benefits Fund | 13,361,745 | 11,693,867 | 4,625,805 | 1,986,715 | 6,028,714 |
| Total liabilities | 545,439,027 | 1,087,929,928 | 746,467,528 | 249,990,129 | 64,845,307 |
| Fiduciary net position | \$ 31,813,811,275 | \$ 34,282,893,034 | \$ 38,593,014,384 | \$ 35,600,490,787 | \$ 39,486,341,713 |

Financial Trends Information

CONTINUED

Table S-2 (1 of 2)

| Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund) | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| For the Year Ended December 31 | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Additions to net position by source | | | | | |
| City contributions | \$ 719,904,310 | \$ 751,708,718 | \$ 768,252,338 | \$ 838,363,116 | \$ 881,531,535 |
| Member contributions | 355,413,935 | 376,103,505 | 389,919,391 | 410,527,770 | 427,808,238 |
| Net investment income/(loss) | 1,285,344,179 | 35,011,429 | 1,602,187,418 | 3,497,133,077 | (858,122,961) |
| Other | 29,491 | 3,900 | 25,956 | 47,105 | 18,501 |
| Total additions to net position | 2,360,691,915 | 1,162,827,552 | 2,760,385,103 | 4,746,071,068 | 451,235,313 |
| Deductions from net position by type | | | | | |
| Retirement Benefits | | | | | |
| Service retirements | 861,959,010 | 937,848,878 | 1,005,485,139 | 1,077,485,262 | 1,159,702,957 |
| Disability retirements | 16,873,699 | 16,775,098 | 17,019,188 | 17,005,751 | 17,060,303 |
| Partial lump sum distributions | 149,739,411 | 148,161,053 | 139,559,781 | 156,915,521 | 158,490,461 |
| Total retirement benefits | 1,028,572,120 | 1,102,785,029 | 1,162,064,108 | 1,251,406,534 | 1,335,253,721 |
| Member account refunds | | | | | |
| Withdrawal/ineligibility | 58,174,242 | 55,742,784 | 52,935,465 | 58,344,609 | 63,195,632 |
| Death | 548,881 | 1,232,485 | 1,246,130 | 1,061,303 | 1,060,228 |
| Total member account refunds | 58,723,123 | 56,975,269 | 54,181,595 | 59,405,912 | 64,255,860 |
| Administrative expenses | 13,419,567 | 21,325,422 | 18,095,315 | 18,124,164 | 16,585,866 |
| Income allocated to SDBF | 1,132,803 | 1,057,178 | 1,000,892 | 965,614 | 885,044 |
| Total deductions from net position | 1,101,847,613 | 1,182,142,898 | 1,235,341,910 | 1,329,902,224 | 1,416,980,491 |
| Change in fiduciary net position | 1,258,844,302 | (19,315,346) | 1,525,043,193 | 3,416,168,844 | (965,745,178) |
| Fiduciary net position, beginning of year | 22,468,633,624 | 23,727,477,926 | 23,708,162,580 | 25,233,205,773 | 28,649,374,617 |
| Fiduciary net position, end of year | \$ 23,727,477,926 | \$ 23,708,162,580 | \$ 25,233,205,773 | \$ 28,649,374,617 | \$ 27,683,629,439 |

Financial Trends Information

CONTINUED

Table S-2 (2 of 2)

