



**MINUTES OF THE
TEXAS MUNICIPAL RETIREMENT SYSTEM
Meeting of the Board of Trustees**

December 11, 2025 – 9:00 a.m.

The Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 9:00 a.m. at the TMRS office, located at 2717 Perseverance Drive, Suite 300, in Austin, Texas, with the following Trustees present: Vice (and acting) Chair Jim Parrish, Tommy Gonzalez, Bryan Langley, Jaime Reyes, Isaac Tawil and Pamela Williams.

Staff present included: Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Yup Kim, Nick O’Keefe, Cindy Demers, Leslee Hardy, Kristyn Scoggins, Tom Masthay, Amol Deshpande, John Ritter, Darren Schlissel, Tim Sweeney and Madison Jechow. Consultants present included: Bob Klausner, Amy McDuffee, Natasha Smith and Sam Austin. Former Trustees present included David Landis and Bob Scott.

Mr. Parrish called the meeting to order at 9:00 a.m.

1. Consider and Act on Consent Agenda.

Ms. Sweeney discussed items normally found in each quarterly consent agenda. Annually, in December, two additional items are included in the consent agenda. The first is a report on members whose accounts have been inactive for seven years and on unclaimed refund payments that have not been cashed. The other is for Board approval of 2025 ordinances adopted by participating cities for updated service credits (USC) and/or cost-of-living adjustments (COLAs) and received by the System on or before December 31, 2025. The Board’s action with regard to the ordinances approves those ordinances presented at the Board meeting and such other qualified ordinances as may be received by the System prior to January 1, 2026.

Mr. Tawil moved for approval of the consent agenda. Mr. Gonzalez seconded the motion, which passed 6-0.

2. Executive Director’s Report.

Ms. Muñoz presented a video spotlighting TMRS member Kimberly Henry, Assistant to the City Manager at Rockport, Texas. Ms. Muñoz thanked former Trustees David Landis, Bill Philibert and Bob Scott for their years of service to TMRS and presented flags flown over the Texas Capital to Mr. Landis and Mr. Scott. She welcomed new Trustees Langley, Reyes, Tawil and Williams. TMRS was recognized as being a top and best workplace in 2025 by the publications Austin American-Statesman and Pensions & Investments. Ms. Muñoz discussed new dashboards providing TMRS data to the Board regarding benefits processed, investments and participating

cities. For the 20th year, TMRS was recognized by the Public Pension Coordinating Council for meeting professional standards in plan funding and administration. TMRS held its annual city training conference and 450 attendees provided great feedback, and next year's conference will be held in person. TMRS also hosted a booth at the Texas Municipal League annual conference that was featured in TML's publication on the conference. Ms. Muñoz reviewed cybersecurity activities, Member Service Center's positive reviews from members, and staff's generous contributions to 95 foster angels as part of the Governor's Commission for Women Holiday Wishes program.

3. Receive Senior Staff Reports.

Ms. Muñoz presented the Senior Staff Quarterly Reports to the Board.

4. Board Education: A Trustee's Fiduciary Responsibilities.

Mr. Klausner reviewed essential fiduciary responsibilities with the Board and discussed resource materials provided. Responding to a question from Mr. Parrish, Mr. Klausner said Trustees' focus should be on understanding and setting TMRS policies, but implementation and operations are the role of the Executive Director.

Executive Session.

Mr. Parrish read the Board into Executive Session at 10:00 a.m. The meeting reconvened in Open Meeting at 10:56 a.m. Mr. Parrish said that all Trustees who were present before the executive session returned to the open session, and no action was taken in the executive session.

5. Budget and Compensation Committee Update.

Mr. Gonzalez, Chair of the Budget and Compensation Committee, said the Committee recommends a 5.9% increase, or \$2.5 million, above the 2025 budget for the 2026 Proposed Operating and Capital Budgets. More than half of the increase is for eight positions added in 2025. The total 2026 proposed budget recommended by the Committee is \$44.7 million and gives the Executive Director discretion for all compensation matters. After the 2026 Budget and Compensation Committee members are named, the Committee intends to review additional budget increases previously recommended by staff.

