



AGENDA

Meeting of the Board of Trustees

Thursday, December 11, 2025 – 9:00 a.m.

TMRS Office
2717 Perseverance Drive, Suite 300
Austin, Texas

Zoom Link for Public:

<https://tmrs.zoom.us/j/81794898050?pwd=d4vUs4qYhEb6jEaaIng6cxaBreAof0.1>

The Board may discuss any item on the Agenda at any time during the meeting.

Call to Order

Invocation

Pledge of Allegiance

1. Consider and Act on Consent Agenda. *Jim Parrish*
 - a. Approve Minutes from the September 18, 2025, October 2, 2025, and November 6, 2025 Board of Trustees meetings
 - b. Quarterly Confirmation of Member Retirements
 - c. Quarterly Confirmation of Supplemental Death Benefit Payments and Extended Supplemental Death Benefits Coverage
 - d. Receive Quarterly Financial Statements as of September 30, 2025
 - e. Receive Seven-Year Inactive Members Report
 - i. Information on Transfer of Inactive Member Accounts to Endowment Fund
 - ii. Information on Transfer of Unclaimed Member Refunds to Endowment Fund
 - f. Approve City Ordinances Adopted for Updated Service Credit and/or Annuity Increase

2. [Executive Director's Report.](#) *Debbie Muñoz*
3. [Receive Senior Staff Reports.](#) Chief Legal Officer (*Christine Sweeney*), Chief Service Officer (*Anali Alanis*), Chief Compliance Office (*Nick O'Keefe*), and Chief Information Officer (*Jac Greene*).
4. [Board Education: A Trustee's Fiduciary Responsibilities.](#)
Robert Klausner, Klausner, Kaufman, Jensen & Levison
5. [Budget and Compensation Committee Update.](#) *Tommy Gonzalez*
6. [Consider and Act on Proposed 2026 Operating and Capital Budgets.](#) *Cindy Demers*
7. [Consider and Act on Resolution Transferring Monies from Interest Reserve Account to Expense Fund.](#) *Cindy Demers*
8. [Consider and Act on Supplemental Death Benefits Fund Assumptions.](#)
Leslee Hardy
9. [Consider and Act on Transfer from the General Reserves Account to the Interest Reserve Account.](#) *Leslee Hardy*
10. [Board Education: Governance and Board Committees.](#)
Amy McDuffee, Mosaic Governance Advisors
11. [Consider and Act on 2026 Board Meeting Dates.](#) *Jim Parrish*
12. [Consider and Act on Election of 2026 Board Officers.](#) *Jim Parrish*
13. [Consider and Act on Board Committees, Committee Charters, and 2026 Board Committee Appointments.](#) *Jim Parrish*
14. [Receive Update on Internal Audit Matters.](#) *Kristyn Scoggins*
15. [General Investment Consultant Quarterly Report.](#) *Sam Austin, NEPC*
16. **Investment Reports.**
 - a. [Chief Investment Officer Report, including Trust Fund Report for Third Quarter 2025](#)
 - 2026 Investment Pacing Plan
 - b. Receive 2025 Completed Investments Report
 - c. [Receive Third Quarter 2025 Investment Compliance Report](#)
17. [Review Investment Policy Statement \(IPS\) and Consider and Act on Possible Amendments to the IPS.](#) *Yup Kim, Tom Masthay*

18. [Board Education: Private Equity Annual Review.](#) *Amol Deshpande*
19. [Board Education: Real Assets Annual Review.](#) *John Ritter*
20. **Executive Session.** *Jim Parrish*
 - a. In accordance with Section 551.074, Texas Government Code, the Board of Trustees may meet in executive session to deliberate personnel matters, including the appointment, employment, evaluation, compensation, performance, reassignment, duties, discipline, selection or dismissal of one or more public officers or employees, including without limitation, the Executive Director, the Internal Auditor and Chief Legal Officer, and thereafter may consider appropriate action in open session; and
 - b. In accordance with Section 551.071, Texas Government Code, the Board of Trustees may meet in executive session to seek and receive the advice of its attorney about pending or contemplated litigation, a settlement offer, or a matter in which the duty of the attorney to TMRS under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the Open Meeting law; and
 - c. In accordance with Section 855.007, Texas Government Code, the Board of Trustees may meet in executive session to (i) receive information from or question the employees, consultants, or legal counsel of the System or a third party relating to an investment or a potential investment; (ii) meet with the System's internal or external auditors to discuss any one or more of the matters set forth in Section 855.007(h); and /or (iii) consider and discuss evaluations or duties of Trustees or Board consultants, and self-evaluations of the Board as a whole.
21. **Call for Future Agenda Items.** *Jim Parrish*

Adjournment

The Board may meet in Executive Session on any item listed above if authorized by the Texas Open Meetings Act or by the Texas Municipal Retirement System Act.

In accordance with Texas Government Code Section 855.007, the Board may conduct the open and/or closed portions of the meeting by telephone conference call and/or by videoconference. The location of the meeting at which at least one Trustee of the Board will be physically present is the Texas Municipal Retirement System office, 2717 Perseverance Drive, Suite 300, Austin, TX, which will be open and audible to the public during the open portions of the meeting.



December 2, 2025

To: Board of Trustees

From: Christine M. Sweeney, Chief Legal Officer 

Re: Agenda Item 1: Consider and Act on Consent Agenda

The Consent Agenda includes:

- Minutes from the September 18, October 2, and November 6 Board meetings;
- quarterly reports on service retirements, disability retirements, death benefits and financial statements;
- the annual report on Members whose accounts have been inactive for seven years; and
- the annual approval of Updated Service Credits (USC) and/or Annuity Increase (COLAs) ordinances that have been adopted by participating cities during the 2025 calendar year.

The Seven Year Inactive Members Report is presented to the Board each December to transfer certain Members' accounts to the Endowment Fund under the terms of the TMRS Act. The Members in the Report terminated city employment by reason other than death or retirement, are not vested, ceased receiving annual interest credits after 60 months, and have not requested a refund. In accordance with the TMRS Act, these persons are no longer considered TMRS Members, and the accounts are transferred to the perpetual endowment account of the Endowment Fund. The Report also provides a listing of former Members with "Unclaimed" refund payments that have not been cashed. If any of the persons subsequently contacts TMRS, they can request a refund at that time. TMRS has tried to contact these Members multiple times in multiple ways.

The TMRS Act requires the Board to approve ordinances adopted by participating cities that relate to Updated Service Credits and/or Annuity Increases (i.e., COLAs) and meet certain criteria of the Act. These two types of ordinances have a specified statutory effective date of January 1, so each December staff presents to the Board the Updated Service Credit and Annuity Increase ordinances that have been adopted during the calendar year. The ordinances that will be presented at the December meeting were adopted to be effective January 1, 2026. Additional ordinances may be received in a timely manner after the December Board meeting. The Board's action with regard to Consent Agenda Item 1(f) approves those ordinances presented and such other qualified ordinances as may be received by the System prior to January 1, 2026. An updated listing of ordinances received will be presented to the Board at the December meeting. Ordinances received after that updated list is created will be presented for ratification by the Board at the first regular Board meeting in 2026.

The Consent Agenda is adopted as one item.

RECOMMENDATION

Staff recommends that the Board adopt the Consent Agenda as presented.

ATTACHMENTS

- 1 - Minutes from the September 18, October 2, and November 6 Board Meetings
- 2 - Retirement and Supplemental Death Benefit Reports
(summary report attached; detailed report in Diligent Resource Center due to confidential information)
- 3 - Financial Statements (in Diligent Board Books)
- 4 - Seven Year Inactives Report (in Diligent Resource Center)
- 5 - List of Ordinances Adopted for Updated Service Credit and/or Annuity Increase



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

September 18, 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: Chair David Landis, Vice Chair Jim Parrish, Tommy Gonzalez and Bob Scott.

Staff present included: Debbie Muñoz, Christine Sweeney, Anali Alanis, Yup Kim, Jac Greene, Nick O’Keefe and Madison Jechow. Consultants present included: Sam Austin, Bob Klausner, and Spencer Edge.

Mr. Landis called the meeting to order at 9:01 a.m.

1. Board Education: Investment Overview and Strategy.

Ms. Muñoz discussed the three pillars that guide TMRS investment strategy: maintain a benchmark aligned global public markets portfolio, pursue opportunities for outperformance in private markets, and attract world class talent to TMRS.

Mr. Kim said the public markets portfolio is focused on benchmark alignment with a low-cost, passive approach. About 25% of the portfolio is committed to exceptional, active investment managers.

Mr. Kim said TMRS staff focuses on private markets, where good selection of managers can deliver an outsized impact. Co-investments, which TMRS can make alongside managers on a reduced or no fee basis, are critical to long-term success. Historical evidence shows that the best performing asset owners in the past decade had high shares of private markets and high shares of co-investments. TMRS’ own performance in co-investments in the last five years exceeded other private market returns.

Mr. Landis asked how risk in co-investments is evaluated. Mr. Kim said the risk profile is similar to other private market investments because co-investments are added alongside other private market investments. Mr. Scott asked if TMRS has access to information as a co-investor that is not available to a limited partner. Mr. Kim said that can happen because a larger holder of equity in a company often has preferred access to information about the company. Mr. Kim said TMRS has the opportunity to add additional returns over the next 10 years with a well-executed co-investment strategy. Mr. Parrish asked what are the downsides of having a significant portion of the Trust Fund allocated to private markets. Mr. Kim said reduced liquidity is a downside, but

TMRS has a strong liquidity position for paying benefits and responding to capital calls by investment managers.

Mr. Kim described TMRS' investment process. The Board sets controls and priorities through the Investment Policy Statement (IPS); staff builds a control framework on standardized documentation, checks-and-balances and transparent reporting, and TMRS receives independent advice from investment consultants NEPC and Albourne. Mr. Kim gave an overview of related governance documents, the investment reports available to the Board, and dashboards used by investment staff. Mr. Klausner said he has seen TMRS' investment processes in practice and that processes are being followed.

To execute the investment strategy, Mr. Kim said asset allocation is at the core of portfolio implementation and reviewed the asset allocation in the IPS. Mr. Kim said portfolio implementation focuses on scaling TMRS' co-investment program. All portfolio management efforts are metric-driven, and the metrics are presented to the Board quarterly in the key performance indicator dashboard. Since Mr. Kim joined TMRS in January 2024, TMRS' co-investment share has reached 9% of its private market portfolio, and five-year excess returns have increased to 196 basis points. Co-investments have a thematic approach focused on digital transformation, healthcare innovation, industrial resilience, financial empowerment, and energy modernization. Each theme has a research team within TMRS investment staff.

Mr. Kim discussed how Trinity River Holdings, a co-investment partnership structure, is helping TMRS scale co-investments. Mr. Kim also discussed TMRS' investments in venture capital.

Mr. Kim gave an overview of TMRS' borrowing facilities for multiple investment vehicles. He said the borrowing facilities improve operational efficiency by reducing the frequency of capital calls while allowing managers to close investments quickly.

Mr. Kim reviewed the Chief Investment Officer Key Performance Indicator Dashboard, noting all indicators are positive although TMRS' share of co-investments is transitioning as is TMRS' five-year Trust Fund performance compared to its peers. Mr. Gonzalez asked about the possibility of simplifying the dashboard for purposes of making it available to TMRS Members and cities.

5. Executive Session.

Mr. Landis next called for Agenda Item 5 and read the Board into Executive Session at 10:15 a.m. The meeting reconvened in Open Meeting at 10:38 a.m. Mr. Landis said that all Trustees who were present before the executive session returned to open session, and no action was taken in the executive session.

2. Investment Reports.

Mr. Kim said current investment activity included rebalancing of private market investments and that good progress is being made on 2025 targets. The Trust Fund's allocation is in compliance with the IPS. Through September 5, about 73% of the proposed 2025 volume of investment allocations has been deployed, and about 63% of the deployment is in co-investments. Mr. Kim

said co-investments have outperformed other private market assets by about 11% on a three-year basis. Staff prepared a historical stress test reviewing the largest market drawdowns since 2008 and found that it is critical to stay the course, because drawdowns were always followed by years of strong returns. Mr. Kim reported staff also found that TMRS had more than double the amount of needed liquidity in a repeat of each drawdown since 2008.

3. General Investment Consultant Quarterly Report.

Mr. Austin said TMRS had a good first half of the year despite seesaw market conditions. The Trust Fund beat its benchmark by 144 basis points in the one-year period and 196 basis points in the five-year period, meeting expectations. TMRS’ returns fell in the second quartile among its peers in the one-year period, with one of the lower risk levels. Mr. Austin noted recent outperformance by TMRS global markets managers, in which sector the best managers often change. In comparison, outperformance by private market managers shows persistence over time.

4. Receive Annual Review and Consider and Act on Amendments to Asset Allocation.

Mr. Austin said the IPS states that the asset allocation will be reviewed annually for reasonableness in the context of current capital market and economic conditions and the Board’s long-term investment goals. NEPC publishes assumptions over 10- and 30-year periods, the former for investment guidance and the latter for actuarial guidance, to be measured against multiple dimensions of risk. Based on the current review, Mr. Austin said, staff proposes broadening the target range for each asset class from 5% to 8% on each side of the target. Widening ranges will enable better navigation of variable capital market conditions and more effective transition of the TMRS Trust Fund toward its target asset allocation. Mr. Austin said the proposed range changes would be consistent with asset allocation ranges of other NEPC clients. Mr. Kim said the proposed changes do not change the long-term asset class targets but widen the ranges to allow staff to navigate the ups and downs of the markets. Mr. Scott asked if TMRS would proceed with a comprehensive review of the IPS in December. Mr. Kim confirmed that.

Mr. Scott moved that the Board adopt updated and consistent asset allocation ranges for private equity, credit, and real assets as follows, to be effective as of October 1, 2025:

Asset Class	Target%	Current Range	Proposed Range
Private Equity	20%	10% - 25%	12% - 28%
Credit	21%	16% - 26%	13% - 29%
Real Assets	18%	13% - 23%	10% - 26%

Mr. Gonzalez seconded the motion, which passed 4-0.

6. Call for Future Agenda Items.

Mr. Landis said prior Board training sessions were conducted with two Trustees at a time, and training in that manner was helpful. Mr. Landis adjourned the meeting at 11:28 a.m.

Debbie J. Muñoz
Executive Director

Jim Parrish
Vice Chair, Board of Trustees



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

October 2, 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: Chair David Landis, Vice Chair Jim Parrish, Tommy Gonzalez, Bill Philibert and Bob Scott.

Staff present included: Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Nick O’Keefe, Kristyn Scoggins, Leslee Hardy, Tom Masthay, Darren Schlissel, Tim Sweeney and Madison Jechow. Consultants present included: Tim Bruce, NEPC, and Joe Newton, GRS.

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

1. Consider and Act on Consent Agenda.

Mr. Parrish moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the June 12, 2025 and August 28, 2025 Board of Trustees meetings. Mr. Scott seconded the motion, which passed 5-0.

2. Executive Director’s Report.

To highlight TMRS’ mission, Ms. Muñoz presented a video on Cody Baker, a recent retiree from the City of Pharr Fire Department. She reported that TMRS’ online retirement application went live on July 1, 2025. An investment industry organization, Allocate With, called Trinity River Holdings (TMRS’ co-investment partnership with GCM Grosvenor) a “novel investment vehicle” and selected it as one of three finalists for its Idea of the Year award, which will be announced by the end of October. The 2025 Texas Legislature approved a new 8% employee contribution rate option for the TMRS Act effective September 1; and, since September 1, a total of 342 cities have completed plan change studies for the new rate, and 35 cities have formally adopted the new rate. Chief Information Officer Jac Greene was selected to participate in the Governor’s Executive Development Program. TMRS Portfolio Directors Hester Cai and Monica Huffer were recognized by publishers Pensions & Investments and Women We Admire, respectively. The 2025 TMRS City Training Conference, to be held virtually, has already drawn 658 registrants. The City of Combine became TMRS’ 944th participating city. Staff development has included April Hernandez and Colin Davidson completing the Governor’s Senior Management Development Program at the University of Texas (UT) LBJ School, Natalie Garza completing the related Management Development Program, and Julia Paxton completing the UT post-graduate program in Artificial Intelligence and Machine Learning. Ms. Muñoz discussed staff’s personal efforts to provide

support for victims of the Kerr County floods and students of Austin's Travis High School. Benefit Administration continues to complete 100% of key processes weekly, and Senior Staff met offsite in September to start the process for the next TMRS strategic plan.

3. Receive Senior Staff Quarterly Reports.

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

4. Consider and Act on Amendments to Board of Trustees Orientation and Education Policy.

Ms. Sweeney proposed amendments to the Board of Trustees Orientation and Education Policy to reflect the Pension Review Board's amendments to its rules for public pension trustee training. Training requirement periods are now based on a calendar year rather than on each Trustee's appointment date.

Mr. Philibert moved that the Board adopt the amended Board of Trustees Orientation and Education Policy as presented. Mr. Parrish seconded the motion, which passed 5-0.

5. Consider and Act Renewal of Board's Fiduciary Counsel Agreement.

Ms. Muñoz said Bob Klausner, with Klausner, Kaufman, Jensen & Levinson, has provided legal and fiduciary counsel services to TMRS since 1999. The current contract for his services will expire December 31, 2025. Given his extensive experience with, and effective efforts for, TMRS, Ms. Muñoz proposed extending TMRS' agreement with Mr. Klausner and his law firm for an additional three years, with a TMRS option to renew for a fourth year.

Mr. Scott moved that the Board extend and renew the Board's Fiduciary Counsel Agreement for another three years, with the option to renew for an additional one year. Mr. Gonzalez seconded the motion, which passed 5-0.

6. Report on Audit Committee Meeting.

Ms. Scoggins said the Audit Committee met on September 11, 2025, and received two reports. The first was an audit of the city contributions portal, and the second was the confidential 2024 security assessment, which was presented by Mr. Greene. She then discussed the objectives for the audit of the portal, and said she found the portal achieved its stated objectives and functionality and that TMRS is implementing controls to ensure data is reported accurately. She noted there were two audit recommendations, both rated low risk, to enhance controls already in place and that Management adopted action plans to implement the recommendations. Ms. Scoggins said the Committee also heard survey results from staff members' assessment of TMRS' external auditor CLA, which results were positive. Ms. Scoggins presented updates to the Committee for the 2025-26 audit plan and stated she began the audit of contract monitoring activities and the annual risk assessment to update the audit plan. To assist with the risk assessment for TMRS Investments, TMRS has engaged consultant Weaver and Tidwell, LLP.

7. Report on Budget and Compensation Committee Meeting.

Ms. Demers said the Budget and Compensation Committee met on September 23, 2025. The two main agenda items were a presentation about TMRS, as an employer, potentially adopting the new 8% employee contribution rate option and a review of the proposed 2026 operating and capital budgets. Staff received questions from the Committee and responded with additional information. Mr. Gonzalez said the budget proposes a 17% increase and his questions centered around how the investment in additional items proposed would align with TMRS' long-term strategy, and what improvements or outcomes should be expected from them.

Mr. Gonzalez commented he thought it appropriate to have additional discussion in a Board budget workshop, where all Trustees could learn more about the proposals. Mr. Parrish and Mr. Landis concurred with the idea of a workshop.

8. Discuss 2026 Proposed Operating and Capital Budgets.

Ms. Demers reviewed a timeline for Committee and Board consideration of the proposed budgets, with approval to be requested at the December 11, 2025, Board meeting.

The proposed operating budget totals \$49.4 million and the proposed capital budget is \$1.1 million. The combined budget is funded by the Expense Fund within the TMRS Trust Fund.

Ms. Demers discussed the strategic objectives for the budget that were included in the Board's materials. She said the proposed budget would restore funding that was reduced in previous years, particularly in the staffing area, and that a recent change in TMRS' accounting software may cause some budget items to appear to be in different categories than in prior years. Ms. Demers reviewed increases proposed in three major categories of the operating budget: Personnel Services, Professional Services, and Software/Cloud Services. For 2026, the proposed operating budget represents 0.11% (or 11 basis points) of the total Trust Fund assets. To put that in context, a survey by the National Conference of Public Employee Retirement Systems showed that other public pensions systems' average operating cost was 18 basis points in 2024.

Personnel costs are 62% of the overall operating budget, and Ms. Demers noted that, in response to Committee questions, staff had provided additional information regarding these positions to each Trustee. The proposed budget includes the cost of adopting an 8% employee contribution rate for TMRS if the Board adopts that rate. Increases also relate to health insurance premium increases, merit pay and continuation of the bonus program at the same level as 2025.

Ms. Demers reviewed Professional Services budgeted items, which includes actuarial, audit, custodial, information, investment and legal services. Initiatives in this category include artificial intelligence (AI) and record-digitization initiatives, the Malcolm Baldrige award application, strategic planning, and staff recruiting. In these categories, some areas have been affected by the accounting software changes.

Ms. Demers next reviewed budgets for facilities, city and Member outreach, and information technology. Other administrative budget items increased, including Board costs and professional

development, and these items are also affected by the accounting changes so the categories may differ from prior years.

Ms. Demers then discussed the proposed capital budget, which includes four projects totaling \$1.1 million. The projects include updating technology in conference rooms, implementing Microsoft commercial cloud services, migration of Investments' data warehouse, and reconfiguring office space for additional staff.

Ms. Demers said that not everything requested by staff was included in the proposed budget, including employee positions, and that staff would schedule a Board workshop for the next step in reviewing the proposed budgets.

9. Consider and Act on Amendments to the Actuarial Funding Policy.

Ms. Hardy explained that amendments are being proposed to TMRS' actuarial funding policy. She said that since 2007, the funding policy has helped TMRS climb from a funding level near 70% to approximately 90% funded. The goals for TMRS' funding policy, derived from Pension Review Board (PRB) guidance, are planning to achieve 100% funding, intergenerational equity (i.e., future generations should not bear the cost of this generation's benefits), and controlling the volatility of city contribution rates.

With the recent passage of House Bill 3161 and the possibility of an 8% employee contribution rate, Ms. Hardy said the Actuarial Funding Policy should be updated to address a potential financing deficiency concern. Under the current Funding Policy, there is a combination available to cities where they can increase benefits overall, but change from Repeating to Ad hoc for COLAs and/or Updated Service Credits, and end up with a net decrease in their city contributions, perhaps significantly. This scenario already exists, but with the addition of the 8% member contribution option, there is more incentive to do so and if enough cities do, it would negatively impact TMRS' cash flow and liquidity, and possibly portfolio construction.

Mr. Newton presented an example of the potential financing deficiency that could occur. He also explained that the total cost over time to finance annually adopted COLAs using an Ad hoc approach is three- to four-times more than the cost of providing Repeating COLAs, so that regularly providing COLAs under the Ad hoc approach costs future taxpayers more. Also, cities who finance COLAs based on Ad hoc actuarial assumptions are expected to never achieve 100% funded status.