| Changes in Fiduciary Net Position — Last 10 Years (Pension Trust Fund) | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| For the Year Ended December 31 | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Additions to net position by source | | | | | |
| City contributions | \$ 930,236,155 | \$ 1,191,723,159 | \$ 1,076,907,798 | \$ 1,144,820,990 | \$ 1,185,483,912 |
| Member contributions | 453,608,174 | 479,187,524 | 492,319,722 | 529,914,380 | 582,825,289 |
| Net investment income/(loss) | 4,279,485,297 | 2,414,460,057 | 4,469,101,837 | (2,816,630,403) | 4,119,210,666 |
| Other | 32,880 | 47,400 | 560,172 | 29,274,135 | 26,239 |
| Total additions to net position | 5,663,362,506 | 4,085,418,140 | 6,038,889,529 | (1,112,620,898) | 5,887,546,106 |
| Deductions from net position by type | | | | | |
| Retirement Benefits | | | | | |
| Service retirements | 1,247,542,653 | 1,335,234,201 | 1,433,417,512 | 1,533,860,921 | 1,676,637,423 |
| Disability retirements | 17,080,384 | 17,178,149 | 17,238,392 | 17,206,656 | 17,727,662 |
| Partial lump sum distributions | 180,929,339 | 191,627,456 | 194,678,511 | 230,427,012 | 210,262,547 |
| Total retirement benefits | 1,445,552,376 | 1,544,039,806 | 1,645,334,415 | 1,781,494,589 | 1,904,627,632 |
| Member account refunds | | | | | |
| Withdrawal/ineligibility | 61,089,736 | 54,413,400 | 60,352,469 | 72,229,111 | 68,512,648 |
| Death | 1,596,204 | 1,600,143 | 1,983,618 | 1,617,077 | 2,132,786 |
| Total member account refunds | 62,685,940 | 56,013,543 | 62,336,087 | 73,846,188 | 70,645,434 |
| Administrative expenses | 24,183,038 | 15,625,982 | 20,679,140 | 24,377,951 | 26,212,728 |
| Income allocated to SDBF | 759,316 | 657,050 | 418,537 | 183,971 | 209,386 |
| Total deductions from net position | 1,533,180,670 | 1,616,336,381 | 1,728,768,179 | 1,879,902,699 | 2,001,695,180 |
| Change in fiduciary net position | 4,130,181,836 | 2,469,081,759 | 4,310,121,350 | (2,992,523,597) | 3,885,850,926 |
| Fiduciary net position, beginning of year | 27,683,629,439 | 31,813,811,275 | 34,282,893,034 | 38,593,014,384 | 35,600,490,787 |
| Fiduciary net position, end of year | \$ 31,813,811,275 | \$ 34,282,893,034 | \$ 38,593,014,384 | \$ 35,600,490,787 | \$ 39,486,341,713 |

Financial Trends Information

CONTINUED

Table S-3 (1 of 2)

| Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund) | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|
| For the Year Ended December 31 | | | | | |
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Assets | | | | | |
| Contributions receivable | \$ 543,842 | \$ 639,119 | \$ 674,746 | \$ 680,620 | \$ 666,823 |
| Funds held by Interest Reserve Account | 22,176,214 | 20,490,711 | 19,953,304 | 18,250,136 | 16,639,677 |
| Total assets | 22,720,056 | 21,129,830 | 20,628,050 | 18,930,756 | 17,306,500 |
| Fiduciary net position | \$ 22,720,056 | \$ 21,129,830 | \$ 20,628,050 | \$ 18,930,756 | \$ 17,306,500 |

Table S-3 (2 of 2)

| Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund) | | | | | |
|--|----------------------|----------------------|---------------------|---------------------|---------------------|
| For the Year Ended December 31 | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Assets | | | | | |
| Contributions receivable | \$ 711,366 | \$ 897,510 | \$ 1,189,678 | \$ 1,167,274 | \$ 1,950,138 |
| Funds held by Interest Reserve Account | 13,361,745 | 11,693,867 | 4,625,805 | 1,986,715 | 6,028,714 |
| Total assets | 14,073,111 | 12,591,377 | 5,815,483 | 3,153,989 | 7,978,852 |
| Fiduciary net position | \$ 14,073,111 | \$ 12,591,377 | \$ 5,815,483 | \$ 3,153,989 | \$ 7,978,852 |