6. Consider and Act on Proposed 2026 Operating and Capital Budgets.

Ms. Demers reviewed items included as increases for the 2026 proposed budget after meetings with the Budget and Compensation Committee and a workshop with the Board. The items include eight positions filled in 2025, merit pay increases, the required TMRS retirement contribution and a required rate increase for health insurance. An increase to rent is offset by a decrease to City and Member Services outreach costs. No capital budget is proposed for 2026 at this time.

The Board's Audit Committee Charter calls for the Audit Committee to review the proposed Internal Audit budget and make a recommendation to the Board, but the Audit Committee was

unable to hold a meeting prior to this Board meeting due to vacancies created after changes in the Trustees this fall. As a result, Ms. Demers said, the proposed budget for Internal Audit is included in the full proposed budget for the Board's consideration.

Mr. Gonzalez moved that the Board approve the 2026 Operating Budget as presented by staff, with the Budget and Compensation Committee's recommendation. Mr. Tawil seconded the motion, which passed 6-0.

7. Consider and Act on Resolution Transferring Monies from Interest Reserve Account to Expense Fund.

Ms. Demers said that to fund the 2026 approved budget, and a 15% reserve on it, the Board needs to approve the transfer of funds from the TMRS Trust Fund's Interest Reserve Account to the Expense Fund. The 15% reserve was developed by the Board in 2007. Based on the 2026 approved budget, the reserve would be \$6.7 million. Staff also estimates the remaining reserve balance from 2025, as of year-end, to be \$7.3 million. TMRS has a \$600,000 excess that can be used to reduce the transfer from \$44.7 million to \$44.1 million. This transfer is an accounting entry only; all funds remain invested in the Trust Fund until used for expenses.

Mr. Gonzalez moved to approve the transfer of \$44.1 million from the Interest Reserve Account to the Expense Fund. Ms. Williams seconded the motion, which passed 6-0.

8. Consider and Act on Supplemental Death Benefits Fund Assumptions.

Ms. Hardy said the Supplemental Death Benefits (SDB) Fund is an optional benefit for cities separate from the Trust Fund. The SDB benefit is approximately one times salary for covered employee members and \$7,500 for covered retirees. There is no intent to pre-fund the SDB Fund, which is a separate pool based on a pay-as-you-go funding. In 2021, after the pandemic began, rates for cities in the SDB Fund were increased by adding margins of 100% for the member SDB and 10% for the retiree SDB. By 2023, death rates reverted to the norm and the SDB Fund began to build up again so the margin for the member SDB was reduced to 50%. For year-end 2025, the SDB Fund is an estimated \$24.6 million. Actuarial consultant GRS and Ms. Hardy now recommend that the Board remove the 50% margin on city rates for the member SDB and the 10% margin on the city rates for retiree SDB.

Mr. Tawil moved that the Board remove the 50% margin to the active member SDB rates and the 10% margin to the retiree SDB rates effective with the December 31, 2025 valuation. Mr. Gonzalez seconded the motion, which passed 6-0.

9. Consider and Act on Transfer from the General Reserves Account to the Interest Reserve Account.

Ms. Hardy said that at the end of 2021, the Board approved a \$7.5 million transfer from the Interest Reserve Account to the General Reserves Account to cover any potential SDB Fund deficiencies that may result from the pandemic before higher SDB rates replenished the SDB Fund. Fortunately, the SDB Fund was never depleted, and the \$7.5 million in the General Reserves

remains intact. GRS and Ms. Hardy recommended transferring \$7.5 million back to the Interest Reserve Account.

Mr. Reyes moved that the Board approve the transfer of \$7.5 million from the General Reserves Account to the Interest Reserve Account effective as of December 31, 2025. Mr. Langley seconded the motion, which passed 6-0.

10. Board Education – Governance and Board Committees.

Ms. McDuffee said strong pension governance is built, not inherited, and can be a strategic asset to the organization, when done correctly. Deciding on committee structures, such as whether to have a Board investment committee, is an example. An important shift for new Trustees is moving from thinking about specific issues their cities or employees might encounter to “system thinking” about policies, assumptions, structures and oversight. Good governance drives value for public pensions. At the strategic level, responsibilities for a public pension board fall into buckets of board governance (like determining committees), organizational governance (like developing a strategic plan), and governance of plans, programs and services (like setting investment policy and actuarial assumptions).