Mr. Newton said the recommended Funding Policy changes distinguish between truly Ad hoc benefit changes, defined as no more than one benefit enhancement of the same type in four years, and Effectively Repeating benefit changes, where a city grants the same type of benefit enhancement (USC or COLA) on an ad hoc basis after already providing the same enhancement within the previous three years. Mr. Gonzalez said he feels like a forecast of 5 or 10 years is needed for cities to understand the impact on rates. Mr. Newton said staff has tools to provide cities those projections, separate from the new online calculator available to cities. Mr. Newton explained that under the recommendations:

- For a city with repeating benefits:
 - the city can only remove the repeating assumption if the city does not adopt an ad hoc benefit to replace the repeating benefit,
 - if the city grants an ad hoc benefit in the same year as, or in the next two years after, the city removed the repeating benefit, a full 100% effectively repeating assumption will be reflected in the funding cost, and
 - a three-year gap is needed for the city to adopt the same benefit ad hoc that previously had been provided on a repeating basis for the city to not trigger a full 100% effectively repeating assumption reflected in the funding cost.
- For cities with annual or consistent ad hoc benefits:
 - each time such a city triggers the effectively repeating condition, by adopting the same benefit ad hoc in the next three years after the same benefit's most recent adoption, an assumption will be reflected in the contribution rate equal to 20% of the repeating cost (in addition to the ad hoc cost), and
 - these additional costs will continue to stack to fully reflect the repeating cost once the conditions have been triggered 5 times.

Mr. Scott said that the proposed changes would allow cities to understand pros and cons of how they adopt benefits and the impact on city rates, that Trustee responsibilities include making sure TMRS is adequately funded, and that the PRB has a goal of 100% funded for public plans, so TMRS needs to work toward that goal.

Mr. Newton said that under the recommended policy changes, the effectively repeating assumption can be removed if:

- a city does not provide an ad hoc benefit enhancement for three consecutive years, or
- if the city formally requests that the assumption be removed with conditions that:
 - the city will not grant another ad hoc benefit enhancement within three years of last adoption, and
 - if the city grants another ad hoc benefit enhancement within the three-year period, the city's funding cost will be reflected as 100% effective repeating.

Ms. Hardy said that only 10 TMRS cities continue to annually adopt benefit changes on an Ad hoc basis. The policy changes will provide cities that do not have a USC and/or COLA now, but want to add them, a path for funding on a repeating basis. The policy changes, if approved, would be implemented in 2026 with the first impact on city rates in 2027 rates.

Mr. Parrish moved that the Board adopt the amendments to the Actuarial Funding Policy Effective January 1, 2026. Mr. Gonzalez seconded the motion, which passed 5-0.

10. Board Education: Credit Asset Class.

Mr. Masthay introduced an annual educational review on the Credit asset class. Investment guidelines detail the asset class limitations by stating the objectives, permissible investments and risk management limitations. Credit is composed of both Public Credit, which seeks to diversify risk, provide income and be a source of liquidity, and Private Credit, which seeks return enhancement relative to public credit.

Mr. Schlissel said the Credit asset class allocation changed between 2024 and 2025, resulting in a reduction from a target of 25% to 21% and that the portfolio is transitioning down toward the new target. Mr. Schlissel explained that, in Credit, various categories of returns and credit risks are stacked on top of each other. Other than core fixed income, the remainder of Public Credit is allocated to top tier managers pursuing strategies across high yield bonds, leveraged loans, multi-asset credit and asset-backed credit. In Public Credit, TMRS has access to the liquidity of publicly traded instruments. Public Credit is about 15.5% of the TMRS Trust Fund as of June 30, 2025.

Mr. Schlissel said Private Credit is about two-thirds committed to corporate opportunities in direct lending and opportunistic credit. The other third relates to credit that does not depend on a single company for repayment, which can include, as examples, a pool of loans or loans collateralized by real estate. This provides diversification for returns in a variety of market scenarios. Private Credit represents about 9.5% of the Trust Fund as of June 30, 2025. Mr. Schlissel reviewed different lending and security scenarios within Private Credit.

Mr. Schlissel noted that each Credit sub-asset class is performing in line with or better than its benchmarks. Performance has been strong, but as interest rates decline returns may do so as well. Goals for 2025 are on track for deployment of \$1.6 billion in capital, improving Public portfolio benchmark alignment and building the co-investment program. Looking forward, goals include reaching a 13% allocation to Private Credit, increasing co-investments, and increasing concentration with TMRS' strongest relationships.

11. Board Education: Tactical Opportunities Asset Class.

Mr. Masthay introduced an annual educational review for the Tactical Opportunities asset class. He shared that the asset class includes, but is not limited to, investments in instruments to the other asset classes in TMRS' portfolio: Public Equity, Private Equity, Real Assets and Credit. Under the Investment Guidelines, the objective is to diversify investment strategies and earn a long-term return greater than public equities. Mr. Masthay stated that the asset class contemplates investing in both public and private assets but that not more than two-thirds of the class (no more than 4% of the Trust vs. the 6% strategic target) may be invested in private market investments.

Mr. Tim Sweeney recounted the history of the Tactical Opportunities asset class. He stated the predecessor asset class (which was variably referred to as Hedge Funds and Absolute Return in the past) in 2016 had a target allocation of 10% and the effort's strategic purposes was to replace fixed income with a higher returning alternative. In 2021, the strategic allocation reduced the target to 5% and the target return profile was increased. At the time, investment staff, with support from consultant Albourne, reduced the portfolio by terminating lower-return managers and retaining their highest returning managers. Per the strategic asset allocation adopted by the Board in 2024 and effective January 1, 2025, the predecessor asset class (at the time referred to as Hedge Funds) was eliminated and Tactical Opportunities became a new asset class with a target allocation of 6%. The new asset class introduced the potential to invest in private assets. Investment staff set about implementing the public markets component of the asset class by transitioning the existing hedge fund portfolio to Tactical Opportunities, and then going about a similar exercise as in 2021, this time reducing the portfolio's hedge fund investments from 5% of the Trust to approximately 3%,

again by top-grading the portfolio through terminating lower-return managers and retaining the highest-return managers. Tim stated that that the public tactical opportunities portfolio today includes three key strategies:

- equity, with an emphasis on liquidity,
- hybrid, a mix of equities and fixed income, and
- relative value, a diverse source of return that has low correlation to global equity markets. An example of a transaction would be taking strategic positions in different maturity bonds given the expected reduction in near-term interest rates.

Tactical opportunities produced excess returns of more than 4% in the one- and three-year returns, and performance continues to be strong following the portfolio restructuring in 2022.

Mr. Scott asked how Tactical Opportunities are different from Hedge Funds. Mr. Masthay said Tactical Opportunities is a more expansive concept that can include more than Hedge Funds, and by allowing more equity in this class as compared to relative value, the expected return profile increased with the goal of at least earning the 6.75% actuarial return assumption. Mr. Sweeney said increasing the exposure to equity strategies was central to the efforts of increasing returns in the asset class. Managers within this asset class were reduced from 20+ to the top performing eight managers. Looking forward, the goals for this class are to achieve benchmark outperformance, to continue to scale relationships with high conviction managers, and to develop and communicate a plan for approaching private tactical opportunities investments.

12. Executive Session.

The Board did not go into Executive Session.

13. Call for Future Agenda Items.

Mr. Gonzalez asked about a Board workshop to review the proposed budget, and Mr. Landis said the Executive Director will put something together for that. Mr. Landis adjourned the meeting at 11:24 a.m.

Debbie J. Muñoz
Executive Director

Jim Parrish
Vice Chair, Board of Trustees



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

November 6, 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, Suite 300 in Austin, Texas, with the following Trustees present: Chair Jim Parrish, Tommy Gonzalez, Bryan Langley, Jaime Reyes, Isaac Tawil and Pamela Williams.

Staff present included: Debbie Muñoz, Christine Sweeney, Anali Alanis, Yup Kim, Jac Greene, Nick O’Keefe, Cindy Demers, Daisy Olivera and Tom Masthay.

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

1. Receive Update on Budget and Compensation Committee.

Mr. Gonzalez, Chair of the Budget and Compensation Committee (Committee), provided an update on its meeting on September 23, 2025, discussed his questions and comments regarding the budget, and requested education and training for Trustees on investments and artificial intelligence (AI) topics. He suggested increasing the Committee size to three Trustees and proposed the creation of an Investment Committee with the same number of Trustees

2. Discuss 2026 Proposed Operating and Capital Budgets, and Possibly Take Action on Budget Items.

Mr. Parrish said TMRS has new opportunities with Ms. Muñoz becoming Executive Director in July and four new Trustees joining in October. The new Trustees and staff introduced themselves, and Ms. Muñoz introduced the budget. Ms. Demers then presented an overview of the proposed 2026 Operating and Capital Budgets.

Mr. Gonzalez discussed the concept of approving last year’s budget amount in December, followed by a budget adjustment made after the Board retreat in early 2026 to discuss strategic planning.

Staff discussed the proposed 8% employee contribution rate for TMRS included in the Operating Budget. Mr. Langley asked about the impact of the rate increase on TMRS’ plan liabilities and TMRS’ employee benefits and noted the importance of cities having full information about the impacts before making a decision. Mr. Gonzalez requested information on city contribution rates regarding the highest and median rates. Mr. Reyes, Ms. Williams and Mr. Tawil added comments concurring with cities’ needing to understand the impacts before increasing their employee contribution rate.

The Personnel portion of the budget was discussed and Ms. Olivera reviewed comparisons of compensation between TMRS and comparable pension system employers. The investment related bonus program was discussed, with Mr. Kim providing an Investments strategy overview and Mr. Masthay discussing the program. Trustees requested additional information, which staff will provide. Mr. Parrish proposed that Mr. Gonzalez, Mr. Langley and Mr. Tawil work with Ms. Munoz to review this information for the program.

Ms. Demers reviewed the budget for Professional Services. Mr. Greene reviewed the technology portions of the Operating and Capital budgets and how TMRS was approaching AI. Mr. Kim and Mr. Masthay discussed reasons for employing AI in Investments. Mr. Langley noted it is important to know where one is trying to go with AI and why. Mr. Parrish asked for information regarding TMRS cybersecurity insurance coverage. Ms. Demers provided information and said TMRS is reviewing its insurance currently. Mr. Greene discussed TMRS fraud prevention efforts and Information Services' technology roadmap. Ms. Demers discussed additional budget proposals for facilities and capital.

Mr. Langley asked about TMRS' process for periodic review of its consultants and suggested that could be a topic for a Board retreat. Mr. Parrish and Mr. Gonzalez discussed the concept of approving a base budget in December and then making adjustments after a Board retreat. Mr. Langley asked Ms. Muñoz for information regarding TMRS' urgent needs as compared to budget requests that can wait. Mr. Gonzalez asked for information about budget needs for the next three years if the proposed increases were approved for 2026.

3. Executive Session.

Mr. Parrish read the Board into Executive Session at 12:21 p.m. The meeting reconvened in Open Meeting at 12:45 p.m. Mr. Parrish said that all Trustees who were present before the executive session returned to open session, and no action was taken in the executive session.

4. Call for Future Agenda Items.

Mr. Gonzalez described topics he would like to include on the agenda for December or future meetings and said he would send staff the topics.

Ms. Muñoz said that an orientation for new Trustees would be held on December 10, 2025, beginning at 1:30 p.m.

Mr. Parrish adjourned the meeting at 12:54 p.m.

Debbie J. Muñoz
Executive Director

Jim Parrish
Chair, Board of Trustees



December 2, 2025

To: Board of Trustees

From: April Hernandez, Director of Benefit Administration 

Re: Agenda Item 1 - Consent Agenda – Retirements and Supplemental Death Benefit Payments

The attached Retirement Report and Supplemental Death Benefits Payments Report reflect processing activity by the Benefit Administration department in accordance with the TMRS Act and reviewed and approved by Anali Alanis, Chief Service Officer.

Board Retirement Report

Summary of Individual Member Retirements Processed from 07-2025 to 09-2025

Total Number of Retirements by Option	Service	Disability	Total
Retiree Life Only	356	6	362
Retiree Life -- 100% to Survivor	390	9	399
Retiree Life -- 75% to Survivor	66	1	67
Retiree Life -- 50% to Survivor	138	0	138
Retiree Life -- 5 Years Guaranteed	12	0	12
Retiree Life -- 10 Years Guaranteed	13	0	13
Retiree Life -- 15 Years Guaranteed	47	0	47
Cashout of Reserves	19	1	20
Total Number -- All Options	1,041	17	1,058

Total Monthly Benefits (Nearest Dollar)	\$2,030,893	\$16,546	\$2,047,439
Average Monthly Benefit (Nearest Dollar)	\$1,951	\$973	\$1,935
Average Age at Retirement	60	50	60
Average Years of Service at Retirement	18	13	18

Partial Lump Sum Distributions	
No. of Retirements Taking a PLSD	780
Total Amount Paid	\$46,654,968
% of PLSD Funds Rolled Over	53%
% of PLSD Funds Not Rolled Over	47%

**Texas Municipal Retirement System
Board Supplemental Death Benefits Report**

**Summary of Applications for Supplemental Death Benefits and Supplemental Death
Benefits Extended Coverage from July 1, 2025 to September 30, 2025**

Applications for Supplemental Death Benefits	
By Beneficiaries of Active Members	35 payments totaling \$2,308,826.36
By Beneficiaries of Retired Members	253 payments totaling \$1,752,812.50
Applications for Supplemental Death Benefits Extended Coverage	
None	

**Texas Municipal Retirement System
Expense Fund - 2025
Schedule of Administrative Expenses
as of September 30, 2025**

Account Description	Budget	Actual	Amount Over/(Under)	% of Budget Spent YTD (75%)
Personnel Services				
Salaries and Compensation	\$ 20,283,295	\$ 15,364,739	\$ (4,918,556)	75.75%
Employee Benefits	6,096,440	4,342,567	(1,753,873)	71.23%
Total Personnel Services	26,379,735	19,707,306	(6,672,429)	74.71%
Professional Fees				
Actuarial Services	824,500	515,872	(308,628)	62.57%
Audit Services	227,250	202,250	(25,000)	89.00%
Legal Services	808,500	713,435	(95,065)	88.24%
Information Services	320,500	462,665	142,165	144.36%
Investment	2,270,429	1,110,661	(1,159,768)	48.92%
Custodial and Banking	1,515,000	1,103,972	(411,028)	72.87%
Other	557,420	657,720	100,300	117.99%
Total Professional Fees	6,523,599	4,766,575	(1,757,024)	73.07%
Technology				
Software and Support	3,404,310	2,688,390	(715,920)	78.97%
Hardware and Other Support	188,900	45,195	(143,705)	23.93%
Total Technology	3,593,210	2,733,586	(859,624)	76.08%
Facilities	3,061,312	2,107,124	(954,188)	68.83%
City and Member Outreach	768,947	432,570	(336,377)	56.25%
Other Administrative				
Board and Advisory Committee	121,005	41,426	(79,579)	34.23%
Professional Development	465,866	404,922	(60,944)	86.92%
Insurance,Supplies and Other Misc.	499,885	791,159	291,274	158.27%
Travel	801,860	346,135	(455,725)	43.17%
Total Other Administrative	1,888,616	1,583,641	(304,975)	83.85%
Total Operating Expenses	\$ 42,215,419	\$ 31,330,801	\$ (10,884,618)	74.22%

Agenda Item 1.f. - December 11, 2025 Meeting Update
CITIES THAT HAVE ADOPTED OR READOPTED UPDATED SERVICE CREDIT AND/OR ANNUITY INCREASES
EFFECTIVE JANUARY 1, 2026
(Ordinances received as of December 1, 2025)

City Number	Participating Municipality	Updated Service Credit		Cost of Living Adjustment	
		Rate (%)	Year Effective	Rate (%)	Year Effective
00004	Abernathy	100 T	2026R	70	2026R
00017	Aledo	50	2026R	70	2026R
00030	Amarillo	100	2026R	70 NR	2026R
00054	Arp	100	2026R	30	2026R
00066	Aubrey	50	2026R	50	2026R
00100	Bedford	50 T	2026R	50 NR	2026R
00101	Bee Cave	100 T	2026R	50 NR	2026R
00143	Blue Mound	100	2026R	70 NR	2026R
00156	Borger	100 T	2026R	70	2026R
20188	Brownsville PUB	100 T	2026R	70	2026R
00198	Bullard	100	2026R	30 NR	2026R
00222	Canton	100 T	2026R	30	2026R
00302	Corpus Christi	100 T	2026R	30	2026
00307	Cottonwood Shores	100 T	2026R	30	2026R
00310	Crandall	100T	2026R	70	2026R
00326	Cuero	100 T	2026R	70 NR	2026R
00344	Dayton	100 T	2026R	70	2026R
00394	Eagle Lake	100 T	2026R	70	2026R
00420	Elgin	100 T	2026R	70 NR	2026R
00427	Elmendorf	100	2026R	30	2026R
00440	Eustace	100	2026		
00452	Fate	100 T	2026R	70	2026R
00482	Freeport	75	2026R	70	2026R
00536	Granbury	100 T	2026R	70 NR	2026R
00559	Groves	100 T	2026R		
00578	Hamlin	100	2026R	70	2026R
00576	Hamilton	100 T	2026R	70	2026R
10582	Harlingen	100 T	2026		
20582	Harlingen Waterworks System	100	2026		
00602	Hereford	100 T	2026R	70	2026R
00606	Hico	100	2026R		
00629	Hudson Oaks	100 T	2026R	70 NR	2026R
00643	Ingleside	100 T	2026R	70 NR	2026R
00654	Jacinto City	100 T	2026R	70	2026R
00658	Jacksonville	100 T	2026R	50 NR	2026R
00692	Kermit	100 T	2026R	70	2026R

Agenda Item 1.f. - December 11, 2025 Meeting Update
CITIES THAT HAVE ADOPTED OR READOPTED UPDATED SERVICE CREDIT AND/OR ANNUITY INCREASES
EFFECTIVE JANUARY 1, 2026
(Ordinances received as of December 1, 2025)

City Number	Participating Municipality	Updated Service Credit		Cost of Living Adjustment	
		Rate (%)	Year Effective	Rate (%)	Year Effective
00700	Kingsville	50	2026R	70 NR	2026R
00733	Lavon	100 T	2026R	70	2026R
00742	Lewisville	75 T	2026R	70 NR	2026R
00769	Lorena	100 T	2026R	70	2026R
00779	Lucas	100	2026R	70	2026R
00799	Manvel	100 T	2026R	70	2026R
00835	Meadows Place	100	2026	70	2026
00837	Melissa	100 T	2026R	70	2026R
00848	Merkel	100 T	2026R	70	2026R
00854	Mesquite	100 T	2026R	50	2026
00877	Montgomery	50 T	2026R	50 NR	2026R
00908	Navasota	100 T	2026R	70	2026R
00910	Nederland	100	2026R	30 NR	2026R
00970	Palmer	100 T	2026R	70	2026R
01020	Port Lavaca	100 T	2026R	70	2026R
01022	Port Neches	100 T	2026R	30	2026
01044	Quinlan	100 T	2026R	70	2026R
01061	Red Oak	100 T	2026R	50 NR	2026R
21136	San Antonio	100 T	2026R	70	2026
01154	Santa Anna	100 T	2026R	70	2026R
01155	Santa Fe	100 T	2026R	70 NR	2026R
01178	Shiner	100 T	2026R	70	2026R
01180	Silsbee	100	2026R	70	2026R
01184	Sinton	100	2026R	70	2026R
01202	Southside Place	100 T	2026R	30 NR	2026R
01224	Sudan	100 T	2026R	50 NR	2026R
01226	Sulphur Springs	100 T	2026		
01228	Sundown	100 T	2026R		
01336	Waller	100 T	2026R	30	2026R
01363	Westlake	100 T	2026R	50	2026R
01399	Winona	100	2026R	70	2026R
01403	Wolfforth	100 T	2026R	70	2026R

T- Transfer Credits Included

R - Annually Repeating. Ordinance automatically renews effective January 1 of each successive year

NR - Non-retroactive



December 2, 2025

To: Board of Trustees

From: Debbie Muñoz, Executive Director 

Re: Agenda Item 2: Executive Director's Report

Staff had a productive fourth quarter.

Welcome New Trustees. For the first time in TMRS history, the Governor appointed four new trustees at one time! We extend a hearty welcome to Bryan Langley, Pamela Williams, Isaac Tawil, and Jaime Reyes. We look forward to working with each one of you!

Modernizing our Data Management. Under the direction of our Director of Data Management Dana Brown, our Data Management team delivered two new dashboards this quarter. The first is a new Board of Trustees dashboard that provides key metrics using real-time data and replaces the previous manual Excel report. The second dashboard is a Member BI Tool that provides staff with the ability to do timely research on membership segments and supports strategic decision-making to improve the member experience.

The transition from legacy to modernized reporting tools continues to make steady progress, reducing risk, and improving staff access to quality, timely data.

TMRS Named a Top Workplace for 2025. For the first time in our organization's history, TMRS has been recognized by the *Austin American-Statesman* as one of the Top Workplaces for 2025! This recognition is particularly meaningful because it comes directly from our employees being engaged, wanting to participate, and providing feedback.

The survey was administered in August and 93% (or 108 of 116) of TMRS employees responded, reflecting their commitment to collaboration, their belief in our mission, and the way they live our values each day. Together, we have created not only a high-performing organization, but a workplace where individuals feel valued, supported, and inspired to do their best work.

TMRS Receives the PPCC Award. TMRS received the Public Pension Coordinating Council's (PPCC) Public Pension Standards Award for 2025 for both Funding and Administration. This is the 20th consecutive year TMRS has received this Award! (The PPCC is a coalition of the National Association of State Retirement Associations, the National Council on Teacher Retirement, and the National Conference on Public Employee Retirement Systems.)

2025 City Training Conference. This year's City Training Conference was a hit! Sessions included messages from TMRS experts about legislative and investment updates, retirement dos and don'ts, guidelines on how to ward off cybersecurity threats, and a new panel session with TMRS' Education Team. In total, there were 776 Registrants, 450 attendees and nearly 80 logged-in to the post-conference Q&A session. Attendee comments included:

- “Enjoyed the Education Team panel. Very informative and helpful.”
- “I think the presenters were able to appear as personable as they are knowledgeable. The answering of questions in real time was a good added feature.”
- “Great production and overall presentations. Looking forward to seeing everyone in person again at next year's conference.”
- “I am new to my city and on the HR Team, I found the entire presentation very valuable and informative.”
- “Excellent! Looking forward to next year in person!”
- “I really appreciated the educational event yesterday. It was incredibly helpful in increasing my understanding of TMRS and its greatness!”

We are excited and looking forward to hosting next year's conference in person!

Texas Municipal League's (TML) Annual Conference. TML had their largest conference ever with over 4,000 attendees. TMRS' booth was popular and busy. Our team had the pleasure of educating more than 350 members and spoke to over 1,000 attendees. Indeed, our team and our booth were featured in the December edition of TML's *Texas Town & City* stating that “TMRS brings energy and expertise to their booth, helping Texas cities invest in their workforce.” I couldn't agree more!

Mainstreet for Cities. TMRS shared several announcements in the Q4 2025 edition of *Main Street: News for Cities*, including highlights from TML's Annual Conference, a recap of our City Training Conference with a save-the-date for the 2026 in-person event in Round Rock, and a reminder that the temporary non-retroactive COLA option expires December 31, 2025.

Additional updates covered the new 8% employee contribution rate, actuarial funding policy changes effective January 1, 2026, a call for nominations for the TMRS Member Spotlight, and appreciation for the City Focus Group's feedback.

The newsletter was distributed to more than 3,100 city contacts.