Financial Trends Information

CONTINUED

Table S-4 (1 of 2)

| Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund) For the Year Ended December 31 | | | | | | | | | | |
|---|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|-----------|-------------------|
| | 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
| Additions to net position by source | | | | | | | | | | |
| City contributions | \$ | 6,126,769 | \$ | 6,507,371 | \$ | 6,983,501 | \$ | 7,286,154 | \$ | 7,758,059 |
| Income allocated from Interest Reserve Account | | 1,132,803 | | 1,057,178 | | 1,000,892 | | 965,614 | | 885,044 |
| Total additions to net position | | 7,259,572 | | 7,564,549 | | 7,984,393 | | 8,251,768 | | 8,643,103 |
| Deductions from net position by type | | | | | | | | | | |
| Supplemental death benefits - active | | 4,164,899 | | 4,964,631 | | 3,759,923 | | 5,177,812 | | 4,912,215 |
| Supplemental death benefits - retiree | | 4,285,094 | | 4,190,144 | | 4,726,250 | | 4,771,250 | | 5,355,144 |
| Total deductions from net position | | 8,449,993 | | 9,154,775 | | 8,486,173 | | 9,949,062 | | 10,267,359 |
| Change in fiduciary net position | | (1,190,421) | | (1,590,226) | | (501,780) | | (1,697,294) | | (1,624,256) |
| Fiduciary net position, beginning of year | | 23,910,477 | | 22,720,056 | | 21,129,830 | | 20,628,050 | | 18,930,756 |
| Fiduciary net position, end of year | \$ | 22,720,056 | \$ | 21,129,830 | \$ | 20,628,050 | \$ | 18,930,756 | \$ | 17,306,500 |

Financial Trends Information

CONTINUED

Table S-4 (2 of 2)

| Changes in Fiduciary Net Position — Last 10 Years (Supplemental Death Benefits Fund) | | | | | |
|---|----------------------|----------------------|---------------------|---------------------|---------------------|
| For the Year Ended December 31 | | | | | |
| | 2019 | 2020 | 2021 | 2022 | 2023 |
| Additions to net position by source | | | | | |
| City contributions | \$ 8,321,181 | \$ 8,945,812 | \$ 10,655,161 | \$ 11,218,958 | \$ 19,233,365 |
| Income allocated from Interest Reserve Account | 759,316 | 657,050 | 418,537 | 183,971 | 209,386 |
| Total additions to net position | 9,080,497 | 9,602,862 | 11,073,698 | 11,402,929 | 19,442,751 |
| Deductions from net position by type | | | | | |
| Supplemental death benefits - active | 6,812,283 | 5,346,471 | 11,608,967 | 7,096,911 | 7,743,722 |
| Supplemental death benefits - retiree | 5,501,603 | 5,738,125 | 6,240,625 | 6,967,512 | 6,874,166 |
| Total deductions from net position | 12,313,886 | 11,084,596 | 17,849,592 | 14,064,423 | 14,617,888 |
| Change in fiduciary net position | (3,233,389) | (1,481,734) | (6,775,894) | (2,661,494) | 4,824,863 |
| Fiduciary net position, beginning of year | 17,306,500 | 14,073,111 | 12,591,377 | 5,815,483 | 3,153,989 |
| Fiduciary net position, end of year | \$ 14,073,111 | \$ 12,591,377 | \$ 5,815,483 | \$ 3,153,989 | \$ 7,978,852 |