Ms. McDuffee reviewed current TMRS Board committees: Audit, Budget and Compensation and Stakeholder Advisory. Ms. Smith reviewed committee structures used by peer public pension boards. She noted that, of 15 peers, five funds hear investment matters at the full board level and ten funds use an investment committee, although of those ten committees, six are committees of the whole board. Ms. Smith reviewed policy-level responsibilities for board oversight of investments.

Trustee. Langley asked how the Board is currently involved in investment and financial matters. Ms. Muñoz said examples include the Board sets actuarial assumptions based on recommendations from actuarial consultant GRS, and the Board reviews plans for Internal Audit. Ms. Sweeney said the Board’s Bylaws set out the current standing Board committees, and the Audit Committee Charter sets out responsibilities for that Committee. There is no current investment committee. Mr. Gonzalez said that the research shows some peers have their full board reviewing investment information, and he supports that for TMRS. Ms. Williams and Mr. Reyes concurred, and Mr. Reyes recommended a full-Board investment committee. Mr. Tawil and Mr. Parrish concurred that the full Board should receive investment information.

11. Consider and Act on 2026 Board Meeting Dates.

Ms. Muñoz said the TMRS Act requires four Board meetings annually, typically held on the fourth Thursday of the month. After consulting with Mr. Parrish, she recommended that the Board meet quarterly, on March 26, June 25, September 24 and December 10, with an additional meeting for a Board retreat in February. Ms. Munoz said that last year a May Board meeting was held but only for approval of city contribution rates, which can be done this year in June. Mr. Gonzalez asked if the March and June meetings provide enough flexibility for potentially revising the budget, and Ms. Muñoz said yes. Mr. Gonzalez proposed that the Board retreat be held February 18-20, and several Trustees concurred.

Ms. Williams moved that the Board approve the five 2026 Board meeting dates as proposed. Mr. Langley seconded the motion, which passed 6-0.

12. Consider and Act on Election of 2026 Board Officers.

Ms. Sweeney said the Board's Bylaws call for an annual election of a Board Chair and Vice Chair. While they are elected each year, the Bylaws do not limit the number of times a Trustee may serve in a position. Ms. Sweeney noted that typically the positions run for a calendar year, but given the current vacancy in the Chair position, she recommended that the new Chair and Vice Chair positions take effect on December 12, 2025 and run through calendar year 2026.

Mr. Gonzalez moved for Mr. Parrish to be Board Chair for the recommended period of time. Mr. Langley seconded the motion, which passed 6-0.

Mr. Tawil moved for Mr. Gonzalez to be Board Vice Chair for the recommended period of time. Ms. Williams seconded the motion, which passed 6-0.

13. Consider and Act on Board Committees, Charters, and 2026 Board Committee Appointments.

Mr. Parrish said discussion today reflects that the Board would like to have an investment committee, with a new charter, with the full Board on the committee. Mr. Gonzalez said a separate committee for this would allow for a different committee chair. Mr. Langley suggested investment committee meetings should be on a separate day from Board meetings. Mr. Tawil commented that would allow for more robust discussion regarding investments and more efficient Board meetings.

Mr. Gonzalez moved for an Investment Committee of the entire Board with a different Chair. Mr. Tawil seconded the motion, which passed 6-0. Mr. Parrish nominated Mr. Langley to serve as Investment Committee Chair. Mr. Reyes seconded the motion, which passed 6-0. Mr. Gonzalez nominated Ms. Williams to serve as Investment Committee Vice Chair. Mr. Tawil seconded the motion, which passed 6-0.

Mr. Parrish proposed that the Budget and Compensation Committee membership be increased to include the entire Board. Mr. Gonzalez moved for it to be so, and to authorize staff to update the Budget and Compensation Committee Charter accordingly. Mr. Tawil seconded the motion, which passed 6-0. Mr. Gonzalez moved for Mr. Tawil to be Chair of the Budget and Compensation Committee. Mr. Reyes seconded the motion, which passed 6-0. Mr. Gonzalez moved for Mr. Reyes to be Vice Chair of the Budget and Compensation Committee. Mr. Tawil seconded the motion, which passed 6-0.