Amy Kelley Takes On Cybersecurity. October was Cybersecurity Awareness Month, and our Director of Information Security Amy Kelley and her team shared cyber-protection strategies with employees throughout the month. They also hosted interactive events, including a bingo game and pumpkin decorating contest, to remind employees about the importance of keeping our data safe.

MSC by the Numbers. Our Member Service Center continues to uphold their high-level of customer satisfaction. Results are reflected through survey responses, wait times, and total number of calls. Since January 1, the MSC has answered 74,000 calls and boasts a median wait time of 7 seconds.

As of November 28, over 95% of the 3,700 surveyed callers have given the MSC a perfect score for their call experience. Typically, 85% and above is considered “outstanding” by phone center industry standards.

Cost Effectiveness in Action. Our Director of Infrastructure Brian Farrar led the following efforts resulting in cost savings over the next five years:

- Citrix desktops were replaced with laptops for all employees, resulting in \$400,000 in savings through 2027.
- A new copier rental agreement was negotiated, providing TMRS with new machines and saving \$175,000 over the next 5 years.



December 2, 2025

To: Board of Trustees
From: Christine M. Sweeney, Chief Legal Officer *CS*
Re: Agenda Item 3: Fourth Quarter Legal Report

TMRS Legal Work on Investment Matters, Public Information Requests, and Other Matters.

- **Investment Matters.** Below is a summary of the investment allocations and other investment related agreements that staff attorneys have reviewed and approved during the period noted.
 - From September 13, 2025 → November 30, 2025
 - 11 investment allocation transactions (not including any additional allocations made through rebalancing)
 - 105 other investment related items
- **General Contracting and Benefits Matters.** Since September, Legal has handled and submitted the following items for signature or approval. Many non-investment matters handled by Legal staff do not require a signature or approval by the Executive Director and those are not included in the numbers below:
 - From September 13, 2025 → November 30, 2025
 - 29 contracts (non-investment related) submitted for signature
 - 7 other benefits administration and non-investment related items submitted for signature or approval
 - 47 city ordinances reviewed or generated for City Services, and 6 new city ordinance templates created
- **Public Information Requests.** Since September 13, 2025, Legal staff have worked on 10 information requests under the Texas Public Information Act.

TMRS Administrative Cases. None pending.

Personnel. On November 17, Anias Stevens joined the Legal staff as an Assistant General Counsel. She will focus on legal matters relating to benefits and non-investment contracting.

Legal Supplement. The Legal Supplement in the Diligent Resource Center includes confidential legal updates and background information.



December 2, 2025

To: Board of Trustees
From: Anali Alanis, Chief Service Officer *AA*
Re: Agenda Item 3: Fourth Quarter Services Report

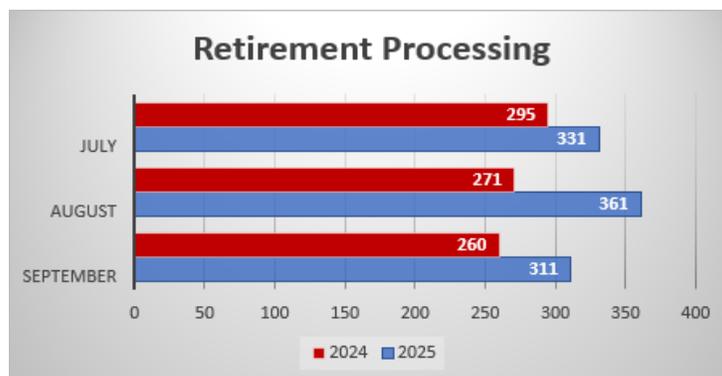
I am pleased to report on the 2025 third quarter activities of the Benefit Administration, and fourth quarter activities for the City Services, Communications, Education Services, Member Service Center, Plan Design and Funding, Project Management, and Quality Initiatives departments.

Benefit Administration

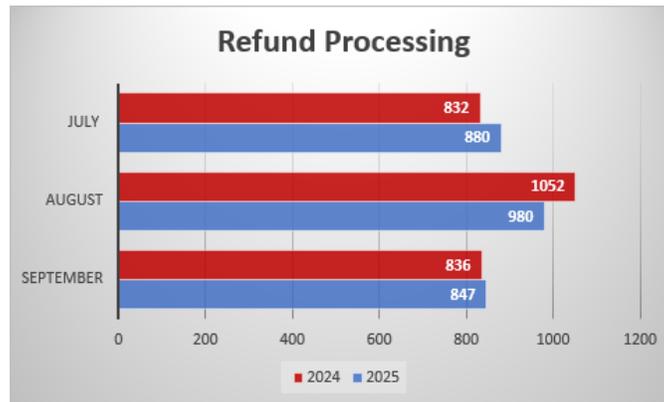
Service Enhancements. Benefit Administration continues to reach 100% key process completion week after week. BA is also actively engaged in TMRS strategic planning efforts and advancing in their key process improvement initiatives. The team continues to dedicate time for testing to ensure system enhancements are designed in the most effective manner.

Staff Development. This month, three analysts, Christy Espinoza, Diana Dickerson and Alex Bulko earned their Lean Six Sigma white belts, reinforcing our culture of continuous improvement. Senior Analyst Patty King also completed the Progressive Edge Train-the-Trainer program, strengthening Benefit Administrations internal training capacity and supporting our long-term development goals.

Retirements. In the third quarter of 2025, TMRS processed 1,003 retirements, a 21% increase from the same quarter in 2024.



Refunds. TMRS issued 2707 refunds in the third quarter of 2025, representing a slight decrease from the same quarter in 2024.



City Services

Plan Changes. Year-to-date, 390 plan change studies have been prepared by staff, with an additional 1,074 studies generated by cities using the Plan Change Calculator in the City Portal. 152 model ordinances have been requested by cities, and 104 cities have adopted changes to their TMRS plans. This includes 61 cities that requested a model ordinance to adopt the 8% employee contribution rate, and the 41 cities that have adopted the 8% rate.

New Cities. So far in 2025, six cities have begun participation in TMRS, Weir (Jan 1), St. Paul (Feb 1), Jamaica Beach (March 1), China (May 1), Paradise (Aug 1), and Combine (Oct 1). This brings the total number of participating cities in TMRS to 944, with more to come.

Communications

Organizational Support. The Communications department continues to collaborate with other departments to increase and maintain organizational branding and complete various projects. This quarter, Communications assisted with the following:

- Completed the re-design of TMRS' website schedule to launch on December 15
- Produced a new, custom exhibitor booth for the 2025 TML conference
- Produced the 2025 City Training Conference for 450 online attendees
- Secured venue for in-person 2026 City Training Conference
- Assisted with re-design of the City Correspondent Certification Course
- Created and distributed new Trustee appointment press releases and announcements
- Created and distributed digital and print publications for:
 - *TMRS Times* and *RetirementWise* for members and retirees
 - Q4 MainStreet for City Services
- Produced communications and collateral for The Austin American Statesman 2025 Top Workplaces Award
- Assisted Quality Initiatives, Human Resources and Information Services with graphic design for various projects.

- Sent welcome boxes to new participating TMRS cities for City Services and announced their participation on website
- Managed the TMRS LinkedIn page

Communication Numbers. Since January 1, Communications sent 53 mass emails to more than 940,000 recipients, received 1.3 million website views, hosted more than 33,000 mobile app sessions, and increased the TMRS Google ranking to 4.6 stars and 123 reviews.

Education Services

Member Education. Year to date, the Education team has attended over 450 city events and educated more than 19,500 Members.

Direct City Contacts Initiative. The Team has completed their outreach efforts by making direct contact with all TMRS participating cities for 2025. The outreach effort is focused on re-introducing their TMRS Education Services Regional Manager and reminding them about available education services and resources.

Member Service Center

Call Volume. Through November 28th, the Member Service Center has successfully handled over 74,000 calls with a median wait time of seven seconds.

Call Topics. The most common call topics that the MSC received were related to Retirement (17%), MyTMRS (12%) and tax-related forms and guidance (6%).

Surveys. As of November 28th, over 95% of the 3,700 surveyed callers have given the MSC a perfect score for their call experience. Typically, 85% and above is considered “outstanding” by phone center industry standards.

Plan Design and Funding (PDF)

Actuarial Funding Policy Changes. The Board adopted changes to TMRS’ Actuarial Funding Policy at their October 2nd meeting. The policy changes impact cities who adopt Updated Service Credits or COLAs on an ad hoc basis. Leslee and Kenneth (the PDF team) have contacted all 18 cities who could be impacted by this change with an ad hoc adoption beginning in 2027 or after. They have had virtual meetings with six cities who wanted to further analyze the funding and cost impact of the new changes. Overall, the meetings have gone extremely well.

City Plan Change Studies and Meetings. The PDF team continues to work with cities who are considering plan changes. Since January 1, they have attended 77 meetings either by phone, virtually or in-person. In addition, they have prepared 114 plan change studies for cities since the plan change calculator became available in late June.

Rate Stabilization Studies. To date, the PDF team has prepared studies for 8 different cities reflecting the positive funding impact and cost savings associated with paying a higher rate than the actuarially determined contribution rate.

City Auditor Requests. PDF assists individual cities and/or their auditors with any necessary reconciliations of the census data, contribution information or other related requests. To date, the team has responded to 131 audit requests.

Project Management

NextGen Enhancements. The pension administration system enhancements completed this quarter include:

- Automation of the NetSuite journal entry data synchronization process.
- Improved person search functionality to optimize the user experience with new advanced search capabilities and enhanced result views.
- Integration of MyTMRS member portal administration functionality, which was previously housed in a stand-alone application, into NextGen, providing staff easy access to an intuitive interface to view activity and manage access.

Power Business Intelligence Dashboards. Dashboards were created to provide centralized access to data.

- The Member Dashboard provides senior leaders with visibility into member related data that drives business decisions and technology initiatives.
- The Board of Trustees Dashboard provides Trustees with organization-wide results regarding core investment and business activities.

Quality Initiatives

Retiree Survey. Retirees continue to provide positive and constructive feedback about TMRS' retirement process, service, and online tools. At least 97% of responding retirees rated each of those areas as Good, Very Good, or Excellent.

KPI and Dashboard Development. Throughout the third quarter, Andi met with department leaders to develop key performance indicators (KPIs) and the methods for tracking and reporting results. The KPI results will eventually be shared through online department dashboards projected for completion in 2026.

Quality Texas Foundation (QTF). QTF postponed the site visit for observing TMRS' processes to January 2026. To prepare for the site visit, Andi created various challenges – a scavenger hunt, online quiz, and a crossword challenge - to reinforce staff's knowledge of the QTF/Baldrige Framework.



December 2, 2025

To: Board of Trustees

From: Nick O'Keefe, Chief Compliance Officer 

Re: Agenda Item 3: Chief Compliance Officer Report

- **Investment Operations.**
 - **Funding Private Investments:** The investment operations team funded 127 capital calls.
 - **Process receipt of Private Investment Distributions.** The team received and processed 153 investment fund distributions.
 - **Reconcile and approve Management Fees.** The team reconciled and approved management fees for 49 private investment funds and 10 separately managed accounts.
 - **New Investment Accounts.** The team opened eleven new investment accounts.



December 2, 2025

To: Board of Trustees

From: Jac Greene, Chief Information Officer 

Re: Agenda Item 3: Fourth Quarter Information Services Report

Cloud Services. The Information Services Department welcomed Jason Weber as Director of Cloud Services on October 1. With over 25 years of experience in leadership and enterprise architecture, Jason's expertise will support upcoming initiatives to transition to modern cloud hosted services.

Data Management. The team delivered two new dashboards. First, a new Board of Trustees dashboard provides key metrics using real-time data - replacing the previous manual excel report. Second, a Member BI Tool provides staff the ability to do timely research on membership segments and supports strategic decision-making to improve the member experience. The transition from legacy to modernized reporting tools continues to make steady progress, reducing risk and improving staff access to quality, timely data.

Enterprise Architecture. The team continued to support multi-year custom application improvements and managed cross-departmental evaluation of 3rd party AI solutions. The team completed technical review and deployment of Microsoft Copilot and will continue to build training materials and establish governance into 2026.

Infrastructure & Customer Support. The Infrastructure and Customer Support teams upgraded employee systems to Windows 11, completed the annual Disaster Recovery Test, upgraded the Board Room displays, supported business AI initiatives, provided high quality customer support, and mitigated security vulnerabilities through the timely application of patches to servers, computers, and network devices.

Information Security. The team took a proactive and informative approach to teach staff and members about cybersecurity culture. For Cybersecurity Awareness month in October, the security team circulated informative emails and posters, hosted a cybersecurity Brunch n' Learn, and educated staff on cybersecurity skills. To further build community, a cybersecurity session was included in the City Training Conference, and the team added an in-person cybersecurity introduction to the new employee onboarding process. The security team completed the annual penetration test and is working to complete an additional 3rd party review of network, infrastructure, and cloud configurations.

Software Development. Multi-year functionality improvements for NextGen are scheduled to be delivered quarterly. Releases at the end of December will include improved member search functionality, member profile management and improved security for MyTMRS and NextGen. The team delivered other business-enabling solutions including an automated process for Finance to handle Journal Entry data, a new application to replace the Withholding calculator spreadsheet, and new retirement report templates.

Records Management. Staff processed 6,802 incoming documents resulting in 25,999 pages being scanned and loaded into the electronic document management system. To date, 1,315 pieces of outgoing correspondence have been mailed.



December 2, 2025

To: Board of Trustees

From: Debbie Munoz, Executive Director *Debbie J. Munoz*

Re: Agenda Item 4: Board Education – A Trustee’s Fiduciary Responsibilities

Bob Klausner, the Board’s Fiduciary Counsel, will discuss Trustee fiduciary responsibilities.

FIDUCIARY DUTY A STUDY OF THE ESSENTIALS

Presented by

Robert D. Klausner, TMRS Fiduciary Counsel

WHAT IS A FIDUCIARY?

- A fiduciary is a person or corporation in a position of trust on behalf of another.
- In the case of the TMRS Board of Trustees, you are fiduciaries to the members and beneficiaries of the System.
- Your actions must be in the best interest of the System and its participants as a whole.
- A fiduciary cannot claim to have divided loyalties and serve each one equally well.

PRUDENT FIDUCIARIES CREATE POLICY AND DEMAND ACCOUNTABILITY

- It is important to know who has what job?
- Delegation is expressly provided for in Texas law
- What is the difference between delegation and abdication of a fiduciary duty?

WHAT CAN AND CANNOT BE DELEGATED?

- The Board can delegate investment functions
- The Board cannot delegate ultimate responsibility
- The Board can delegate day to day management of the System to the ED, staff and outside advisors
- The Board cannot delegate ultimate accountability for the actions of its agents
- In the end, “The Buck Stops Here.”

BASIC TRUST PRINCIPLES

- TMRS is a trust established by statute
- A trust is a legal entity created by the “settlor” (the State of Texas) to provide safekeeping of assets for the benefit of another (beneficiary)
- The party charged with management of the trust is the Trustee
- Trust law has Biblical origins. Modern trust law traces from the mid-19th century with the introduction of the Prudent Person Rule.

WHAT MAKES A PRUDENT FIDUCIARY?

- Be curious – if you don't know something, ask questions
- There are no dumb questions
- Don't micromanage – you have a chain of command
- Don't undermine your senior staff and advisors by taking complaints to staff – If you aren't satisfied with the process, hold the leadership accountable
- Above all, remember we serve our members

WHAT MAKES A LOYAL FIDUCIARY?

- Undivided loyalty is owed to the plan and its members and beneficiaries
- Cannot claim to serve two competing interests equally well
- Loyalty to participants means to the whole, not a particular individual
- Observance of the Constitution and Statutes is required
- If a trustee has knowledge of a co-trustee breach of duty, that trustee must speak up – You are your brother and sister's keeper

WHAT ARE BEST PRACTICES?

- There is no specific legal definition
- Board has duty to establish policies
- Board has a duty to demand accountability
- Measuring success is a dynamic process
- One size does not fit all – what is best for TMRS is unique to TMRS

WHAT ARE ETHICAL PRACTICES?

- Texas has a detailed statutory ethics regime
- An Ethics Policy is an agency's own method of applying the ethics laws in actual practices
- When in doubt on an ethics question – seek advice
- Avoiding self dealing and conflicts are critical in investment ethics

INVESTMENT DUE DILIGENCE

- Due diligence is thorough vetting all aspects of a strategy
- The Investment Policy Statement belongs to the Board
- Implementation of the IPS belongs to staff and consultants
- Avoiding self dealing and conflicts are critical in investment ethics
- The Fund can only invest on “securities”
- Delegation is provided for in Texas Prudent Investor Act

ROLE OF THE ACTUARY

- The Actuary determines the needs of the System to fulfill its long-term obligations
- The Board has the duty to adopt reasonable actuarial assumptions
- What are “reasonable assumptions”
- How is the accuracy of assumptions measured?

BENEFIT ADMINISTRATION

- Duty to Members – accurate benefit information
- Duty to Cities- accurate and timely contribution information
- The Board’s duty is to assure quality control is in place
- Benefit administration policies should have anti-fraud and correction of errors practices included
- Maintaining tax qualified status is critical to members and cities

EFFECTIVE RISK MANAGEMENT

- Managing risk is a dynamic process
- Sovereign Immunity
- Internal controls – Internal Auditor role
- External Audit also testing internal controls and compliance
- Avoiding liability is a joint Board / staff process
- Ultimate responsibility rests with the Board



THANK YOU!



December 2, 2025

To: Board of Trustees

From: Debbie Munoz, Executive Director *Debbie J. Munoz*

Re: Agenda Item 5: Budget and Compensation Committee Update

Trustee Gonzalez, Committee Chair, will provide an update on the December 4, 2025 Budget and Compensation Committee meeting.



December 2, 2025

To: Board of Trustees

From: Cindy Demers, Director of Accounting

A handwritten signature in blue ink, appearing to read "Cindy Demers", is written over the printed name.

Re: Agenda Item No. 6: Consider and Act on the Proposed 2026 Operating and Capital Budget

Pursuant to the guidance from the Board of Trustees at the November 6, 2025, Budget Workshop, staff has revised the 2026 Proposed Operating and Capital Budgets as described below:

2025 Approved Operating Budget	\$ 42,215,419
8 filled positions not budgeted in 2025	1,400,000
Merit Pay-All Employees	675,000
Required Retirement Contribution Rate Increase	300,000
Required Health Insurance Rate Increase	126,000
Required Facilities Rent Increase	30,736
City and Member Outreach Decrease	(40,997)
2026 Proposed Operating Budget	<u>\$ 44,706,158</u>
2026 Proposed Capital Budget	<u>\$ -</u>

The 2026 Proposed Budget is \$2.5 million or a 5.9% increase over the 2025 Approved Budget, of which 3.3% of the increase is attributable to the 8 filled position not budgeted in 2025. Once the Board and Staff reach alignment on strategic initiatives, any necessary requests for additional funding will be submitted as an amended 2026 operating and capital budget no later than mid-year 2026.

RECOMMENDATION:

Staff recommends the Board adopt the 2026 Operating and Capital Budget.

ATTACHMENTS:

2026 Operating and Capital Budget Summary

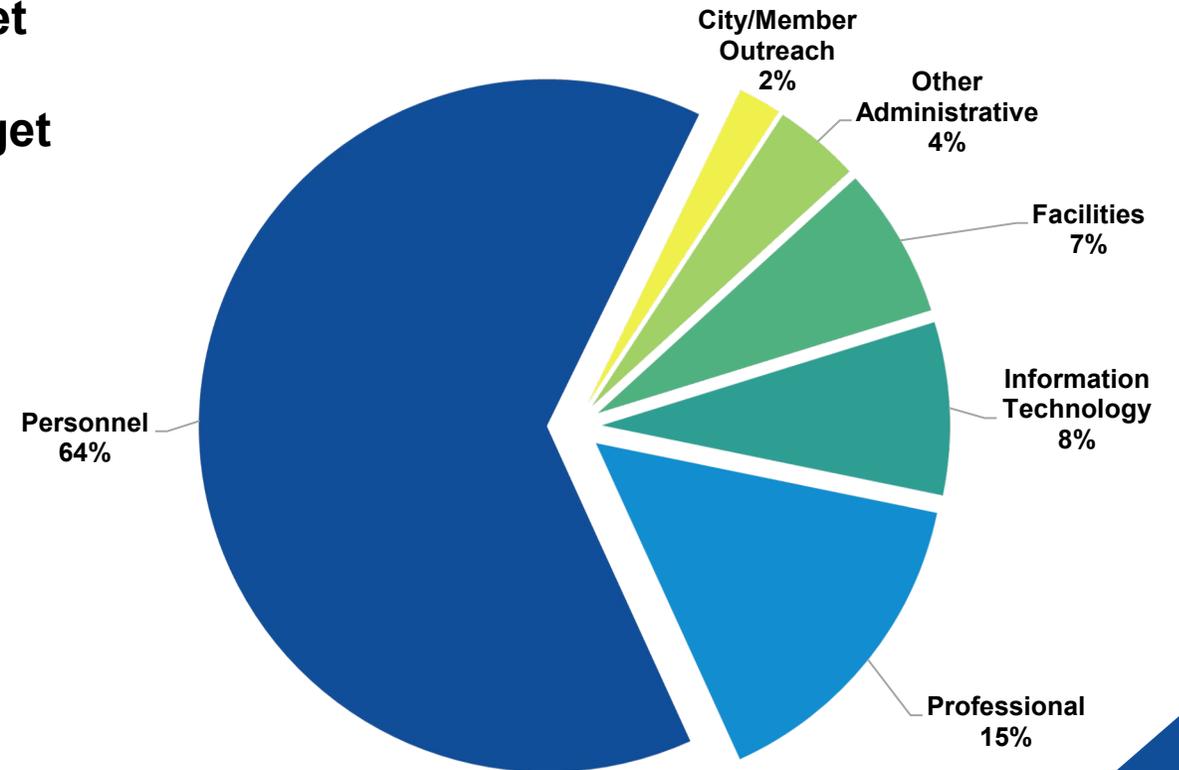
**Texas Municipal Retirement System
Expense Fund
Proposed 2026 Operating and Capital Budget**

Account Description	2025 Approved Budget	2026 Proposed Budget	Increase/ Decrease	% Change
Personnel Services				
Salaries and Compensation	\$ 20,283,295	\$ 22,051,295	\$ 1,768,000	8.72%
Employee Benefits	6,096,440	6,829,440	733,000	12.02%
Total Personnel Services	26,379,735	28,880,735	2,501,000	9.48%
Professional Fees				
Actuarial Services	824,500	824,500	-	0.00%
Audit Services	227,250	227,250	-	0.00%
Legal Services	808,500	808,500	-	0.00%
Information Services	320,500	320,500	-	0.00%
Investment	2,270,429	2,270,429	-	0.00%
Custodial and Banking	1,515,000	1,515,000	-	0.00%
Other	557,420	557,420	-	0.00%
Total Professional Fees	6,523,599	6,523,599	-	0.00%
Technology				
Software and Support	3,404,310	3,404,310	-	0.00%
Hardware and Other Support	188,900	188,900	-	0.00%
Total Technology	3,593,210	3,593,210	-	0.00%
Facilities	3,061,312	3,092,048	30,736	1.00%
City and Member Outreach	768,947	727,950	(40,997)	-5.33%
Other Administrative				
Board and Advisory Committee	121,005	121,005	-	0.00%
Professional Development	465,866	465,866	-	0.00%
Supplies and Other Misc. Expenses	499,885	499,885	-	0.00%
Travel	801,860	801,860	-	0.00%
Total Other Administrative	1,888,616	1,888,616	-	0.00%
Total Operating Budget	\$ 42,215,419	\$ 44,706,158	\$ 2,490,739	5.90%
Total Capital Budget	\$ -	\$ -	\$ -	
TOTAL BUDGET	\$ 42,215,419	\$ 44,706,158	\$ 2,490,739	5.90%

2026 PROPOSED BUDGET

- ▶ **\$44.7 million total proposed operating budget**
- ▶ **\$2.5 million or 5.9% increase over 2025 Budget**
- ▶ **Increase reflects:**
 - 8 filled positions in 2025 - \$1.4M
 - Merit pay - \$675K
 - TMRS retirement contribution - \$300K
 - Health insurance - \$126K
- ▶ **No proposed capital budget**

2026 OPERATING BUDGET





December 2, 2025

To: Board of Trustees

From: Cindy Demers, Director of Accounting

A handwritten signature in blue ink, appearing to read "Cindy Demers", is written over the printed name.