Demographic Information

Table S-5

| Schedule of Average Benefit Payments for New Retirements — Last 10 Years | | | | | | | |
|--|------------------------|----------|------------|------------|------------|------------|------------|
| For Year Ended December 31 | Years Credited Service | | | | | | |
| | 0 - 5 | > 5 - 10 | > 10 - 15 | > 15 - 20 | > 20 - 25 | > 25 - 30 | > 30 |
| 2014 | | | | | | | |
| Average Monthly Benefit | \$223.90 | \$429.36 | \$860.37 | \$1,340.43 | \$1,597.50 | \$2,386.99 | \$3,940.89 |
| Number of Active Retirees | 111 | 427 | 471 | 385 | 770 | 619 | 812 |
| 2015 | | | | | | | |
| Average Monthly Benefit | \$198.34 | \$427.51 | \$979.05 | \$1,231.53 | \$1,531.45 | \$2,411.38 | \$4,030.21 |
| Number of Active Retirees | 104 | 407 | 425 | 430 | 646 | 541 | 672 |
| 2016 | | | | | | | |
| Average Monthly Benefit | \$203.35 | \$444.09 | \$1,005.40 | \$1,298.39 | \$1,628.25 | \$2,482.32 | \$4,124.83 |
| Number of Active Retirees | 103 | 443 | 460 | 442 | 680 | 528 | 717 |
| 2017 | | | | | | | |
| Average Monthly Benefit | \$238.17 | \$465.54 | \$892.55 | \$1,368.13 | \$1,668.07 | \$2,572.89 | \$4,340.74 |
| Number of Active Retirees | 135 | 450 | 473 | 443 | 708 | 518 | 756 |
| 2018 | | | | | | | |
| Average Monthly Benefit | \$259.99 | \$491.85 | \$985.34 | \$1,388.46 | \$1,666.64 | \$2,545.11 | \$4,205.29 |
| Number of Active Retirees | 129 | 416 | 511 | 506 | 765 | 505 | 752 |
| 2019 | | | | | | | |
| Average Monthly Benefit | \$226.15 | \$481.63 | \$999.41 | \$1,375.40 | \$1,687.76 | \$2,554.41 | \$4,510.90 |
| Number of Active Retirees | 134 | 426 | 495 | 481 | 875 | 546 | 832 |
| 2020 | | | | | | | |
| Average Monthly Benefit | \$216.72 | \$485.03 | \$1,032.59 | \$1,450.21 | \$1,843.08 | \$2,763.42 | \$4,570.67 |
| Number of Active Retirees | 137 | 555 | 507 | 539 | 869 | 565 | 849 |
| 2021 | | | | | | | |
| Average Monthly Benefit | \$207.11 | \$498.40 | \$1,035.12 | \$1,469.68 | \$1,860.82 | \$2,729.39 | \$4,664.14 |
| Number of Active Retirees | 155 | 554 | 490 | 562 | 974 | 565 | 806 |
| 2022 | | | | | | | |
| Average Monthly Benefit | \$234.17 | \$509.68 | \$1,146.81 | \$1,509.75 | \$1,885.68 | \$2,881.10 | \$4,792.22 |
| Number of Active Retirees | 182 | 585 | 500 | 556 | 1012 | 648 | 867 |
| 2023 | | | | | | | |
| Average Monthly Benefit | \$212.20 | \$534.68 | \$1,110.92 | \$1,540.86 | \$1,935.06 | \$3,072.21 | \$4,811.12 |
| Number of Active Retirees | 162 | 524 | 487 | 534 | 869 | 592 | 746 |

This schedule does not provide the average final average salary that is reported for a traditional defined benefit plan because TMRS' cash-balance retirement benefit is not based on an individual's final salary.

The number of active retirees in 2023 excludes 91 retirees that received a single payment in lieu of a monthly benefit.