Mr. Parrish proposed for the Stakeholder Advisory Committee that the number of Trustee members be increased from two Trustees to three Trustees. Ms. Williams moved for it to be so, and to authorize staff to update the Stakeholder Advisory Committee Charter accordingly. Mr. Gonzalez seconded the motion, which passed 6-0. Mr. Parrish moved for Mr. Reyes to be Chair of the Stakeholder Advisory Committee. Mr. Gonzalez seconded the motion, which passed 6-0.

Mr. Gonzalez moved for Ms. Williams to be Vice Chair of the Stakeholder Advisory Committee. Mr. Reyes seconded the motion, which passed 6-0. Mr. Parrish moved that he take the third Trustee seat on the Stakeholder Advisory Committee. Mr. Langley seconded the motion, which passed 6-0.

Mr. Parrish moved for Mr. Gonzalez to be Chair of the Audit Committee. Mr. Tawil seconded the motion, which passed 6-0. Mr. Gonzalez moved for Mr. Langley to be Vice Chair of the Audit Committee. Ms. Williams seconded the motion, which passed 6-0. Mr. Tawil moved to add a third Trustee to the Audit Committee. Ms. Williams seconded the motion, which passed 6-0. Mr. Gonzalez moved for Mr. Tawil to be the third Trustee on the Audit Committee, and to authorize staff to update the Audit Committee Charter to include three Trustees on the Committee. Ms. Williams seconded the motion, which passed 6-0.

Mr. Gonzalez moved for approval of staff's proposed Investment Committee Charter, and authorized staff to make such amendments as needed to include all six Trustees as members of the Committee, subject to delivery of the Charter to the Board. Ms. Williams seconded the motion, which passed 6-0.

14. Receive Update on Internal Audit Matters.

Ms. Scoggins said she meets with the Audit Committee to provide audit results and updates on the audit plans and to communicate other matters in accordance with internal audit standards. Because of vacancies on the Audit Committee, there was no Committee meeting this quarter. As a result, Ms. Scoggins reported four items to the Board:

1. The status of the quality assurance program, a report of which is required annually under auditing standards. An external audit was performed in 2024, as required once every five years, and received the highest rating. Andi Focht-Williams, Director of Quality Initiatives and a former internal auditor, reviews audit work papers prior to finalization of audit reports in the interim. An internal assessment will be performed in 2026 to review overall conformance with standards.
2. Confirmation of organizational independence, also required annually under auditing standards. Ms. Scoggins confirmed that she is independent of any operational responsibilities.
3. An update on audit plan items in progress. Currently underway is an audit of contract monitoring, including staff oversight of vendors and monitoring of terms, expected to be completed in early 2026. Also underway is the 2026 risk assessment that will be used to propose updates to the 2025-26 audit plan.
4. An update on the budget for Internal Audit. That update was included in the operating budget presentation by Ms. Demers.

Executive Session.

Mr. Parrish read the Board into Executive Session at 12:03 p.m. The meeting reconvened in Open Meeting at 1:32 p.m. No action was taken in the executive session. Mr. Parrish said that all Trustees who were present before the executive session returned in person to the open session except for Mr. Gonzalez, who was now joining the meeting via Zoom.

15. General Investment Consultant Quarterly Report.

Mr. Austin presented an overview of financial markets and review of the TMRS portfolio. Three major trends in the past year were artificial intelligence and sustainability of equity returns, tariffs and fiscal policy, and rates and monetary policy. Markets stumbled in the first part of the year before recovering and delivering strong returns for the year. A major theme which drove markets was the magnificent seven boosting capital expenditures related to AI. The Federal Reserve cut rates for a third time in 2025 while weighing inflation and employment news. The TMRS Trust Fund has grown to \$47.3 billion with a 10.95% return for the trailing year and 8.96% over the last five years. Earnings exceeded the Trust Fund benchmark by 58 basis points in the one-year period and 195 basis points in the five-year period, placing TMRS in the second quartile against peers in both periods. Since December of 2022, TMRS returns have exceeded its assumed actuarial rate of return of 6.75% consistently. All investment classes are in compliance with the Board's asset allocation ranges. TMRS remains in the first quartile (i.e., lowest risk) among its peers when the risk of the TMRS portfolio is measured.