Re: Agenda Item 7: Consider and Act on Resolution Transferring Monies from Interest Reserve Account to Expense Fund

Each year the Board authorizes the transfer from the Trust Fund's Interest Reserve Account to the Expense Fund the amount necessary to cover TMRS' budgeted expenses for the following year. Additionally, since 2007, Board policy has been to maintain a reserve in the Expense Fund equal to 15% of the next year's budget.

The 2026 Proposed Operating Budget totals \$44.7 million, and the 15% policy reserve is \$6.7 million. The transfer amount is offset by the Estimated Fund Balance in the Expense Fund at the end of 2025 of \$7.3 million leaving \$600,000 to offset the 2026 transfer. Therefore, the transfer to the Expense Fund to cover all 2026 budgeted expenses and the required reserve is \$44.1 million.

The transfer is a book-entry. All funds remain invested in the Trust Fund until actual expenditures are made.

RECOMMENDATION:

Staff recommends that the Board transfer \$44.1 million from the Interest Reserve Account to the Expense Fund to cover 2026 budgeted expenses.

ATTACHMENTS:

2026 Budget Transfer Calculation Worksheet

Texas Municipal Retirement System

Calculation of 2026 Budget Transfer from Trust Fund

At its December, 2007 meeting, the Board of Trustees established a policy to maintain reserves in the Expense Fund of 15% of the following year's budget amount.

Based on proposed budgets of \$44.7 million, TMRS would need to maintain \$6.7 million in Expense Fund Reserves.

Proposed 2026 budgets:	Operating	\$	44,706,158
	Capital		-
	<u>Total</u>		<u>44,706,158</u>
			0.15
Expense Fund Reserve Target (rounded)		<u>\$</u>	<u>6,700,000</u>

Estimated Fund Balance (Reserve) at 12/31/25	\$	7,300,000	
Fund Balance (Reserve) target, per policy	\$	<u>(6,700,000)</u>	
Estimated Reserve available to offset budget transfer	\$	600,000	
<u>Amount of Transfer:</u>			
Total 2026 Proposed Budgets	\$	44,706,158	
Less: Excess reserves for offset	\$	<u>(600,000)</u>	
Calculated Transfer from Trust Fund to Expense Fund	\$	<u>44,106,158</u>	
Recommended Transfer Amount (rounded)	\$	44,100,000	



December 2, 2025

To: Board of Trustees

From: Leslee S. Hardy, Director of Plan Design & Funding *Leslee S. Hardy*

Re: Agenda Item 8: Consider and Act on Supplemental Death Benefit Assumptions

The elevated mortality associated with the global pandemic caused Supplemental Death Benefit (SDB) claims to increasingly exceed contributions which resulted in significant decreases in the SDB Fund assets. The potential for SDB asset depletion existed if the trend continued and no action was taken. Consequently, effective with the December 31, 2021 valuation which determined 2023 rates, GRS recommended and the Board approved a 100% load on the active rates and a 10% load on the retiree rates.

By the end of 2023, SDB claims had begun to decline while contributions had increased. With positive cash flow to the SDB Fund in 2023 and the expectation for this trend to continue, GRS recommended and the Board approved as part of the 2023 Experience Study that the 100% load on active SDB rates be reduced to 50% and the 10% load on retiree rates be retained. This assumption change was effective with the December 31, 2023 valuation which determined 2025 rates.

Due to the Board's actions, the assets have increased from \$3.2M in 2022 to an estimated \$24.6M for 2025. The need to continue to increase the SDB Fund assets at an additional rate no longer exists.

GRS and staff are recommending that the 50% load on the active SDB rates and the 10% load on the retiree SDB rates be removed effective with the December 31, 2025 valuation which determines 2027 rates. This change will reduce the average SDB rate by 0.06% of payroll. GRS will perform an experience study in 2027 which will include a review of the current mortality assumptions.

RECOMMENDATION:

GRS and Staff recommend that the Board remove the 50% load to the active SDB rates and the 10% load to the retiree SDB rates effective with the December 31, 2025 valuation.



December 2, 2025

To: Board of Trustees

From: Leslee S. Hardy, Director of Plan Design & Funding *Leslee S. Hardy*

Re: Agenda Item 9: Consider and Act on Transfer from the General Reserves Account to the Interest Reserve Account

As part of the December 31, 2021 interest credit recommendation, the Board approved a \$7.5M transfer from the Interest Reserve Account to the General Reserves Account. This transfer was made in accordance with the TMRS Act to cover any Supplemental Death Benefit (SDB) Fund deficiencies that may occur from the higher mortality rates associated with the global pandemic. Fortunately, the SDB Fund assets were never depleted and the \$7.5M in the General Reserves Account remains fully intact. In fact, due to the combination of higher contribution rates and declining mortality rates, SDB Fund assets have grown from \$3.2M in December 2022 to \$20.7M in October 2025. Therefore, the \$7.5M contingency reserve is no longer necessary and can be returned to the Interest Reserve Account.

RECOMMENDATION:

GRS and Staff recommend that the Board approve the transfer of \$7.5M from the General Reserves Account to the Interest Reserve Account effective as of December 31, 2025.



December 2, 2025

To: Board of Trustees

From: Debbie Munoz, Executive Director *Debbie J. Munoz*

Re: Agenda Item 10: Board Education - Governance and Board Committees

Amy McDuffee, with Mosaic Governance Advisors, will discuss Board governance and related Board committee matters.



MOSAIC
Governance Advisors

Board Education: Governance and Board Committees

A Presentation to the TMRS Board | December 11, 2025

Amy McDuffee | Natasha Smith

Mosaic Governance Advisors – Overview

- Boutique consultancy specializing in public pension governance.
- Trusted advisor to 50+ organizations, from \$1B to \$350+B in assets.
- Governance as a strategic asset – integrating strategy, risk, performance and people.
- Senior-level, tailored advisory rooted in research and experience.



Mosaic's team brings 100+ years of combined experience supporting public pensions in governance and strategy.



Founded in 2017



Headquartered in Denver, CO

Agenda

01 Public Pension Board Governance Responsibilities

02 Organizing Pension Boards for Effectiveness

03 Discussion

04 Appendix

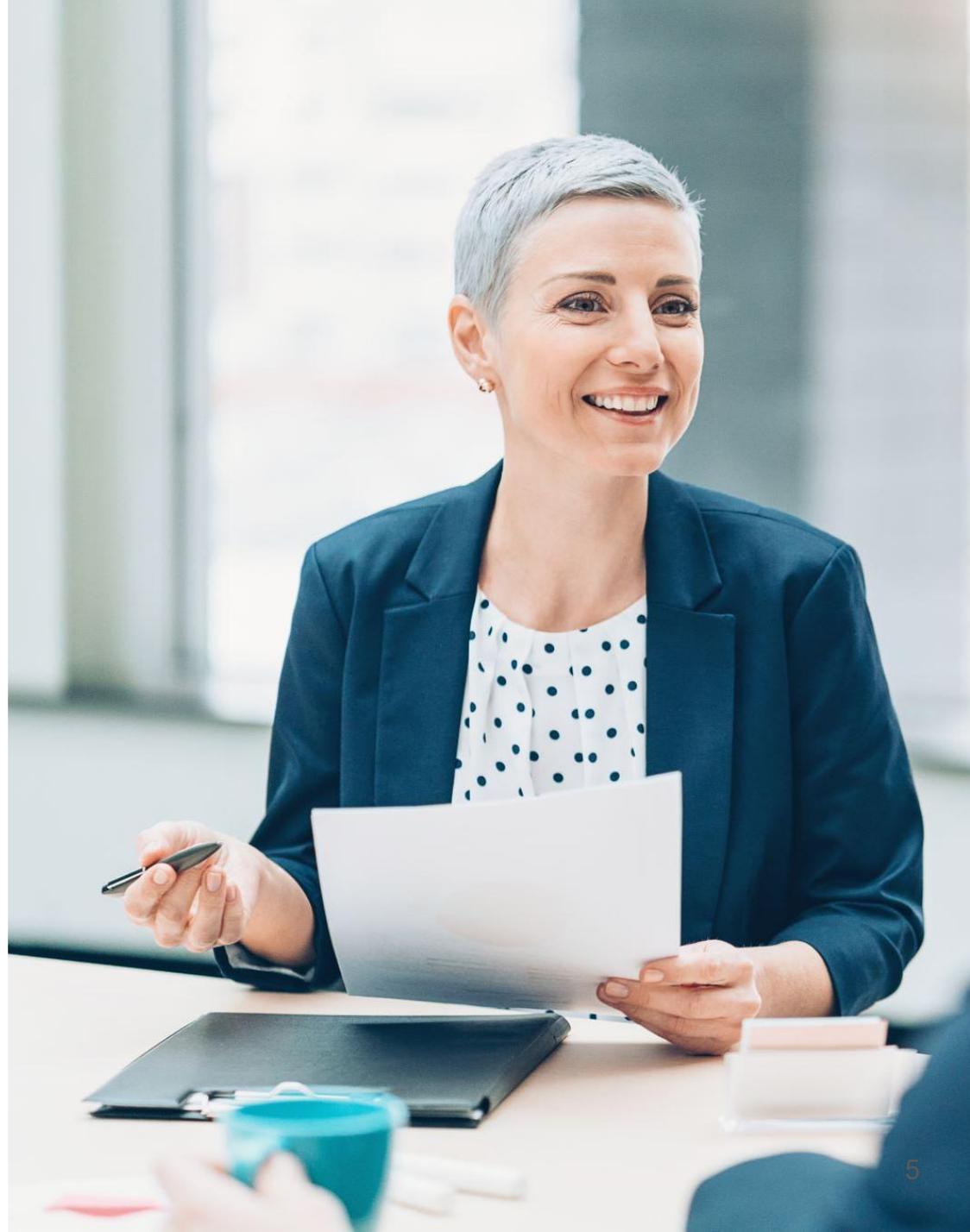


Public Pension Board Governance Responsibilities

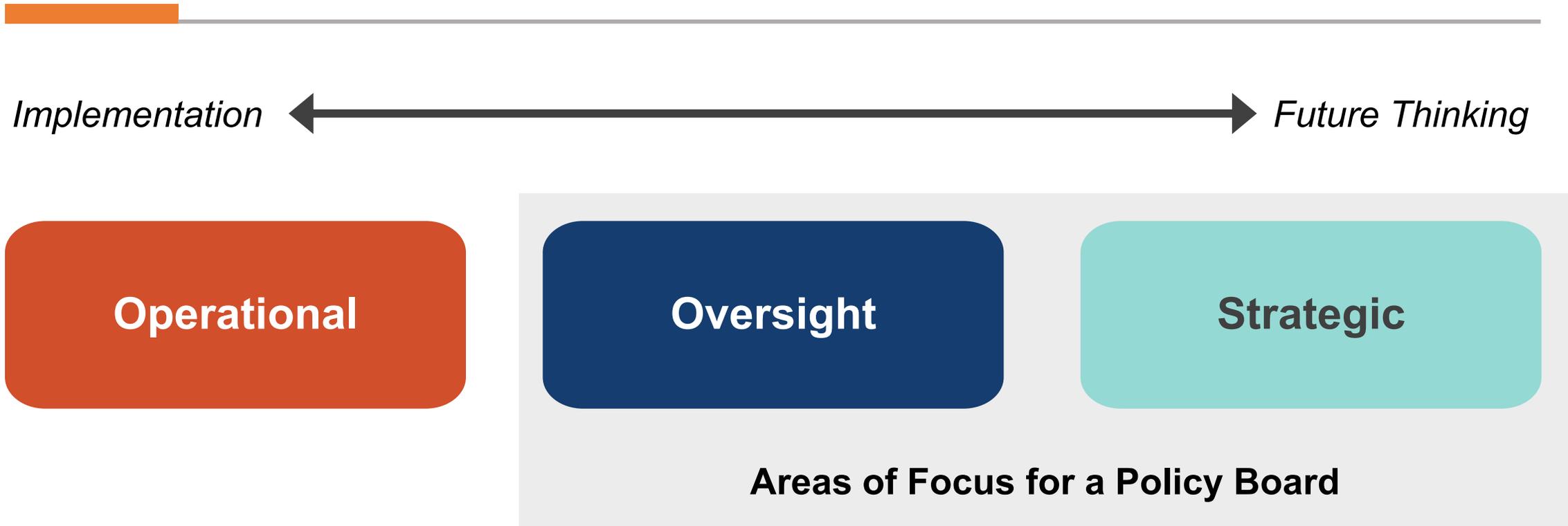
Good governance drives value for public pensions

- Governance ensures:
 - ✓ fiduciary responsibilities are met,
 - ✓ strategic goals are advanced, and
 - ✓ risks are managed.
- The quality of public pension fund governance is correlated with an organizational performance premium.*
- **How can boards consistently achieve this premium?**

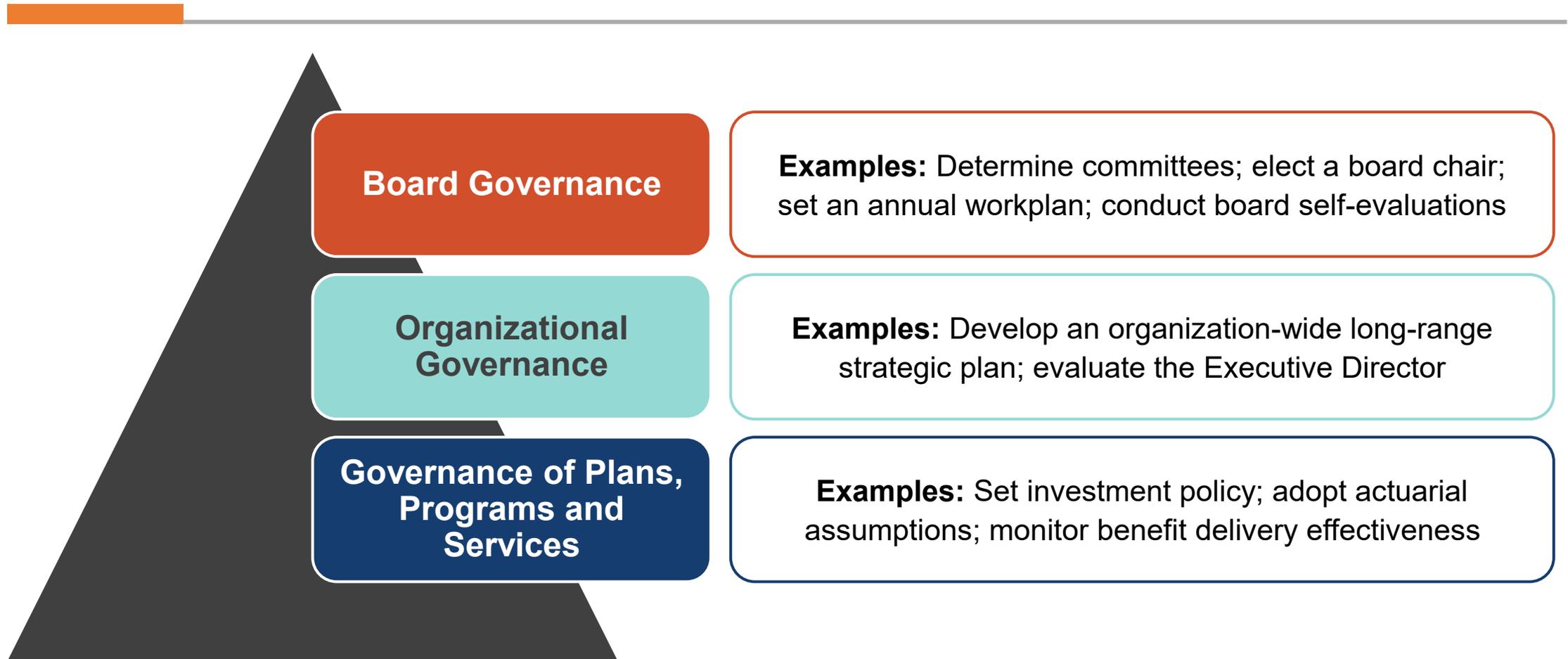
**The Pension Governance Deficit: Still With Us. By Ambachtsheer, Capelle, and Lum. Published Fall 2008 in the Rotman International Journal of Pension Management.*



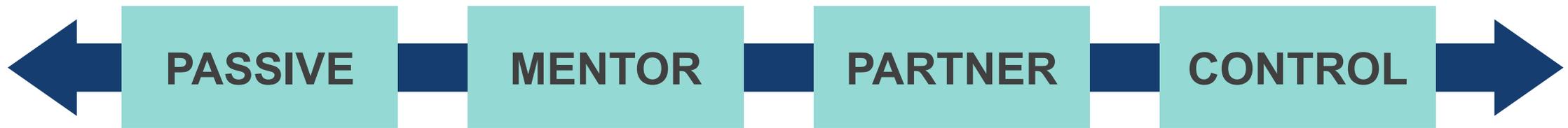
Proactive, policy-level governance positions a pension board to maximize the value created from the governance function



Common responsibilities of a public pension board at the strategic level



High-performing public pension boards strive for agility by using multiple engagement styles



Adapted from [How the Best Boards Engage with Management](#), Harvard Business Review, January-February 2025.





Organizing Pension Boards for Effectiveness

Current TMRS committees leverage a subset of board members and external stakeholders



Audit Committee

(Subset of TMRS Board)



Budget & Compensation Committee

(Subset of TMRS Board)



Stakeholder Advisory Committee

(Subset of TMRS Board + external stakeholders)

Discussion Focus: How might an investment committee support the Board in fulfilling its policy-level oversight?



Research Insights: How peer public pension boards* structure investment oversight



*Please see Appendix for a list of peers evaluated.



Board oversight of the investment function occurs through defined policy-level responsibilities

Examples include:

- Set investment beliefs
- Set and update the investment policy statement, including:
 - Permissible asset classes and asset allocation targets/ranges
 - Investment objectives, benchmarks and portfolio risk
 - Use of internal/external investment management and active/passive investment strategies
 - Delegation to staff
- Determine performance measurements and mechanisms
- Assess investment management fees
- Hire and oversee investment consultants
- Resource the internal investment program
- Develop investment fluency



Discussion

- What policy-level investment oversight responsibilities do you think are best fulfilled by the full board versus a subset of board members?
- What other mechanisms could support effective governance-level oversight?





MOSAIC
Governance Advisors

Thank You

Mosaic Governance Advisors, LLC | www.MosaicGovernance.com



Appendix

List of Public Pension Peers Evaluated

Methodology: Mosaic used a [list](#) of the largest retirement funds / sponsors published by Pensions & Investments in February 2025 to select funds with similar levels of defined benefit assets under management as TMRS (\$25B - \$67B AUM). Funds with unusual structures – such as sole fiduciaries or separate investment organizations – were excluded.

- Arizona State Retirement System
- Employees Retirement System of Texas
- Illinois Municipal Retirement Fund
- Illinois State Universities Retirement System
- Indiana Public Retirement System
- Kansas Public Employees Retirement System
- Nevada Public Employees Retirement System
- Pennsylvania State Employees' Retirement System
- Public Employees' Retirement System of Mississippi
- Public Schools & Education Employee Retirement Systems of Missouri
- San Francisco Employees' Retirement System
- Teachers' Retirement System of Alabama
- Teachers' Retirement System of Louisiana
- Texas County & District Retirement System
- Utah Retirement Systems





December 2, 2025

To: Board of Trustees
From: Christine M. Sweeney, Chief Legal Officer *CS*
Re: Agenda Item 11: Consider and Act on 2026 Board Meeting Dates

The TMRS Act requires that the Board hold four meetings annually. Board meetings are typically held on the fourth Thursday of the month starting at 9:00 a.m.

Vice Chair Jim Parrish and Executive Director Debbie Munoz recommend that the Board meet quarterly in 2026 and schedule a Retreat in February. The meeting dates would be:

February 18–20 or 25-27 (Retreat)
March 26
June 25
September 24
December 10

As discussed in prior years, with no meeting in May the Board would vote on the 2025 actuarial valuation and approval of the 2027 city contribution rates in June. City contribution rate letters would continue to be sent out on the current schedule, noting the rates remain subject to Board approval in June and that neither staff nor GRS, TMRS' external actuary, anticipate any changes.

GRS is very comfortable with this approach. Indeed, Joe Newton, with GRS, confirmed it could improve GRS' processes for TMRS: any Board decisions which might impact rates would occur in March when the Board approves the interest credit to cities' BAF accounts, and there has not been a modification to the recommended contribution rates at least since GRS became TMRS' actuary (17 years ago).

RECOMMENDATION

The Board adopt four meetings for 2026, plus a Retreat.



December 2, 2025

To: Board of Trustees
From: Christine M. Sweeney, Chief Legal Officer *CS*
Re: Agenda Item 12: Consider and Act on Election of 2026 Board Officers

Section 1.5 of the Board's Bylaws provides that:

- Trustees shall annually elect a Chair and Vice Chair of the Board to serve for a term of one (1) year;
- nominations for Chair and Vice Chair are to be made by Trustees from the floor during a Board meeting, and a Trustee may self-nominate for either position;
- there is no limit on the number of times a Trustee may be elected to serve as Chair and/or Vice-Chair; and
- despite the terms for which they are elected, the Chair and Vice-Chair serve at the pleasure of the Board and may be removed at any time by a majority vote of the Board.

For calendar year 2025, the Board Chair was David Landis and Vice Chair is Jim Parrish. Mr. Landis resigned from the Board effective October 13, 2025. Bylaws Section 1.5 also provides that when a Chair or Vice Chair position becomes vacant, a special election for the position will be held as soon thereafter as practicable.

In light of the current vacancy, the Board could consider voting to have the term of the newly elected officers begin early, such as on December 12 (the day after the Board meeting), and continue through the 2026 calendar year.

RECOMMENDATION:

Staff recommends that the Board elect a Chair and Vice Chair to serve for the remainder of 2025 and for 2026.



December 2, 2025

To: Board of Trustees

From: Christine M. Sweeney, Chief Legal Officer CS

Re: Agenda Item 13: Consider and Act on Board Committees, Committee Charters, and 2026 Board Committee Appointments

TMRS Board Committee members are appointed at the December meeting for the following year.