Demographic Information

CONTINUED

Table S-6

| Schedule of Retirement Benefit Recipients by Type of Benefit | | | | | | | | | | | | | | |
|--|--------------------|-------------|-----------------|------------|-------------------------|-----------|---------------------------|-------|--------|-------|-------------------------|--------|--------|---------------|
| As of December 31, 2023 | | | | | | | | | | | | | | |
| Amount of Monthly Benefit | Benefit Recipients | | Type of Benefit | | Benefit Payment Options | | | | | | | | | |
| | Retirees | Beneficiary | Service | Disability | Life Only | | Survivor Lifetime Options | | | | Guaranteed Term Options | | | |
| | | | | | Retiree | Alternate | 100% | 75% | 50% | 2/3 | 5 yrs | 10 yrs | 15 yrs | |
| \$ 0 - 100 | 909 | 151 | 1,015 | 45 | 246 | 185 | 437 | 31 | 84 | 4 | 23 | 10 | 40 | |
| \$ 101 - 500 | 9,676 | 2,085 | 11,311 | 450 | 3,504 | 987 | 4,136 | 423 | 1,265 | 106 | 313 | 296 | 731 | |
| \$ 501 - 1,000 | 10,766 | 2,311 | 12,635 | 442 | 3,673 | 566 | 4,417 | 685 | 1,872 | 158 | 472 | 374 | 860 | |
| \$ 1,001 - 1,500 | 9,879 | 1,608 | 11,264 | 223 | 3,239 | 250 | 3,919 | 716 | 1,736 | 177 | 435 | 299 | 716 | |
| \$ 1,501 - 2,000 | 7,574 | 1,055 | 8,535 | 94 | 2,480 | 116 | 2,784 | 603 | 1,383 | 171 | 331 | 246 | 515 | |
| \$ 2,001 - 2,500 | 5,792 | 679 | 6,424 | 47 | 1,853 | 59 | 2,007 | 507 | 1,067 | 152 | 265 | 182 | 379 | |
| \$ 2,501 - 3,000 | 4,308 | 433 | 4,724 | 17 | 1,426 | 43 | 1,437 | 324 | 826 | 99 | 238 | 106 | 242 | |
| \$ 3,001 - 3,500 | 3,280 | 321 | 3,597 | 4 | 1,034 | 20 | 1,036 | 329 | 666 | 64 | 184 | 85 | 183 | |
| \$ 3,501 - 4,000 | 2,545 | 200 | 2,743 | 2 | 805 | 8 | 754 | 267 | 535 | 62 | 129 | 70 | 115 | |
| \$ 4,001 & Over | 8,890 | 486 | 9,373 | 3 | 2,784 | 25 | 2,231 | 1,219 | 1,966 | 129 | 399 | 245 | 378 | |
| Subtotals | 63,619 | 9,329 | 71,621 | 1,327 | 21,044 | 2,259 | 23,158 | 5,104 | 11,400 | 1,122 | 2,789 | 1,913 | 4,159 | |
| Totals | 72,948 | | 72,948 | | | | | | | | | | | 72,948 |

The Table S-6 above categorizes the amount of monthly benefits and retirement benefit recipients by type of benefit and payment option selected.

For benefit recipients who die before receiving benefits at least equal to the member's account balance (member contributions and interest only) on the date of retirement, the remaining balance is paid to their estate or beneficiary(ies).

The Table S-6 does not include 1,191 retirees who received a single payment in lieu of a monthly retirement benefit and who remain eligible for the retiree supplemental death benefit.

Benefit Payment Options. When a member applies for retirement, they have three options to determine how their lifetime monthly benefit will be paid.

- **Retiree Life Only** provides the largest monthly retirement benefit. A retiree receives a lifetime monthly retirement benefit with no survivor benefits. At the retiree's death, all TMRS payments will cease.
- **Retiree Life and Survivor** provides a reduced lifetime monthly retirement benefit with a lifetime monthly benefit after the retiree's death to their beneficiary. At the retiree's death, the beneficiary receives a percentage (50%, 75% or 100%) of the retiree's monthly benefit each month for the rest of the beneficiary's life. A Retiree Life and 2/3 Survivor benefit is no longer an option for new retirees.
- **Retiree Life and Guaranteed Term** provides a reduced lifetime monthly retirement benefit with a monthly benefit to their beneficiary(ies) if the retiree dies before the guaranteed payment term ends. At retirement, the retiree selects a guaranteed payment term of 5, 10 or 15 years that begins at their retirement date. Then, if the retiree dies before their selected term ends, the beneficiary(ies) receives their benefit for the remainder of that term.