16. Investment Reports.

Mr. Kim said the strategy for the Trust Fund focuses on three key areas:

1. Building a benchmark aligned public markets portfolio with some selective active mandates,
2. Strengthening private market investments with expansion of co-investments, and
3. Cultivating the best investment talent at TMRS to build relationships with the best investment managers in the world.

During 2025, co-investments have increased from 5% to 9.4% of the private market portfolio's net asset value. Of \$4.2 billion budgeted for the year for commitment to private markets, 99% has been invested with approximately half of that in co-investments. Mr. Kim presented a historical stress test that reviewed the portfolio against the most significant market events of this century. The stress test showed that TMRS investments during these events would cover liquidity needs by at least two times during the worst events. Mr. Kim presented the private market pacing plan for 2026. TMRS will target additional investments of \$1 billion in Real Assets, \$1.75 billion in Private Equity and \$2 billion in Private Credit in 2026.

Mr. Sweeney reviewed the Public Equity portfolio of TMRS Investments. This asset class is the largest, with a 35% target allocation, and most volatile. About 65% of the class is invested in U.S. securities and 35% in international securities in a very diversified manner consistent with the asset class benchmark. Current actual allocation is 37.7% because of recent equity market strength. The portfolio has eight managers and twelve funds. This asset class provides great liquidity at a low cost. The blended asset class cost is 12 basis points.

Mr. Sweeney also reviewed the public Tactical Opportunities portfolio, previously referred to as Hedge Funds and Absolute Return. In 2021, the Board voted to reduce the Hedge Funds allocation from 10% to 5% with a goal of increasing the return target. Since then, TMRS has retained its top

nine managers, and their returns have approached 10% for the last three years. This portfolio diversifies the Trust Fund.

Mr. Langley asked how TMRS rebalances when positive returns increase the Public Equity portion of the portfolio. Mr. Sweeney said TMRS has a policy for reviewing and managing this through reviewing monthly benefit payment needs and quarterly capital calls. Ms. Williams asked for more information regarding the stress tests performed by TMRS to be presented to the Investment Committee.

Mr. Deshpande briefly reviewed TMRS Investments in Private Equity, for which an education session is scheduled later in the meeting. This asset class has exceeded its benchmark by 4.7% in the five-year period and 1.2% in the past year.

Mr. Schlissel reviewed TMRS Investments in Credit. Progress toward allocation in this asset class for 2025 met 100% of the pacing plan and will total almost \$1.9 billion. Co-investments were almost 50% of this year's allocation. Net returns exceeded benchmarks by 68 basis points and 295 basis points in the one- and five-year periods, respectively. In overall market activity, yields declined in 2025, a dynamic which will affect future returns.

Mr. Ritter briefly reviewed TMRS Investments in Real Assets, for which there also will be an education session later in the meeting. This is a diversifying portfolio of illiquid investments in real assets that makes up about 19.4% of the Trust Fund currently. The target commitment for 2025 of \$1 billion for this asset class is complete, with more than 50% committed to co-investments. Performance is strong, with outperformance of 80 basis points and 350 basis points in the one- and five-year periods. Market activity is affected by refinancing challenges and declines in construction starts because of higher construction costs. TMRS outperformance in this asset class was assisted by investments in energy, power and digital infrastructure.

17. Review Investment Policy Statement (IPS) and Consider and Act on Possible Amendments to the IPS.

Mr. Kim proposed an amendment to the IPS to reflect a title change from Chief Financial Officer to Chief Compliance Officer. Mr. Langley asked if the change is proposed to reflect what has been happening, and Mr. Kim confirmed that.

Mr. Tawil moved that the Board approve the amendment of the IPS as proposed. Mr. Reyes seconded the motion, which passed 6-0.