Chapter 3 of the Board's Bylaws allows the Board to create ad hoc and standing committees and provides that committees shall consist of two members, unless the Board otherwise provides by Board action. The Bylaws and existing Committee Charters provide for (i) one-year Committee terms that expire as of the end of December each year unless otherwise provided by Board action, and (ii) the Board Chair appoints the Committee members, subject to Board approval, and designates the Chair of each Committee.

After the recent resignation and/or replacement of four former Trustees, the current 2025 Board Committees and Committee appointments are as follows:

Audit Committee

- Chair: Vacant
- Vice-Chair: Vacant

Budget and Compensation Committee:

- Chair: Tommy Gonzalez
- Vice Chair: Jim Parrish

Stakeholder Advisory Committee

- Chair: Vacant
- Vice-Chair: Vacant

At the November 6, 2025 Board meeting, Trustee Gonzalez expressed an interest in (i) expanding the membership of the Budget and Compensation Committee to three Trustees, and (ii) creating a Board Investment Committee, which would also have three Trustees as members. Under the Bylaws, the Board establishes a committee's purpose, structure, and responsibilities in a committee

charter adopted by the Board, as amended from time to time; provided, however, that the Board, in its discretion, may determine that a particular committee(s) will not have a charter.

Attachments 1 and 2 are the current Audit Committee Charter and Stakeholder Advisory Committee Charter, respectively. No changes are being proposed to these Charters.

Attachment 3 is a red-lined draft of the current Budget and Compensation Committee Charter revised to show possible amendments to expand the Committee size to three and to make minor conforming amendments.

In the event the Board decides it wants to create a new Investment Committee, Attachment 4 is a draft Investment Committee Charter for the Board's consideration.

RECOMMENDATION:

Staff recommends that:

- (i) the Board vote on whether to expand the size of the Budget and Compensation Committee and adopt the proposed amendments to the Budget and Compensation Committee Charter as presented in Attachment 1;
- (ii) the Board vote on whether to create a Board Investment Committee and the size of the Investment Committee, if approved;
- (iii) if the Board approves creation of an Investment Committee, then the Board vote to approve the Investment Committee Charter included as Attachment 4 or provide staff with direction on the Board's proposed changes to enable staff to revise the draft Charter to present to the Board at a future meeting; and
- (iv) the Chair recommend, and the Board approve, 2026 appointments to the Board Committees and designate the Chair of each Committee, with the term of such appointments to begin on December 12, 2025 and continue through December 31, 2026.

ATTACHMENTS:

- 1- Audit Committee Charter**
- 2- Stakeholder Advisory Committee Charter**
- 3- Budget and Compensation Committee Charter (red-lined draft)**
- 4- Draft Investment Committee Charter**



Audit Committee Charter

This Charter has been adopted by resolution of the Board of Trustees (Board) of the Texas Municipal Retirement System ("System" or "TMRS").

I. Purpose

The Audit Committee ("Audit Committee" or "Committee") is a Board committee of the Texas Municipal Retirement System ("TMRS" or the "System") created to advise and assist the Board in fulfilling its fiduciary responsibilities with respect to the adequacy of TMRS initiatives for:

- fraud prevention and ethics
- governance structure
- risk management
- internal control framework
- oversight of the internal audit activity, external auditors, and other providers of assurance
- financial statements and public accountability reporting
- investigations

The Committee is an advisory committee to the Board and does not have delegated authority to act on behalf of the Board unless, and then only to the extent, expressly stated in this Charter.

II. Authority

The Audit Committee's authority comes from Texas Government Code, Section 855.107 ("TMRS Act") and from the Board. The TMRS Act:

- A. Requires the Board annually to have the TMRS accounts audited by a certified public accountant.
- B. Permits the Board or a Committee of the Board to initiate or commission an audit or investigation of TMRS activities, functions, or operations.
- C. Provides that audit working papers are confidential and excepted from disclosure requirements of the Texas Public Information Act.

- D. Provides that an audit report becomes public information when received by the Board in its final form, unless made confidential under other law.

III. Composition

- A. *Members.* The Committee will be composed of two (2) members of the Board, named by the Board Chair, subject to Board approval. To the extent feasible, members of the Committee shall be selected who have a working familiarity with basic finance and accounting practices, to be able to understand and make informed decisions regarding issues raised by the internal auditor. The Committee may retain special legal, accounting or other consultants or experts it considers necessary in the performance of its duties.
- B. *Terms*
- i. Members of the Committee will generally serve one-year terms but may be reappointed.
 - ii. The TMRS Board Chair will review the composition of the Committee with the Board each December and will make appointments or reappointments, subject to Board approval, to be effective in January.
 - iii. The TMRS Board Chair will fill any vacancies, as needed, with Board approval sought at its next meeting.
 - iv. Interim appointments are permitted to serve immediately, pending Board approval.
- C. *Resources*
- i. The following Resource Team of TMRS staff ("Staff") may attend and participate in Audit Committee meetings at the pleasure of the Committee:
 - the Executive Director;
 - the Internal Auditor; and
 - the Chief Legal Officer and/or Fiduciary Counsel, as needed.
 - ii. The Audit Committee Chair will appoint a member of the TMRS staff to serve as Secretary to the Committee.

IV. Meetings

- A. It is anticipated that the Audit Committee will meet quarterly; but the Audit Committee shall have the authority to convene fewer or more meetings, as circumstances require. A quorum of the Committee shall consist of two

- members. Concurrence of two members is required to adopt recommendations to the Board or take other Committee action. Unless otherwise specified by the Committee, meetings are not open to the public.
- B. Subject to applicable requirements of the Texas Open Meetings Act ("TOMA"), the Committee may hold meetings in person or by telephone or video conference call. It is the intent of the Board that this Committee is an advisory committee to the Board, with less than a quorum of Board members participating.
 - C. The Committee Chair and Staff will develop the meeting agendas. Meeting agendas will be provided in advance to Committee members and the Resource Team, along with appropriate briefing materials.
 - D. Minutes of each meeting will be prepared.
 - E. The Committee will report on its activities to the Board through the Committee minutes and special presentations as necessary. Members of the Resource Team may also provide updates more frequently, including email updates, to the Board on Committee activities.
 - F. Committee members are expected to attend all meetings in person or via telephone or video conference calls. The Committee may invite additional members of TMRS staff, experts, consultants or others to attend meetings and provide pertinent information, as necessary.
 - G. Closed Session
 - i. The internal auditor may make a request to the Audit Committee Chair to meet in Closed Session with the Committee (i.e. with Committee members only) if there are significant matters that need to be addressed involving the office of the Executive Director or any other part of the organization.
 - ii. The Committee may meet in Closed Session concerning personnel matters such as the hiring, dismissal, and performance of the internal auditor.
 - iii. The Committee may meet in Closed Session with its legal counsel to discuss pending or contemplated litigation, or to receive legal counsel's advice on other legal matters.
 - iv. At such Closed Session meetings, the Committee may have present, at its request, members of staff, legal counsel, consultants, or such other advisers it deems necessary.

V. Responsibilities and Duties

To fulfill its responsibilities, the Audit Committee will carry out the following duties:

A. Fraud Prevention and Ethics

The Committee will provide oversight of:

- i. TMRS antifraud programs and controls in place to identify potential fraud and ensure investigations are undertaken if fraud is detected
- ii. The mechanism established by management to establish and maintain high ethical standards for all managers and staff of TMRS

B. Governance Structure

To obtain reasonable assurance with respect to TMRS' governance process, the Committee may review and provide advice on the governance process established and maintained within TMRS and the procedures in place to ensure they are operating as intended.

C. Risk Management

The Committee will:

- i. Provide input for and review TMRS's annual risk assessment
- ii. Review and provide advice on the risk management processes established and maintained by management

D. Internal Control Framework

To obtain reasonable assurance with respect to the adequacy and effectiveness of TMRS controls, the Committee will:

- i. Receive reports on and consider the effectiveness of TMRS' control framework
- ii. Review the effectiveness of the system for monitoring compliance with laws and regulations

E. Oversight of Internal Audit Activity

The Committee will:

- i. Review and recommend to the Board for its approval, the annual internal audit plan.
- ii. Review the internal auditor's work plan and receive regular updates on the status of ongoing audits.
- iii. Review draft and final internal audit reports and receive updates on the implementation of those recommended improvements and changes approved by the Board.

- iv. Obtain and review the quality assessment review of the Internal Audit Department at least every five years.
- v. Review performance and compensation of the internal auditor, as well as the effectiveness of the internal audit function annually and make recommendations as needed to the Board, including, if warranted, compensation adjustments for the internal auditor.
- vi. Review and recommend to the Board the appointment, replacement, reassignment, or dismissal of the internal auditor.
- vii. Review internal audit's staffing and resource needs and recommend changes as needed to the Board.

F. Oversight of External Audit and Other Assurance Providers

The Committee will:

- i. Make recommendations to the Board about the appointment, retention, or discharge of external auditors to perform the independent financial audit, technology audits, or similar audit services
- ii. Meet as necessary with the external auditor to review the auditors' proposed scope and approach, including coordination of audit effort with the internal audit activity
- iii. Report to the Board on significant findings, recommendations, and management's response
- iv. Evaluate as necessary the performance of TMRS external auditors

G. Investigations

The Committee will:

- i. Institute, oversee, and receive updates on special investigations, as needed, and recommend action items, if any, to the Board for approval.
- ii. Institute and receive updates on special assignments, as needed, and recommend action items, if any, to the Board for approval.

H. Other Responsibilities

In addition, the Committee will:

- i. Perform other activities related to this Charter as requested by the Board
- ii. Provide an open avenue of communication between internal auditors, external auditors, and the Board.
- iii. Review and approve meeting minutes.

- iv. Regularly report to the Board on Committee activities, issues, and related recommendations

VI. Charter Review and History

This Charter will be reviewed at least every four years.

The Board adopted the initial Internal Audit Committee Charter on March 21, 2014.

Modifications/changes to this Charter are as follows:

The Board adopted this Charter on March 25, 2021, to be effective immediately.



Stakeholder Advisory Committee Charter **Adopted by the Board of Trustees on June 22, 2023**

Purpose. The Stakeholder Advisory Committee (“Committee”) is a conduit for communication between TMRS and its stakeholders.

Composition and Term. The Board Chair shall appoint, subject to Board approval, two Trustees to be the Committee’s Chair and Vice-Chair. Committee members must be a TMRS active member or retiree and shall include:

- Two TMRS active members, preferably members who participate in TML affiliate organizations other than those named below
- One TMRS retiree
- One representative from each of the following organizations:
 - Texas Municipal League (TML)
 - Texas City Management Association (TCMA)
 - Government Finance Officers Association of Texas (GFOAT)
 - Texas Municipal Human Resources Association (TMHRA)
 - Texas Municipal Police Association (TMPA)
 - Combined Law Enforcement Associations of Texas (CLEAT)
 - Texas State Association of Firefighters (TSAFF)

The Board Chair shall appoint, subject to Board approval, the active and retiree Committee members. Each organization shall designate its representative, preferably its executive director or a board member.

Meetings and Travel Expenses. The Committee’s agenda shall include issues and topics assigned to the Committee by the Board, and the Committee Chair shall schedule Committee meetings as appropriate. Committee members shall be reimbursed for reasonable, actual travel expenses for meals, lodging, and transportation.



**Texas Municipal Retirement System
Charter for the Budget and Compensation Committee**

This charter has been created and adopted by resolution of the Board of Trustees (“Board”) of the Texas Municipal Retirement System (“System” or “TMRS”).

I. Purpose and Authority

- A. *Purpose.* The primary purpose of the Budget and Compensation Committee (“Budget and Compensation Committee” or “Committee”) is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to:
- i. the annual budget process;
 - ii. any special assignments relating to TMRS budget matters;
 - iii. the System’s compensation policies to support the successful recruitment, and retention of talent to meet the strategic goals and objectives of the System, including, without limitation, succession planning goals and objectives;
 - iv. the TMRS Compensation Administration Guidelines approved by the Board;
 - v. the periodic selection and evaluation of a compensation consultant to assist the Board, if desired, with advice concerning the compensation of staff positions that are direct reports to the Board, and
 - vi. any special assignments relating to TMRS compensation matters.
- B. *Authority.*
- i. To the extent that Board approval is required pursuant to TMRS’ Bylaws or Compensation Guidelines, for any reclassification, raise, or other compensation adjustment recommended by the Executive Director, the Board hereby delegates to the Committee the authority to approve any such reclassifications, raises, and/or other compensation adjustments.
 - ii. Except as otherwise expressly provided in this Charter, the Committee does not have delegated authority to act on behalf of the Board.

II. Composition

In accordance with the TMRS Bylaws, including Chapter 3 – Committees, the Committee’s structure will be as follows:

- A. *Members.* The Committee will be composed of up to three (3) ~~two (2)~~ members of the Board, named by the Board Chair, subject to Board approval.
- B. *Terms*
- i. The Board Chair will appoint the Committee Chair.

- ii. Members of the Committee will serve one-year terms, unless otherwise provided by Board resolution, but may be reappointed.
- iii. The Board will review the composition of the Committee each December and will make appointments or reappointments to be effective in January.
- iv. The Board Chair will fill any vacancies, as needed, with Board approval at its next meeting.
- v. Interim appointments are permitted to serve immediately, pending Board approval.

C. Resources

- i. The following Resource Team of TMRS staff (“Staff”) may attend and participate in Committee Meetings:
 - a. the Executive Director;
 - b. the Director of Finance, as needed;
 - c. the Director of Human Resources, as needed; and
 - d. as needed, the Deputy Executive Director, Chief Legal Officer and/or Deputy Chief Legal Officer~~General Counsel~~.
- ii. The Committee Chair will appoint a member of the TMRS staff, which may be the same as or different from one of the Staff as defined in clause (i) above, to serve as Secretary to the Committee.
- iii. The Committee may retain special accounting, compensation, legal, or other consultants or experts and/or utilize the services of any other TMRS staff as it considers necessary or desirable in the performance of its duties; provided, however, that the retention of any external consultants or experts will be subject to the availability of funds in the TMRS budget to pay for such services.

III. Meetings

- A. The Committee will meet at least one time each year, with the authority to convene additional meetings, as circumstances require. Any Committee member or the Executive Director may call a meeting. A quorum of the Committee shall consist of two members. Concurrence of two members is required to adopt recommendations to the Board or take other Committee action.
- B. Subject to applicable requirements of the Texas Open Meetings Act (“TOMA”), if any, the Committee may hold meetings in person or by telephone or video conference call. It is the intent of the Board that this Committee is an advisory committee to the Board, with less than a quorum of Board members participating. Unless otherwise specified by the Committee, meetings are not open to the public.
- C. The Committee Chair and Staff will develop the meeting agendas. Meeting agendas will be provided in advance to Committee members and the Resource Team, along with appropriate briefing materials, if any.
- D. The Committee will report on its activities to the Board through the Committee minutes and special presentations as deemed necessary or desirable by the Committee members.

Members of the Resource Team may also provide more frequent updates, including email updates, to the Board on Committee activities.

- E. The Executive Director may make a request to the Committee Chair to meet in “closed session” with the Committee (i.e. with Committee members only) if there are significant matters that need to be addressed involving the office of the Director of Finance, the office of the Director of Human Resources, or any other part of the organization.
- F. The Committee may invite additional members of TMRS staff, experts, consultants and/or others to attend meetings (including “closed session” meetings) and provide pertinent information, as deemed necessary or desirable by the Committee members.

IV. Responsibilities and Duties

The Committee shall take all actions as is necessary to fulfill its Purpose as described in Section I, including:

- A. Provide recommendations to the Board on the annual operating and capital budgets, as well as any proposed amendments to those budgets;
- B. Periodically review and provide input to the Board’s Compensation Guidelines; and
- C. Report to the Board on the Committee’s activities.

V. Charter Review and History

This Charter will be reviewed at least every four years.

The Board adopted each of the initial Budget Committee Charter and the initial Compensation Committee Charter on December 6, 2018. Both of those Charters are superseded by the adoption of this Charter.

The Board adopted this Charter for the Budget and Compensation Committee on May 28, 2020.

Modifications/changes to this Charter are as follows:

Dates: December 19, 2024
December ____, 2025



**Texas Municipal Retirement System
Charter for the Board’s Investment Committee**

This charter has been created and adopted by resolution of the Board of Trustees (“Board”) of the Texas Municipal Retirement System (“System” or “TMRS”).

I. Purpose and Authority

- A. *Purpose.* The primary purpose of the Board’s Investment Committee (“Investment Committee” or “Committee”) is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to the investment of TMRS assets.
- B. *Authority.* The Committee is an advisory committee to the Board and does not have delegated authority to act on behalf of the Board unless, and then only to the extent, expressly stated in this Charter.

II. Composition

In accordance with the TMRS Bylaws, including Chapter 3 – Committees, the Committee’s structure will be as follows:

- A. *Members.* The Committee will be composed of up to three (3) members of the Board, named by the Board Chair, subject to Board approval.
- B. *Terms.*
 - i. The Board Chair will appoint the Committee Chair.
 - ii. Members of the Committee will serve one-year terms, unless otherwise provided by Board resolution, but may be reappointed.
 - iii. The Board will review the composition of the Committee each December and will make appointments or reappointments to be effective in January.
 - iv. The Board Chair will fill any vacancies, as needed, with Board approval at its next meeting.
 - v. Interim appointments are permitted to serve immediately, pending Board approval.
- C. *Resources.*
 - i. The following Resource Team of TMRS staff (“Staff”) may attend and participate in Committee Meetings:
 - a. the Executive Director;
 - b. the Chief Investment Officer and/or Deputy Chief Investment Officer, as needed;
 - c. as needed, the Deputy Executive Director, Chief Legal Officer, Chief Compliance Officer, and/or other members of TMRS’ investment staff or investment attorneys.

- ii. The Committee Chair will appoint a member of the TMRS staff, which may be the same as or different from one of the Staff as defined in clause (i) above, to serve as Secretary to the Committee.
- iii. The Committee may retain special accounting, compensation, legal, or other consultants or experts and/or utilize the services of any other TMRS staff or TMRS consultants as it considers necessary or desirable in the performance of its duties; provided, however, that the retention of any external consultants or experts will be subject to the availability of funds in the TMRS budget to pay for such services.

III. Meetings

- A. It is anticipated that the Committee will meet quarterly, but the Committee shall have the authority to convene additional or fewer meetings, as circumstances require. Any Committee member or the Executive Director may call a meeting. A quorum of the Committee shall consist of two members. Concurrence of two members is required to adopt recommendations to the Board or take other Committee action.
- B. Subject to applicable requirements of the Texas Open Meetings Act (“TOMA”), if any, the Committee may hold meetings in person or by telephone or video conference call. It is the intent of the Board that this Committee is an advisory committee to the Board, with less than a quorum of Board members participating. Unless otherwise specified by the Committee, meetings are not open to the public.
- C. The Committee Chair and Staff will develop the meeting agendas. Meeting agendas will be provided in advance to Committee members and the Resource Team, along with appropriate briefing materials, if any.
- D. The Committee will report on its activities to the Board through the Committee minutes and special presentations as deemed necessary or desirable by the Committee members. Members of the Resource Team may also provide more frequent updates, including email updates, to the Board on Committee activities.
- E. The Executive Director may make a request to the Committee Chair to meet in “closed session” with the Committee (i.e., with Committee members only) if there are significant matters that need to be addressed involving the office of the Director of Finance, the office of the Director of Human Resources, or any other part of the organization.
- F. The Committee may invite additional members of TMRS staff, experts, consultants and/or others to attend meetings (including “closed session” meetings) and provide pertinent information, as deemed necessary or desirable by the Committee members.

IV. Responsibilities and Duties

The Committee will take all actions as is necessary to fulfill its Purpose as described in Section I, including:

- A. Receive and review detailed investment reporting, and
- B. Discuss with staff and investment consultants topics including but not limited to market trends, risk exposures, performance attribution, and strategy changes.

V. Charter Review and History

This Charter will be reviewed at least every four years.

The Board adopted this Charter for the Investment Committee on December ____, 2025.

Modifications/changes to this Charter are as follows:

Dates:



December 2, 2025

To: Board of Trustees

From: Kristyn Scoggins, Director of Internal Audit 

Re: Agenda Item No. 14: Receive Update on Internal Audit Matters

Through its reporting role to the Audit Committee, Internal Audit meets with the Committee to communicate matters in accordance with Internal Audit Standards. Certain aspects of the Internal Audit function that the Committee approves also require approval by the Board. Due to vacancies on the Audit Committee, there was no Committee meeting during this quarter. Therefore, I will discuss the following items:

Organizational Independence. Internal audit standards require the chief audit executive to confirm to the Board annually the organizational independence of the internal audit function. As the chief audit executive, I confirm that I have no operational responsibilities beyond Internal Audit and that I am independent.

Status of the Quality Assurance and Improvement Program. To help ensure the quality of work performed by the internal audit function, audit standards require the chief audit executive to maintain a quality assurance and improvement program (QAIP) and to communicate the results of the QAIP to the Board annually. I will discuss the processes in place to meet the audit standards.

Current Audit Plan Items in Progress. Internal Audit conducts an annual risk assessment to develop TMRS' Board-approved audit plan. This year's risk assessment is in progress and will be completed at the end of December. Proposed changes to the 2025-2026 Audit Plan will be presented to the Audit Committee and the Board early next year.

2026 Internal Audit Department Budget. In accordance with the Internal Audit Charter, the Audit Committee is responsible for reviewing and recommending to the Board for its approval the Internal Audit department's budget and resource needs. Again, due to vacancies on the Audit Committee, I have included \$355,000 in the proposed 2026 Operating Budget, which was presented to the entire Board for approval.



December 2, 2025

Y/K

To: Board of Trustees

From: Yup S. Kim, Chief Investment Officer

Re: Agenda Item 15: General Investment Consultant Quarterly Report

Sam Austin will discuss NEPC's Q3 2025 Quarterly Performance Report.

ATTACHMENT:

1 - NEPC Q3 2025 Executive Summary



3Q 2025 QUARTERLY PERFORMANCE REPORT EXECUTIVE SUMMARY

DECEMBER 11, 2025

Samuel Austin, Partner

Emily Moran, CFA, CAIA, Senior Consultant



TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF SEPTEMBER 30, 2025

COMPARED TO TRUST FUND BENCHMARK

	Market Value (\$)	1 Yr (%)	5 Yrs (%)
Total Fund, Net of Fees	47,280,280,433	10.95	8.96
Trust Fund Benchmark		10.37	7.01
Over/Under		0.58	1.95

- **For the one-year period ended September 30, 2025, the Trust Fund returned 10.95%, exceeding the Trust Fund Benchmark by 0.58%.**
 - Global Equity, Private Equity, Credit, Tactical Opportunities, and Real Assets exceeded their respective benchmarks, while Cash trailed.
- **For the five-year period ended September 30, 2025, the Trust Fund returned 8.96%, exceeding the Trust Fund Benchmark by 1.95%.**
 - Private Equity, Credit, Tactical Opportunities, Real Assets, and Cash exceeded their respective benchmarks, while Global Equity trailed.



TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF SEPTEMBER 30, 2025

COMPARED TO OTHER PUBLIC PENSION PLANS GREATER THAN \$10
BILLION IN ASSETS

	1 Yr (%)	Quartile Rank	5 Yrs (%)	Quartile Rank
Total Fund, Net of Fees	10.95	2nd	8.96	2nd
Trust Fund Benchmark	10.37	2 nd	7.01	4 th
<i>InvMetrics Public DB > \$10 Billion Median</i>			<i>8.90</i>	

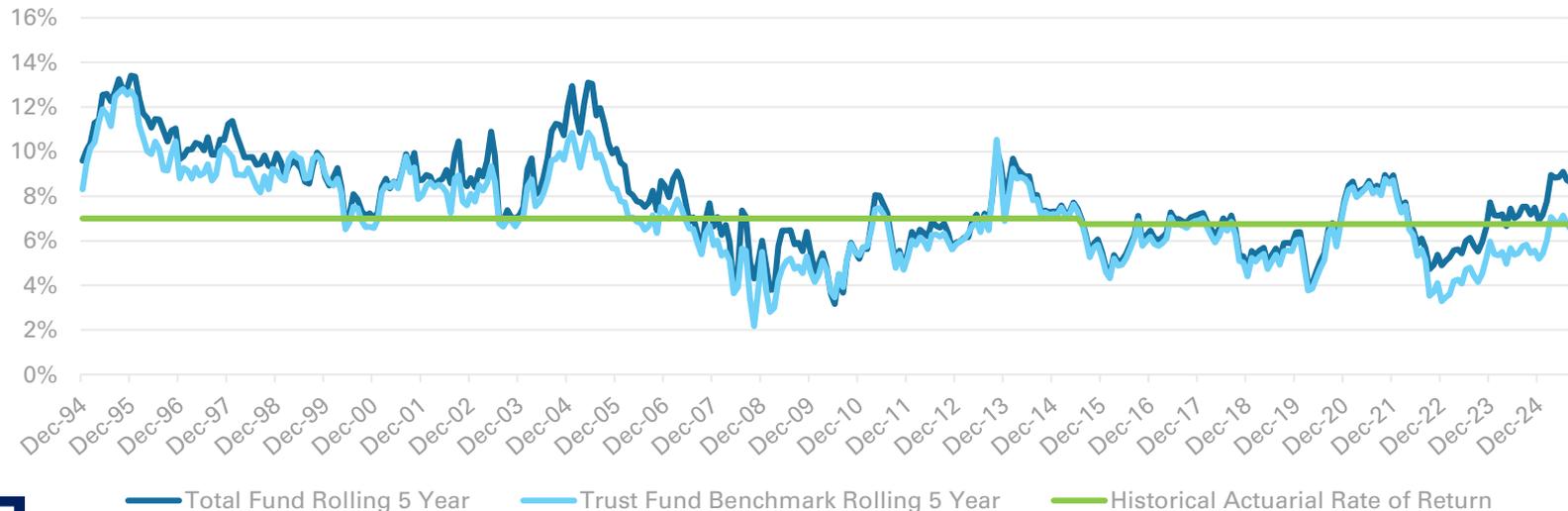
- **For the one-year period ended September 30, 2025, the Trust Fund returned 10.95% and ranked in the second quartile among other Public Defined Benefit Plans greater than \$10 billion in assets.**
- **For the five-year period ended September 30, 2025, the Trust Fund returned 8.96% and ranked in the second quartile among other Public Defined Benefit Plans greater than \$10 billion in assets.**

TOTAL FUND PERFORMANCE AS OF SEPTEMBER 30, 2025

VERSUS TRUST FUND BENCHMARK AND ASSUMED RATE OF RETURN

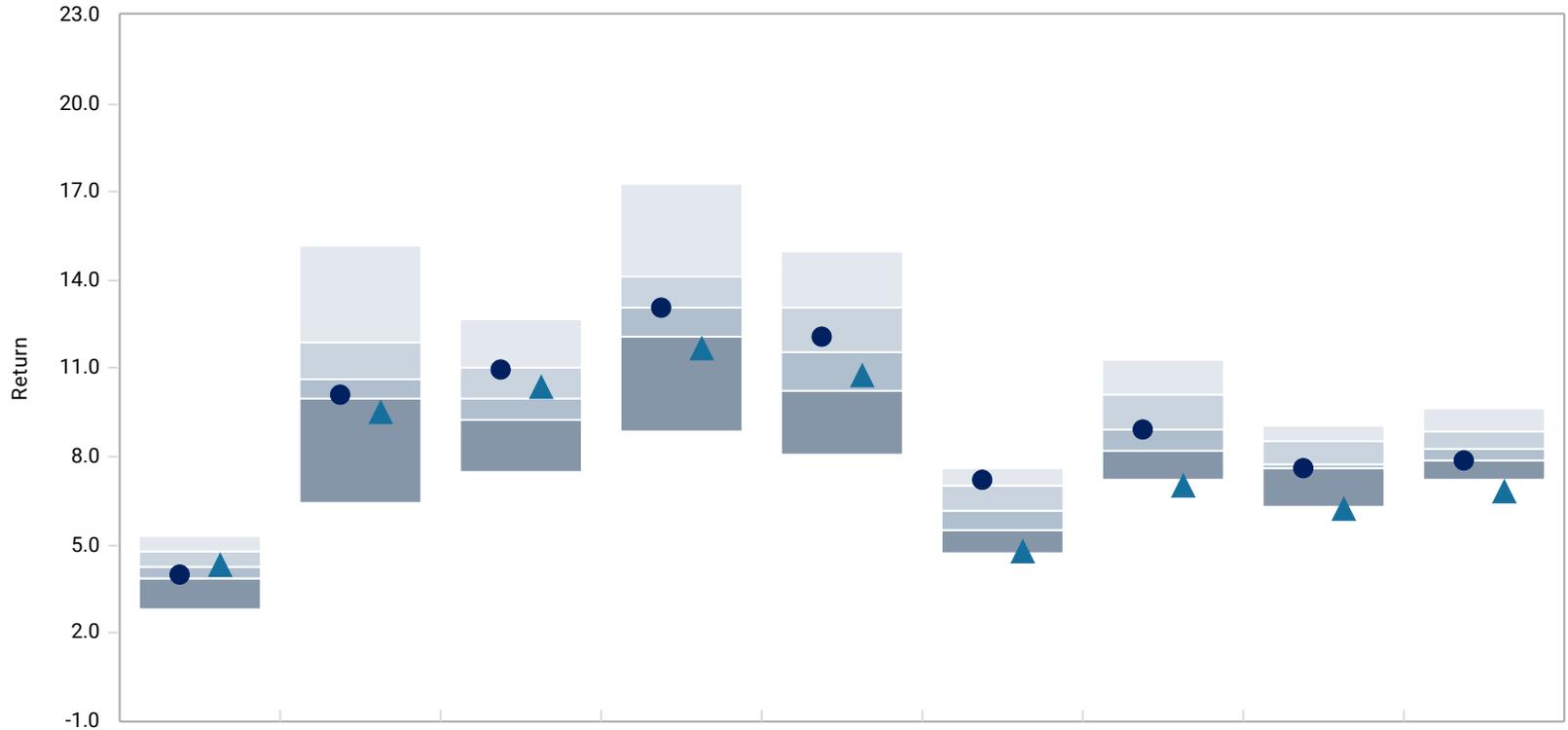
- The Trust Fund performance expectation is to exceed the Trust Fund Benchmark over rolling five-year periods.
- In the five-year period ended September 30, 2025, the Trust Fund's net return of 8.96% outperformed the Trust Fund Benchmark by 1.95%. It also exceeded the Board's Assumed Long-Term Rate of Return of 6.75%.

Rolling 5-Year Total Fund Performance vs. Trust Fund Benchmark vs. Historical Actuarial Rate of Return



RETURN SUMMARY VS. PEER UNIVERSE AS OF SEPTEMBER 30, 2025

Total Fund vs. InvMetrics Public DB > \$10 Billion



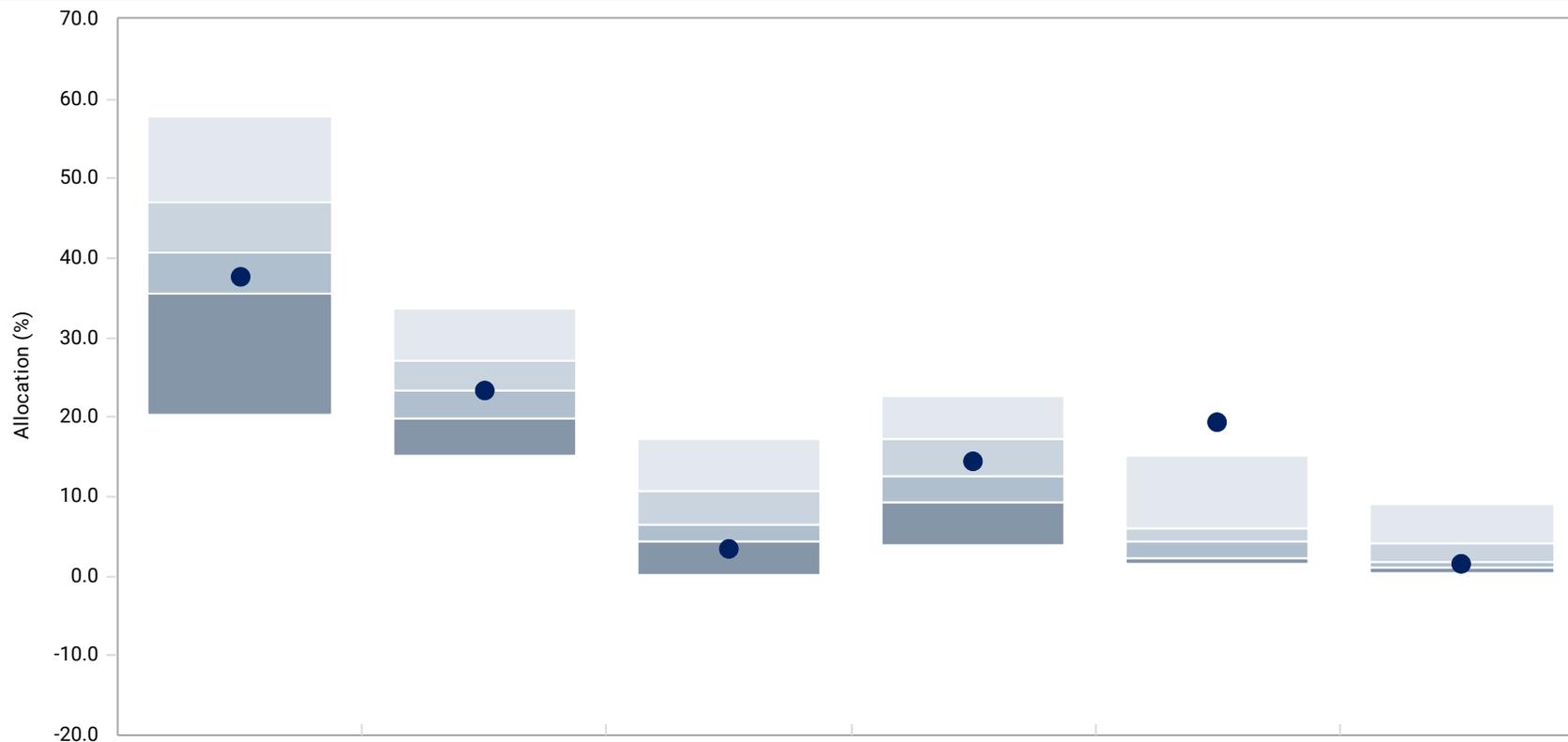
	3 Mo	YTD	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
● Total Fund	3.97 (66)	10.12 (71)	10.95 (27)	13.05 (51)	12.07 (47)	7.20 (16)	8.96 (42)	7.61 (73)	7.87 (72)
▲ Trust Fund Benchmark	4.32 (49)	9.51 (82)	10.37 (43)	11.66 (80)	10.77 (69)	4.82 (92)	7.01 (99)	6.24 (96)	6.83 (97)
5th Percentile	5.30	15.18	12.67	17.30	14.96	7.62	11.29	9.09	9.65
1st Quartile	4.77	11.88	11.00	14.12	13.05	7.01	10.14	8.55	8.89
Median	4.23	10.65	10.00	13.05	11.55	6.16	8.90	7.75	8.28
3rd Quartile	3.84	9.96	9.29	12.07	10.27	5.49	8.18	7.61	7.85
95th Percentile	2.81	6.42	7.47	8.87	8.06	4.72	7.22	6.28	7.22

Population	30	28	27	27	27	26	25	23	22
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ALLOCATIONS VS. PEER UNIVERSE AS OF SEPTEMBER 30, 2025

Total Fund Allocation vs. InvMetrics Public DB > \$10 Billion



	Total Equity	Total Fixed Income	Hedge Funds	Private Equity	Real Assets/Commod	Cash & Equivalents
● Total Fund	37.7 (69)	23.3 (50)	3.5 (83)	14.5 (36)	19.4 (1)	1.6 (57)
5th Percentile	57.8	33.7	17.3	22.6	15.2	9.0
1st Quartile	47.0	27.1	10.8	17.2	6.0	4.2
Median	40.8	23.3	6.6	12.6	4.3	1.8
3rd Quartile	35.6	19.8	4.4	9.3	2.3	1.2
95th Percentile	20.3	15.3	0.0	4.0	1.5	0.4
Population	33	33	18	32	25	31

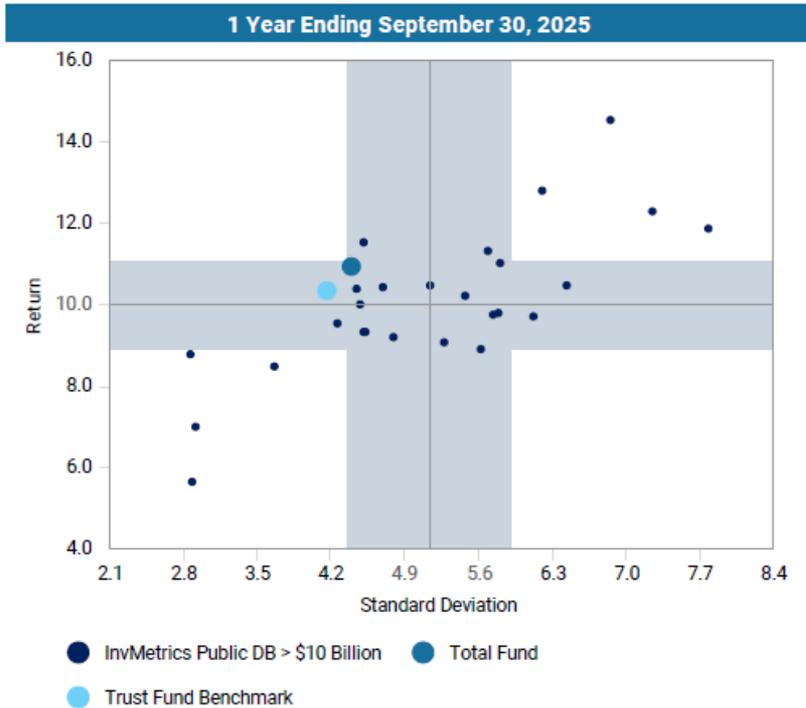
ASSET ALLOCATION COMPLIANCE AS OF SEPTEMBER 30, 2025

ACTUAL ASSET ALLOCATION VS. INVESTMENT POLICY ALLOCATION

	Current (\$)	Current (%)	Policy (%)	Differences* (%)	Policy Range (%)	Within Range
■ Global Equity	17,824,894,877	37.7	35.0	2.7	25.0 - 45.0	Yes
■ Private Equity	6,847,790,081	14.5	20.0	-5.5	10.0 - 25.0	Yes
■ Credit	11,037,058,954	23.3	21.0	2.3	16.0 - 26.0	Yes
■ Tactical Opportunities	1,647,977,871	3.5	6.0	-2.5	0.0 - 11.0	Yes
■ Real Assets	9,165,054,207	19.4	18.0	1.4	13.0 - 23.0	Yes
■ Cash Composite	756,939,792	1.6	0.0	1.6		
Total Fund	47,280,280,433	100.0	100.0	0.0		

- **Actual asset class allocations are in compliance with Investment Policy ranges as of September 30, 2025.**

TOTAL FUND RISK VS. NET RETURN: ONE YEAR AS OF SEPTEMBER 30, 2025



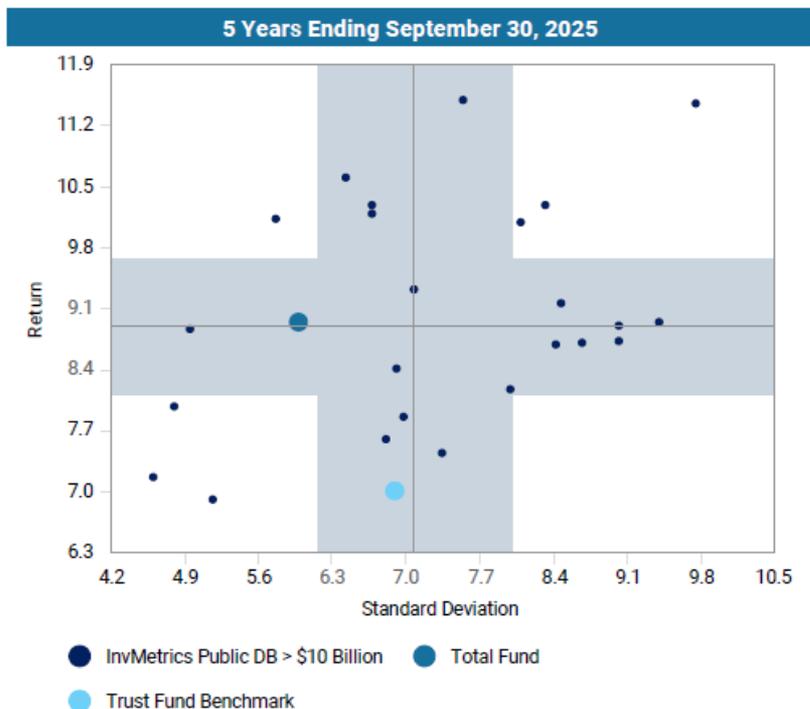
The Trust Fund generated a second quartile net investment return with one of the lower risk levels, as measured by standard deviation, among other Public Defined Benefit Plans with more than \$10 billion in assets for the 1-year period ended September 30, 2025.

1 Year Ending September 30, 2025						
	Risk	Quartile Rank	Return	Quartile Rank	Sharpe Ratio	Quartile Rank
Total Fund	4.39	1st	10.95	2nd	1.42	1st
Trust Fund Benchmark	4.15	1 st	10.37	2 nd	1.37	1 st
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>5.14</i>		<i>10.00</i>		<i>1.06</i>	

- The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
- InvMetrics Public DB > \$10B Median includes 27 observations.



TOTAL FUND RISK VS. NET RETURN: FIVE YEARS AS OF SEPTEMBER 30, 2025



The Trust Fund generated a second quartile net investment return with one of the lower risk levels, as measured by standard deviation, among other Public Defined Benefit Plans with more than \$10 billion in assets for the 5-year period ended September 30, 2025.

5 Year Ending September 30, 2025						
	Risk	Quartile Rank	Return	Quartile Rank	Sharpe Ratio	Quartile Rank
Total Fund	5.98	1st	8.96	2nd	0.98	2nd
Trust Fund Benchmark	6.90	2 nd	7.01	4 th	0.60	4 th
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>7.08</i>		<i>8.90</i>		<i>0.86</i>	

- The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
- InvMetrics Public DB > \$10B Median includes 25 observations.



Texas Municipal Retirement System

PERFORMANCE DETAIL AS OF SEPTEMBER 30, 2025

	Allocation		Performance (%)								
	Market Value (\$)	% of Portfolio	3 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund (Peer Comparison*)	47,280,280,433	100.0	3.97 (66)	10.12 (71)	10.95 (27)	12.07 (47)	8.96 (42)	7.61 (73)	7.87 (72)	8.34	Jan-89
<i>Trust Fund Benchmark</i>			<u>4.32</u>	<u>9.51</u>	<u>10.37</u>	<u>10.77</u>	<u>7.01</u>	<u>6.24</u>	<u>6.83</u>	<u>7.64</u>	
Over/Under			-0.35	0.60	0.57	1.30	1.95	1.37	1.04	0.71	
Global Equity	17,824,894,877	37.7	7.14	17.98	16.90	22.57	12.99	10.36	11.45	7.50	Jan-08
<i>Total Equity Index</i>			<u>7.27</u>	<u>17.54</u>	<u>16.08</u>	<u>22.24</u>	<u>13.17</u>	<u>10.76</u>	<u>11.75</u>	<u>7.61</u>	
Over/Under			-0.13	0.45	0.81	0.33	-0.18	-0.40	-0.30	-0.11	
Private Equity	6,847,790,081	14.5	2.71	7.39	10.63	6.65	17.44	15.57		14.46	Dec-15
<i>Private Equity Index</i>			<u>4.26</u>	<u>7.00</u>	<u>9.40</u>	<u>8.93</u>	<u>12.73</u>	<u>10.46</u>		<u>12.87</u>	
Over/Under			-1.55	0.39	1.23	-2.28	4.70	5.11		1.60	
Credit	11,037,058,954	23.3	2.40	5.88	6.87	7.99	4.79	5.20	4.58	7.16	Jan-89
<i>Credit Custom Blend</i>			<u>1.95</u>	<u>5.13</u>	<u>6.19</u>	<u>5.33</u>	<u>1.84</u>	<u>2.94</u>	<u>2.81</u>	<u>6.23</u>	
Over/Under			0.45	0.76	0.68	2.66	2.95	2.26	1.76	0.93	
Tactical Opportunities	1,647,977,871	3.5	3.34	6.48	10.51	9.47	7.37	6.37	5.81	5.58	Jul-14
<i>Tactical Opportunities Custom Blend</i>			<u>3.51</u>	<u>5.12</u>	<u>8.36</u>	<u>5.09</u>	<u>6.21</u>	<u>5.28</u>	<u>4.40</u>	<u>4.14</u>	
Over/Under			-0.17	1.36	2.15	4.38	1.16	1.09	1.41	1.44	
Real Assets	9,165,054,207	19.4	1.26	4.82	6.25	3.37	8.19	7.35	8.29	9.06	Nov-11
<i>Real Assets Custom Blend</i>			<u>2.18</u>	<u>4.03</u>	<u>5.50</u>	<u>-0.87</u>	<u>4.69</u>	<u>4.52</u>	<u>5.92</u>	<u>7.93</u>	
Over/Under			-0.92	0.79	0.76	4.24	3.50	2.83	2.37	1.12	
Cash Composite	756,939,792	1.6	1.03	3.23	4.49	5.11	3.22	2.75	2.21	1.39	Jun-08
<i>FTSE 1 Month US T-Bill index</i>			<u>1.10</u>	<u>3.29</u>	<u>4.53</u>	<u>4.90</u>	<u>3.05</u>	<u>2.63</u>	<u>2.07</u>	<u>1.24</u>	
Over/Under			-0.07	-0.06	-0.05	0.21	0.18	0.12	0.14	0.15	

* Peer comparison is expressed as a percentile. The lower the number, the better (e.g., "1" is the top percentile).