Demographic Information

CONTINUED

Table S-7

| Schedule of Principal Participating Cities (Pension Trust Fund) | | | | | | |
|--|------|-------------------------|---------------------|------|-------------------------|---------------------|
| Current Year and Nine Years Ago | | | | | | |
| Participating City | 2023 | | | 2014 | | |
| | Rank | Current Member Accounts | Percentage of Total | Rank | Current Member Accounts | Percentage of Total |
| San Antonio | 1 | 7,949 | 6.4% | 1 | 6,266 | 6.0% |
| Corpus Christi | 2 | 2,873 | 2.3% | 3 | 2,245 | 2.2% |
| Arlington | 3 | 2,762 | 2.2% | 2 | 2,462 | 2.4% |
| Plano | 4 | 2,505 | 2.0% | 4 | 2,200 | 2.1% |
| Laredo | 5 | 2,493 | 2.0% | 5 | 2,003 | 1.9% |
| Garland | 6 | 2,124 | 1.7% | 6 | 1,949 | 1.9% |
| San Antonio Water System | 7 | 1,918 | 1.5% | 9 | 1,648 | 1.6% |
| Lubbock | 8 | 1,860 | 1.5% | 8 | 1,683 | 1.6% |
| Amarillo | 9 | 1,854 | 1.5% | 7 | 1,764 | 1.7% |
| McAllen | 10 | 1,712 | 1.4% | 11 | 1,489 | 1.4% |
| All others | | 96,443 | 77.5% | | 80,310 | 77.2% |
| Total | | 124,493 | 100.0% | | 104,019 | 100.0% |

Table S-8

| Schedule of Principal Participating Cities (Supplemental Death Benefits Fund) | | | | | | | | | | |
|--|------|-------------------------|------------------|----------------|---------------------|------|-------------------------|------------------|----------------|---------------------|
| Current Year and Nine Years Ago | | | | | | | | | | |
| Participating City | 2023 | | | | | 2014 | | | | |
| | Rank | Current Member Accounts | Retiree Accounts | Total Accounts | Percentage of Total | Rank | Current Member Accounts | Retiree Accounts | Total Accounts | Percentage of Total |
| Arlington | 1 | 2,762 | 1,767 | 4,529 | 3.7% | 1 | 2,462 | 1,207 | 3,669 | 3.9% |
| Laredo | 2 | 2,493 | 1,152 | 3,645 | 2.9% | 3 | 2,003 | 664 | 2,667 | 2.9% |
| Garland | 3 | 2,124 | 1,357 | 3,481 | 2.8% | 2 | 1,949 | 935 | 2,884 | 3.1% |
| Irving | 4 | 1,609 | 976 | 2,585 | 2.1% | 4 | 1,383 | 660 | 2,043 | 2.2% |
| Grand Prairie | 5 | 1,488 | 725 | 2,213 | 1.8% | 5 | 1,166 | 483 | 1,649 | 1.8% |
| Denton | 6 | 1,472 | 696 | 2,168 | 1.8% | 9 | 1,156 | 360 | 1,516 | 1.6% |
| Abilene | 7 | 1,047 | 780 | 1,827 | 1.5% | 6 | 1,002 | 586 | 1,588 | 1.7% |
| Brownsville | 8 | 1,139 | 639 | 1,778 | 1.4% | 7 | 1,142 | 378 | 1,520 | 1.6% |
| Pasadena | 9 | 998 | 662 | 1,660 | 1.3% | 8 | 960 | 557 | 1,517 | 1.6% |
| McKinney | 10 | 1,310 | 318 | 1,628 | 1.3% | 15 | 870 | 145 | 1,015 | 1.1% |
| All others | | 68,400 | 29,852 | 98,252 | 79.4% | | 54,880 | 18,594 | 73,474 | 78.5% |
| Total | | 84,842 | 38,924 | 123,766 | 100.0% | | 68,973 | 24,569 | 93,542 | 100.0% |