18. Board Education: Private Equity Annual Review.

Mr. Deshpande said the objective for this asset class is to enhance fund performance through investment in non-publicly traded securities by generating a long-term rate of return that exceeds public equities. Types of investments in this class include buyouts, growth equity and venture capital. Risk in this illiquid asset class is managed through strategy and geographic concentration limits. Private equity provides TMRS a deep opportunity set, as now over 80% of U.S. companies with revenues more than \$100 million are private companies. Private Equity diversifies TMRS

investments, at least in part, due to public indices being highly concentrated in a few technology companies. Also, because returns among private equity managers have a higher dispersion than among public equity managers, an investor will be rewarded more richly by selecting managers in Private Equity well. Private Equity is the area of greatest growth in the Trust Fund, with a current allocation of 14.5% growing toward the 20% asset allocation target. In this asset class, about 65% of TMRS investments are buyouts, with the remainder split between growth equity and venture capital. Strategy focuses on five megatrends driving the global economy: digital transformation, healthcare innovation, industrial resilience, financial empowerment and energy modernization. Co-investing, or expanding investments alongside existing high-quality managers, are key to TMRS private equity strategy because of reduced fees, the possibility of uplifting returns from targeted deal selection, and portfolio management control due to greater discretion over deployment timing and sector focus. In 2025, TMRS committed about \$1.3 billion to the private equity asset class, with 58% in co-investments. Goals for 2026 include continuing to scale the co-investment program and optimizing the portfolio by deepening ties with select managers.

Mr. Langley asked how the 20% allocation to this class compares to other large pension plans. Mr. Deshpande said the median for peers is lower, but not materially so. Mr. Langley asked if this is a risk-reducing part of the portfolio, and Mr. Deshpande said yes, because this asset class diversifies investments overall. Mr. Langley said the allocation has increased in recent years. Mr. Austin said this is true, but the better performing public pensions, endowments and foundations have a higher commitment to Private Equity. In this asset class, outperformance by select managers is more persistent than in Public Equity, where performance varies. Mr. Gonzales asked, for a future Investment Committee or Board meeting, more information regarding performance in terms of dollars added to the Trust Fund over time, rather than percentage increases, and the strategy behind those returns. Mr. Langley asked if the 6.75% assumed actuarial rate of return is still appropriate given a 20% commitment to Private Equity.

19. Board Education: Real Assets Annual Review.

Mr. Ritter said Real Assets, first and foremost, are a diversifying portfolio with many of the best features of both equity and fixed income. Real Assets provide both yield and growth. In this asset class, TMRS is invested in real estate, infrastructure and natural resources. A lot of time is spent analyzing risk profiles for these investments, as there are strategy concentration limits on the portfolio, and individual investments are reviewed for geography, sector, property type, leverage and income profile. Real Assets grew rapidly up to 2022 as a percentage of the portfolio. The target for this class is 18%, and it currently is 19.4% of the Trust Fund. Of that, real estate is about 10.6%, infrastructure about 6.3% and natural resources about 2.5% of the Trust Fund. The benchmark for this asset class is an even split between real estate and infrastructure. Opportunistic investments in natural resources are additionally contemplated. Mr. Ritter reviewed subclasses of real estate, where TMRS has higher commitments to residential and industrial categories rather than office, retail and other. Infrastructure strategies are more heavily weighted to utilities, transportation and digital infrastructure. Natural resources currently are highly skewed to oil & gas and minerals & mining. Over \$500 million in co-investments in this asset class have been made in 2025. This asset class has outperformed its benchmark across virtually all time periods even with recent challenges in real estate markets. Looking forward, goals include bringing real estate and infrastructure to parity, scaling co-investments and rebalancing the core real estate portfolio.

Mr. Gonzalez asked if staff could present information at an upcoming meeting regarding the volatile market for high-rise buildings and data centers, including energy and water sources for data centers.

Michael Angulo, a faculty member with the University of Oregon, presented a public comment to the Board regarding the performance of TMRS' investment in a fund managed by Instar Asset Management. .

20. Executive Session.

The Board went into Executive Session earlier in the meeting but did not go into Executive Session again at this time.

21. Call for Future Agenda Items.

Mr. Tawil moved to adjourn the meeting. Mr. Langley seconded the motion, which passed 6-0, and the meeting adjourned at 2:59 p.m.



Debbie J. Muñoz
Executive Director



Jim Parrish
Chair, Board of Trustees