COMPOSITE BENCHMARK DEFINITIONS AS OF SEPTEMBER 30, 2025

The Trust Fund Benchmark represents the Actual Allocation Benchmark through 12/31/2023; the Strategic Target Allocation weights through 12/31/2024; actual asset class weights as of 1/1/2025.

Strategic Target Allocation 1/1/2024-12/31/2024

- 35.0% Total Equity Benchmark
- 6.0% Core Fixed Income Benchmark
- 6.0% Non-Core Fixed Income Benchmark
- 5.0% Hedge Funds Benchmark
- 13.0% Private Equity Benchmark
- 12.0% Real Estate Benchmark
- 6.0% Infrastructure Benchmark
- 4.0% Other Private Markets Benchmark
- 13.0% Private Debt Benchmark

The Actual Allocation Benchmark was calculated monthly using the beginning of the month asset class weights applied to each corresponding benchmark return.

Asset Class Composite Benchmarks:

The Total Equity Benchmark is calculated monthly and consists of 50% Russell 3000 Index and 50% MSCI EAFE Index (USD) (Net) through 07/31/2010; a blend of the Russell 3000 Index, MSCI ACW Ex US IM Index (USD) (Net) and MSCI EAFE Index (USD) (Net) at beginning of month investment weights through 11/30/2012; and a blend of the Russell 3000 Index and MSCI ACW Ex US IM Index (USD) (Net) at beginning of the month weights through 12/31/2018; and MSCI ACW IM Index (USD) (Net) through 12/31/2024; and MSCI ACWI IMI ex-China ex-Hong Kong (Net) thereafter.

The Private Equity Benchmark is set equal to the Composite return through 6/30/2021; the MSCI ACW IM Index (USD) (Net), one quarter lag through 12/31/2023; the Cambridge US PE and Venture Capital, one quarter lag through 12/31/2024; and the Cambridge Global PE and Venture Capital, one quarter lag thereafter.

The Tactical Opportunities Benchmark is calculated monthly and consists of the HFRI FOF: Dvf'd Index (1 Mo Lag) through 6/30/2021, and HFRI Asset Weighted Composite Index (1 Mo Lag) thereafter.

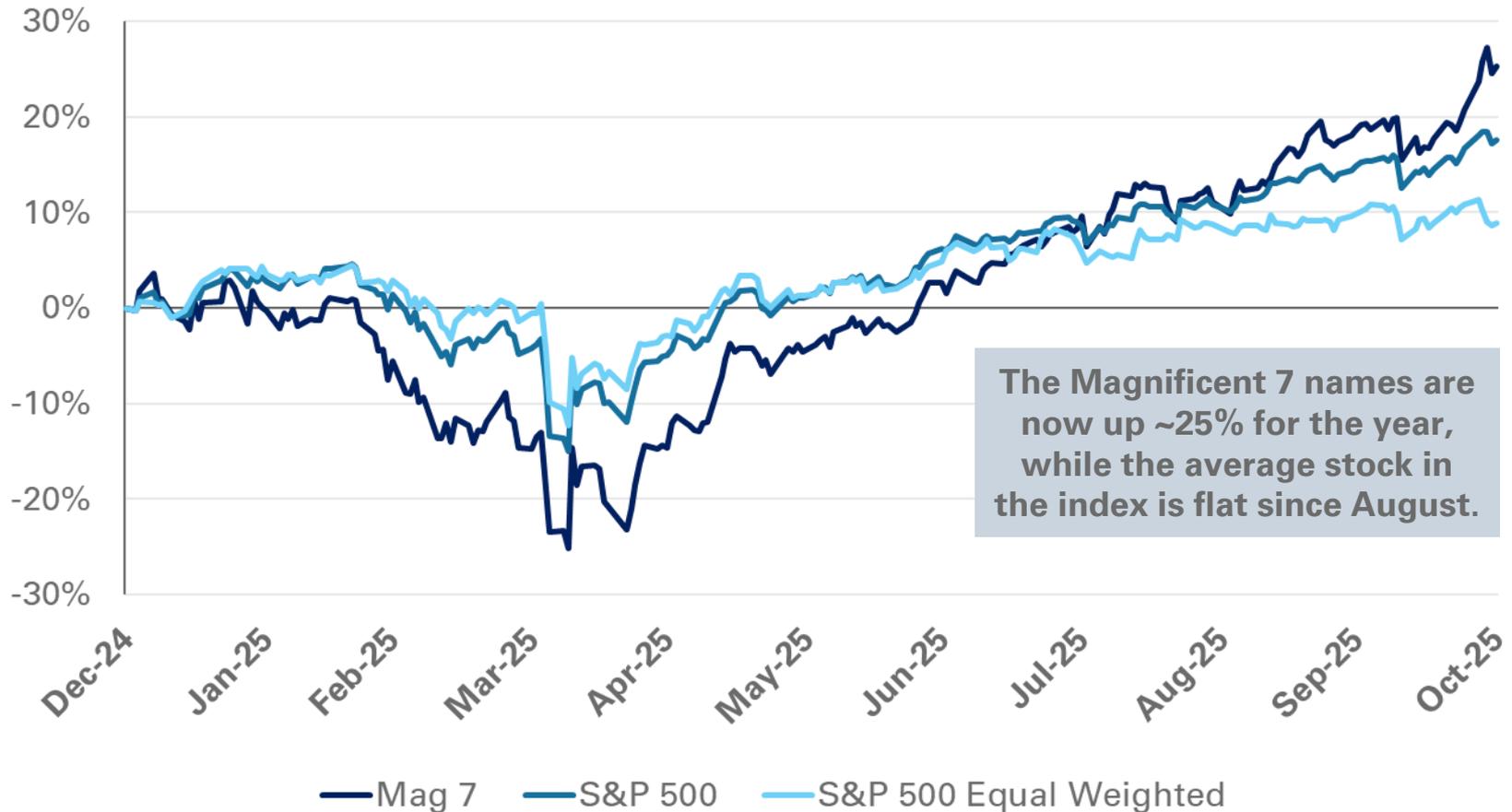
The Credit Benchmark consists of 40% ICE BofA 1-3YR A-BBB US Corporate Index and 60% CS Leverage Loans Index +100bps.

The Real Assets Benchmark consists of 50% Cambridge Infrastructure and 50% NCREIF NFI-ODCE (Net).

MARKET ENVIRONMENT

MAG 7 NAMES CARRYING THE INDEX ONCE AGAIN

YEAR-TO-DATE MARGINAL RETURN

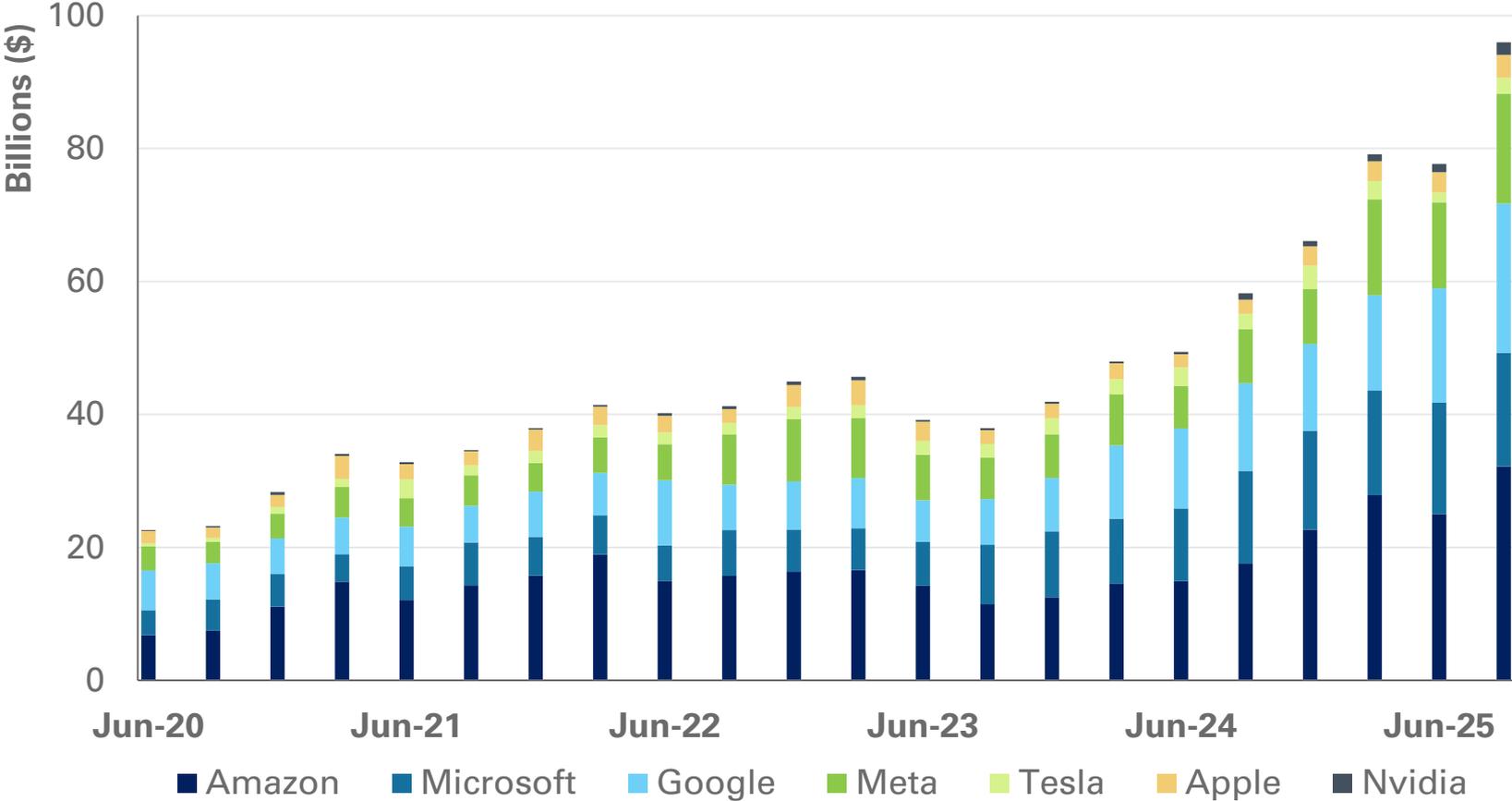


Notes: Mag 7 includes Alphabet, Amazon, Apple, Microsoft, Meta, Nvidia, and Tesla; marginal returns based on daily returns and index weights
Sources: FactSet, NEPC



CAPEX SPENDING RAMPED UP SIGNIFICANTLY

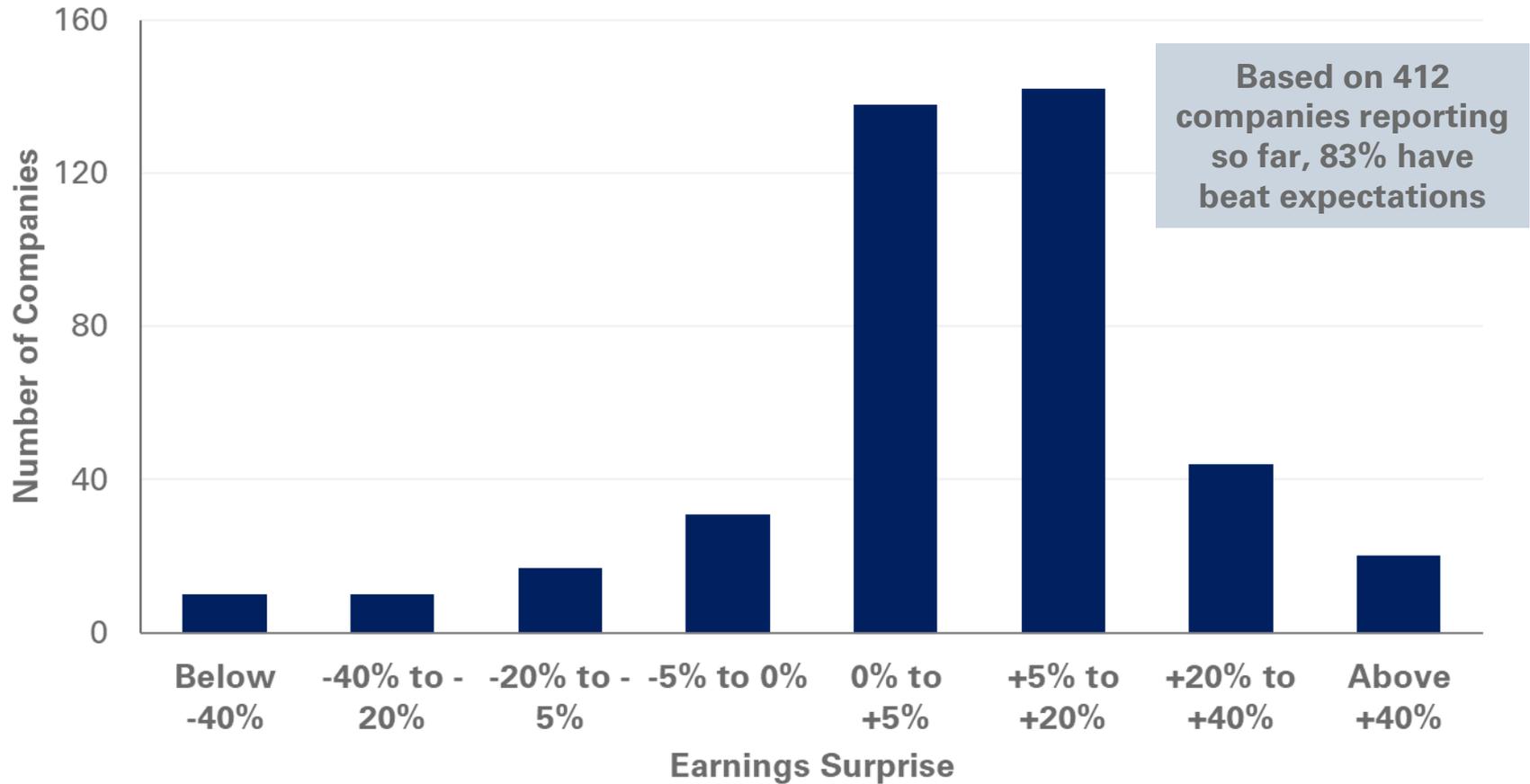
QUARTERLY CAPITAL EXPENDITURES BY MAG-7 COMPANIES



Source: FactSet

EARNINGS CONTINUE TO BEAT EXPECTATIONS

S&P 500 Q3 2025 EARNINGS VERSUS CONSENSUS ESTIMATE

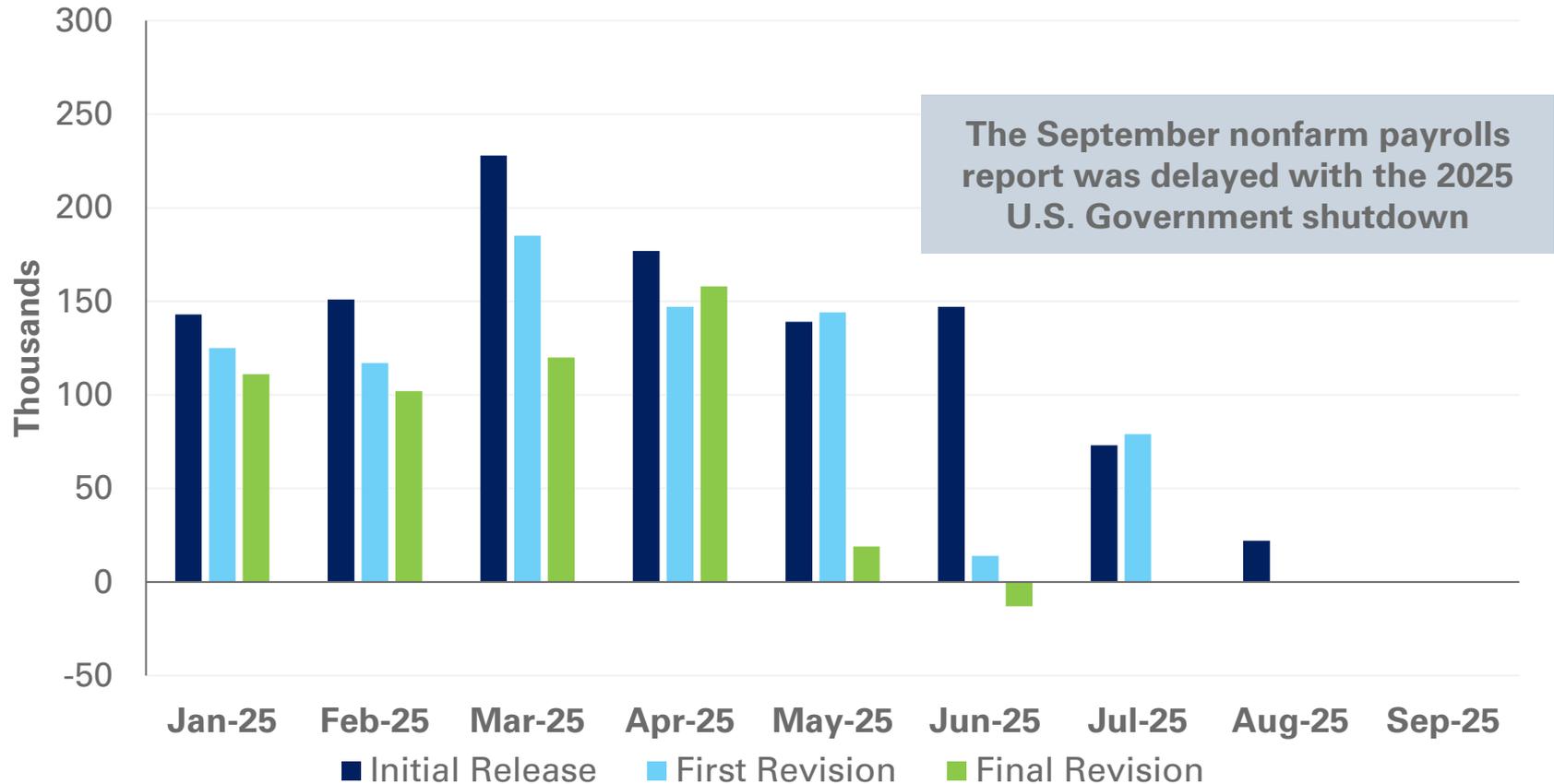


Notes: Based on companies that have reported between 10/1/2025 and 11/6/2025
Sources: FactSet, NEPC



DATA UNCERTAINTY CLOUDS PATH FOR FED

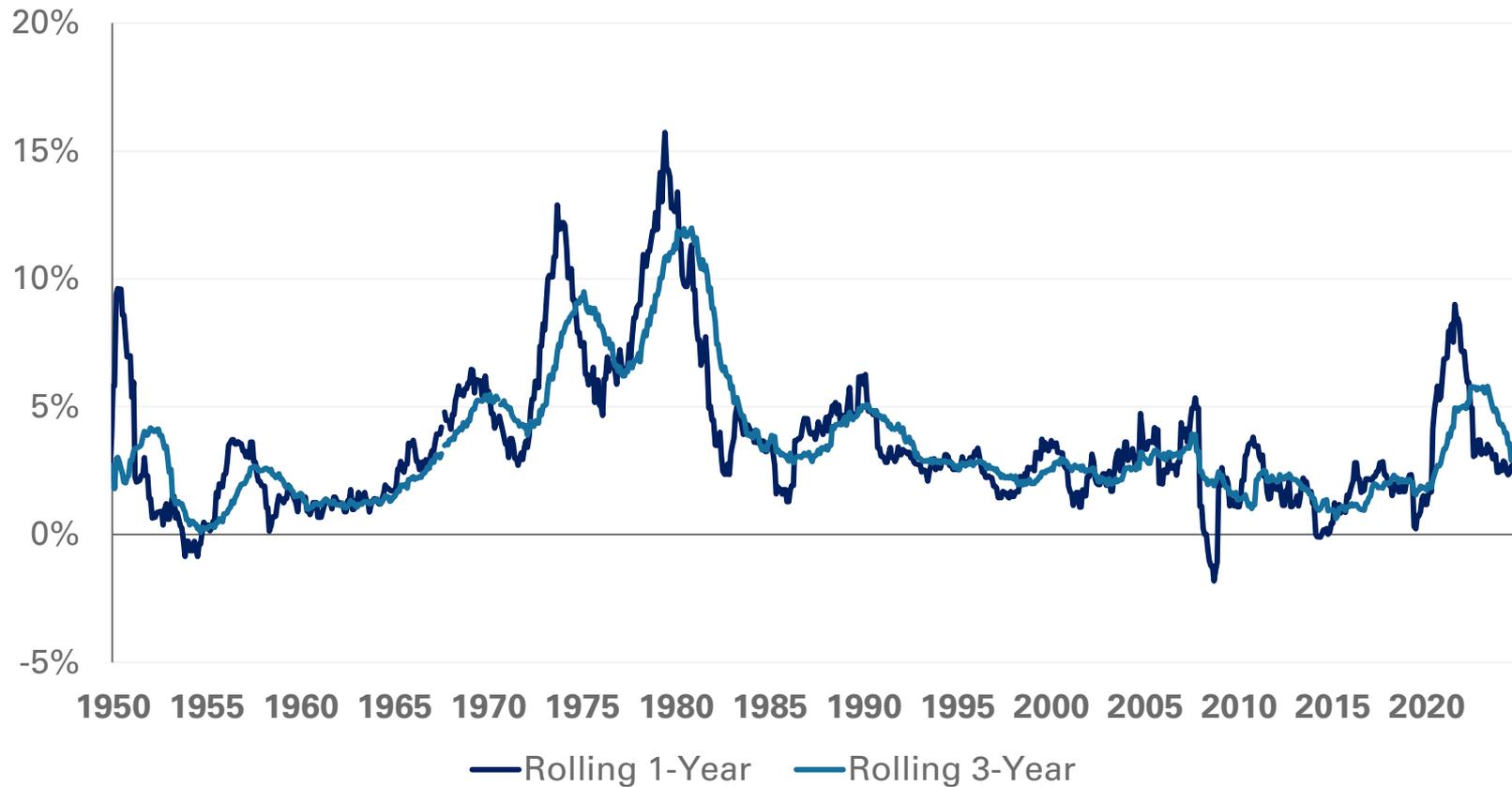
FED'S DUAL MANDATE: EMPLOYMENT VS. INFLATION



Sources: U.S. Bureau of Labor Statistics, FactSet

INFLATION

U.S. CONSUMER PRICE INDEX



Source: Bureau of Labor Statistics, FactSet





December 2, 2025

To: Board of Trustees
From: Yup Kim, Chief Investment Officer *YK*
Re: Agenda Item 16a: Chief Investment Officer Report

Chief Investment Officer Key Performance Indicator (“CIO KPI”) Dashboard. The CIO KPI Dashboard aims to highlight important investment metrics on a consistent basis.

Sustainable performance: Net returns for the one- and five-year periods were 10.95% and 8.96%, respectively, exceeding the Trust Fund benchmark for the same periods by 58 basis points and 195 basis points. Trust Fund returns sit above peer median at 2nd quartile for the one-year period and five-year periods. Trust Fund net returns exceeded the actuarial rate assumption of 6.75% for the one and five-year period by 420 basis points and 221 basis points, respectively. Trust Fund risk was lower than the peer median for both the one- and five-year periods.

Investment activity and portfolio construction: The targeted private market commitment level for 2025 is \$4.2 billion. As of Q3 2025, \$4.18 billion of new private market investments were approved across 22 funds, 27 co-investments, and 7 vehicles dedicated to co-investments. Additionally, four investments in public security vehicles totaling \$3.5B were approved. All Trust Fund asset class allocations are within Board-approved ranges.

Reduce costs: Co-investments are investments made with investment managers that have the benefit of having reduced to no management or carried interest fees. Because of these benefits, it is a priority to continue growing co-investment share of total investment. As of Q3 2025, co-investments represent 9% of total private market net asset value, up from 5% at the beginning of 2024. As a percentage of private market investments approved in 2025 year-to-date, co-investments represented 52% of activity.

2026 Pacing Plan. A private market pacing plan is developed and presented annually to the Board. The pacing plan provides targets and ranges for private market commitments to each asset class to ensure progress is being made toward strategic asset allocation targets. Expectation is that commitment amounts will be relatively consistent year over year. The 2025 budget was for \$4.2B of commitments (\$1.6B for private equity, \$1.6B for private credit, and \$1.0B for real assets). The 2026 budget is for \$4.75B of commitments (\$1.75B for private equity, \$2.0B for private credit, and \$1.0B for real assets). The budgeted increase is due to overall Trust Fund growth and a healthy distribution profile from TMRS’ private credit funds.

Investment Policy Statement. The Board requires an annual review of its Investment Policy Statement. A modest revision to update the title of a member of staff is being recommended.

Annual Asset Class and Investment Manager Reviews. The Investment Policy Statement requires comprehensive asset class and investment manager reviews at least annually. The review process entails audited financial statement review, regulatory checks, assessments of the cost of asset class implementation, generation and review of manager performance scorecards and related recommended actions as necessary. Reviews have been completed for 2025. There were no exceptions or qualified audit opinions identified during financial statement reviews. No material previously unknown disciplinary history or conflicts of interest were identified in regulatory reviews. The cost of implementation of each asset class is performed using ACFR reported figures divided by the average of beginning and ending values of the asset class. For the 2024 ACFR year, cost of implementation for each asset class was as follows: Public Equity (0.12% mgt. fee, 0.12% total cost including management fees and incentive fees); Private Equity (1.54%, 4.23%); Credit (0.52%, 1.22%); Real Assets (1.23%, 2.52%); Tactical Opportunities (1.56%, 4.52%). As the co-investment program continues to scale, the expectation is the cost to implement private market asset classes will decline. In terms of actions taken over the course of the year due to ongoing performance monitoring and annual review processes, TMRS fully redeemed from 3 managers in 2025.

TMRS last had an independent third-party review of its investment processes conducted in 2024 when the NEPC completed the [Investment Practices and Performance Evaluation](#) as required to be periodically performed under Texas statute. The report covered governance processes related to investment activities, an analysis of the Investment Policy Statement, review of the asset allocation, assessment of manager selection and monitoring processes, and a review of the appropriateness of investment fees and commissions. NEPC found that TMRS' policies, procedures, and practices to be appropriate, adequate and effective when compared to prevailing industry practices.

Board Education. Amol Deshpande, Head of Private Equity, will present the annual review of the Private Equity asset class. John Ritter, Head of Real Assets, will present the annual review of the Real Assets asset class.

Trust Fund Report

Yup Kim, Chief Investment Officer
Board of Trustees Meeting
December 11, 2025

CIO Key Performance Indicator Dashboard (September 30, 2025)

Portfolio Pacing and Construction

Reduce Cost

Sustainable Performance

Key Performance Indicator (KPI) Description	Grade	Progress			
Fully commit private market target allocation	On-track	99% of pacing target approved			
Trust fund allocation in compliance	On-track	In compliance			
Increase co-investment share of private markets for improved returns and cost savings	Transitioning	9.4% of total net asset value			
Net returns exceed benchmark	On-track	1 Year	5 Year		
		+57bps	+195bps		
		Trust fund net returns exceeds the actuarial rate assumption of 6.75%	On-track	+420bps	+221bps
		Trust fund returns above peer median	On-track	2nd	2nd
Trust fund risk lower than peer median	On-track	1st	1st		

Trust Fund Report Table of Contents

1

Fully Commit
Private Market
Target Allocation

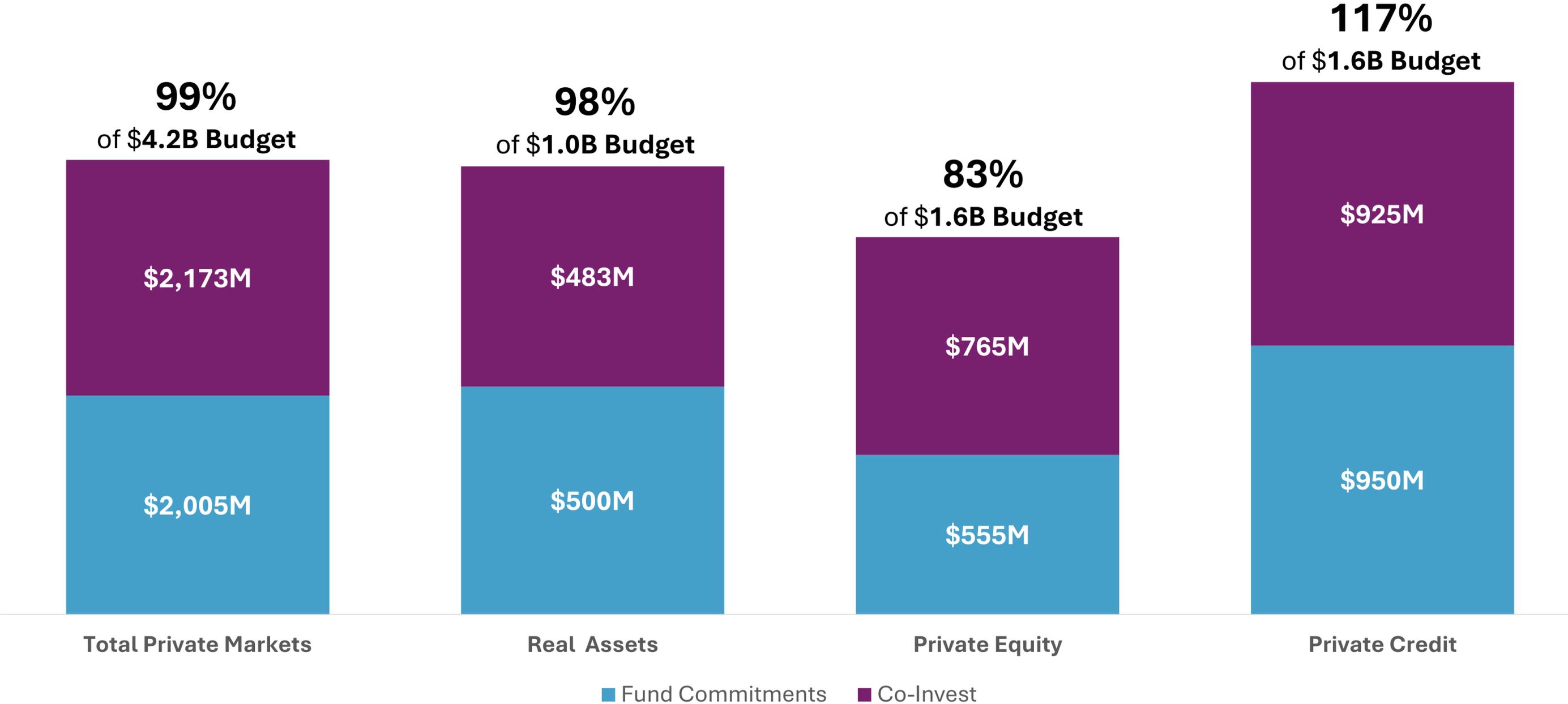
2

Reduce Cost

3

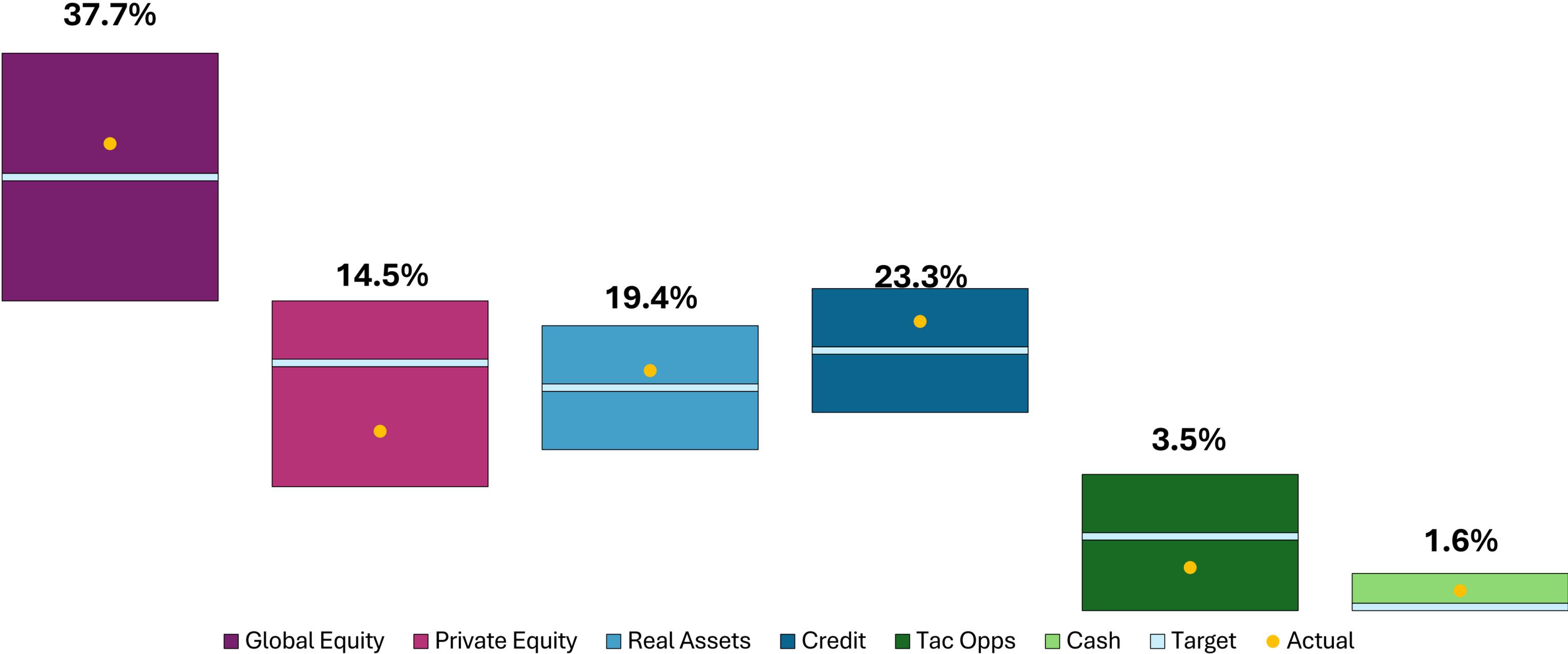
Sustainable
Performance

Private Markets Allocation By Asset Class (as of September 30, 2025)



We Are Fully Compliant With Trust Fund Allocation Benchmarks

Actual % as of September 30, 2025

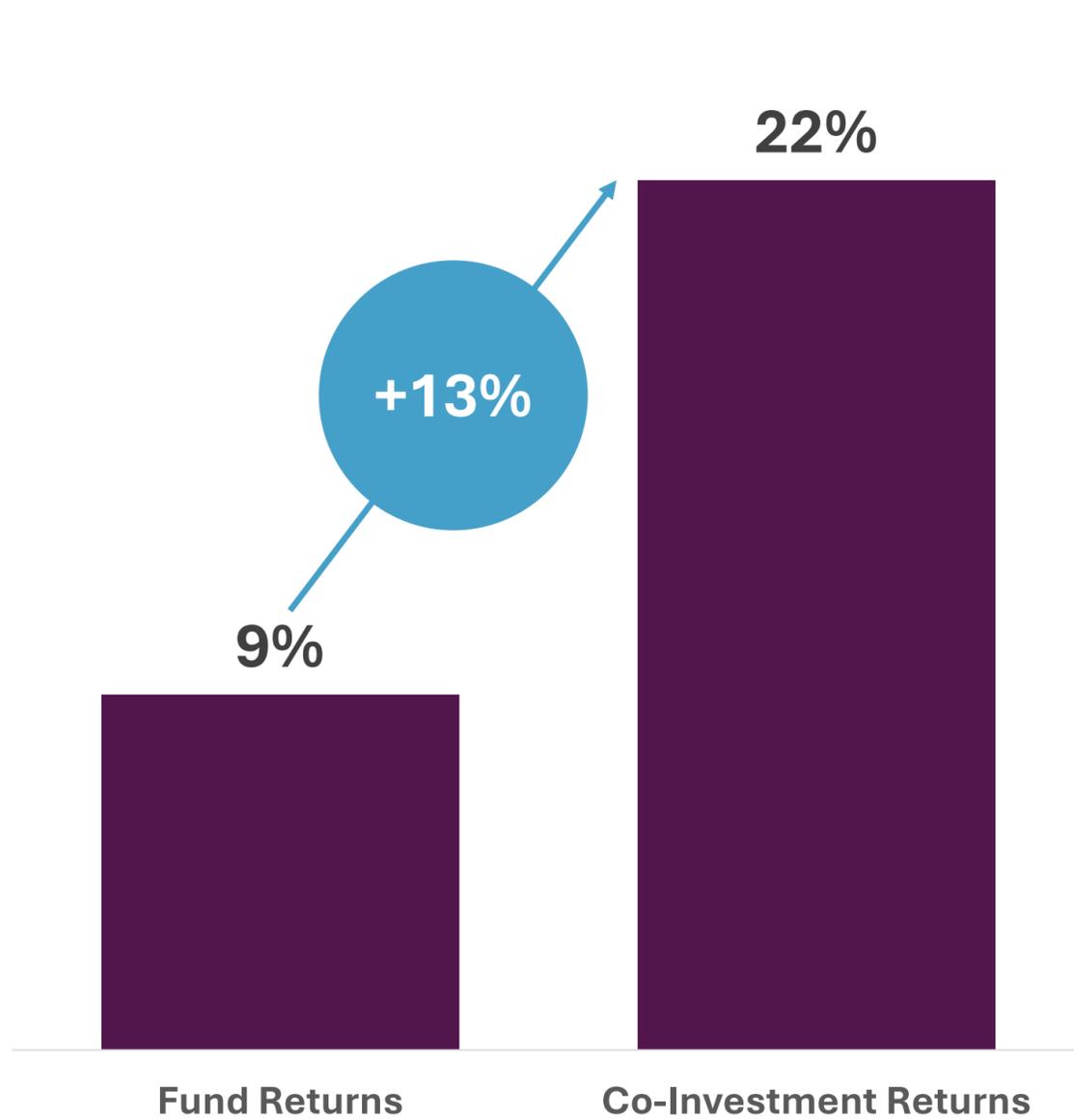


Increase Co-Investment Share of Private Markets for Improved Returns & Cost Savings



Increase Co-Investment Share of Private Markets for Improved Returns & Cost Savings

2024+ Vintage 1 Year IRRs (As of Q2 2025)



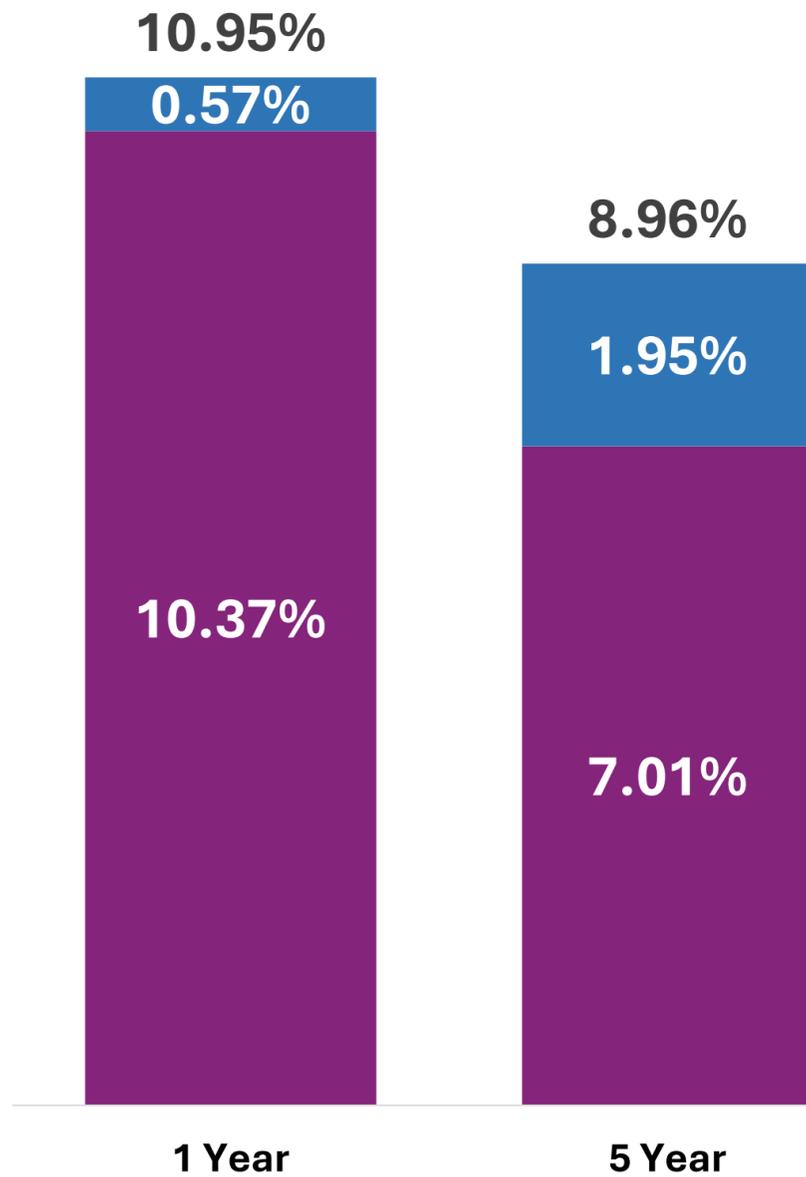
3 Year Returns (As of Q2 2025)

	Funds	Co-Invests	Outperformance
Real Assets	3%	18%	+15%
Private Credit	10%	10%	+1%
Private Equity	7%	8%	+1%
Total (3-year)	6%	11%	+5%

Trust Fund Net Returns Exceed Benchmarks and Actuarial Rate Assumptions

Net Performance as of September 30, 2025

Trust Fund Benchmark

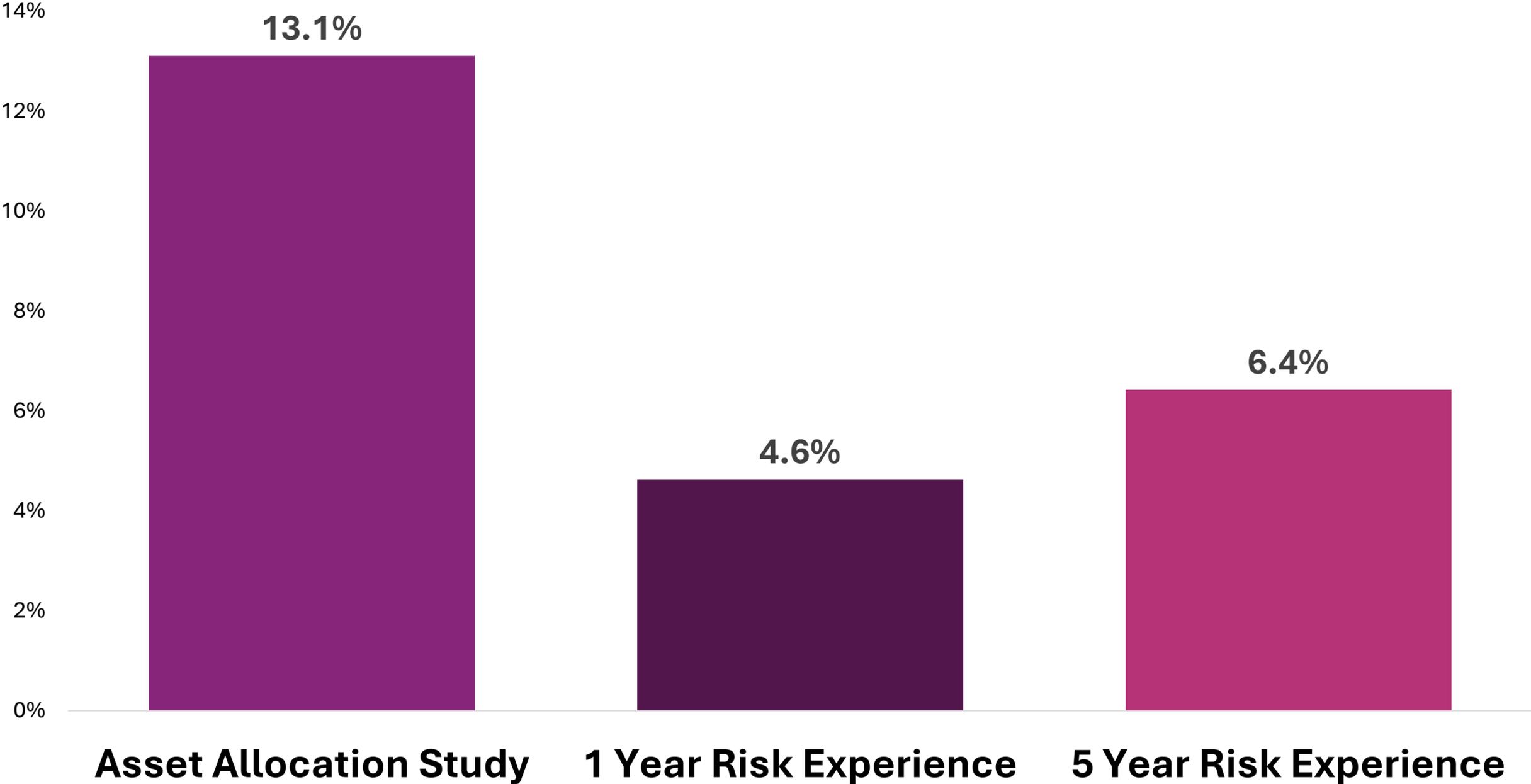


Actuarial Rate Assumption



Trust Fund Actual Allocation Risk

As of September 30, 2025



Historical Stress Test

STAYING THE COURSE
 In periods of volatility, staying the course is critically important

THE REWARD
 Market recessions are often followed by strong investment return years

STAYING THE COURSE

Potential Near-Term Volatility Ahead

	GFC	COVID	RUSSIA/UKRAINE WAR + INFLATION
Volatility Scenarios	2008	2020	2022
Beginning Assets (\$B)	\$47	\$47	\$47
Portfolio Decline	-25%	-13%	-8%
Recovery Year 1	17%	46%	11%
Recovery Year 2	15%	-	10%
Post-Recovery Assets (Est., \$B)	\$47.4	\$59.6	\$52.8

Liquidity & Market Volatility

1 Fortress of available liquidity TMRS' has **\$25B in available liquidity**, which comfortably covers member benefits and capital calls by over three times.

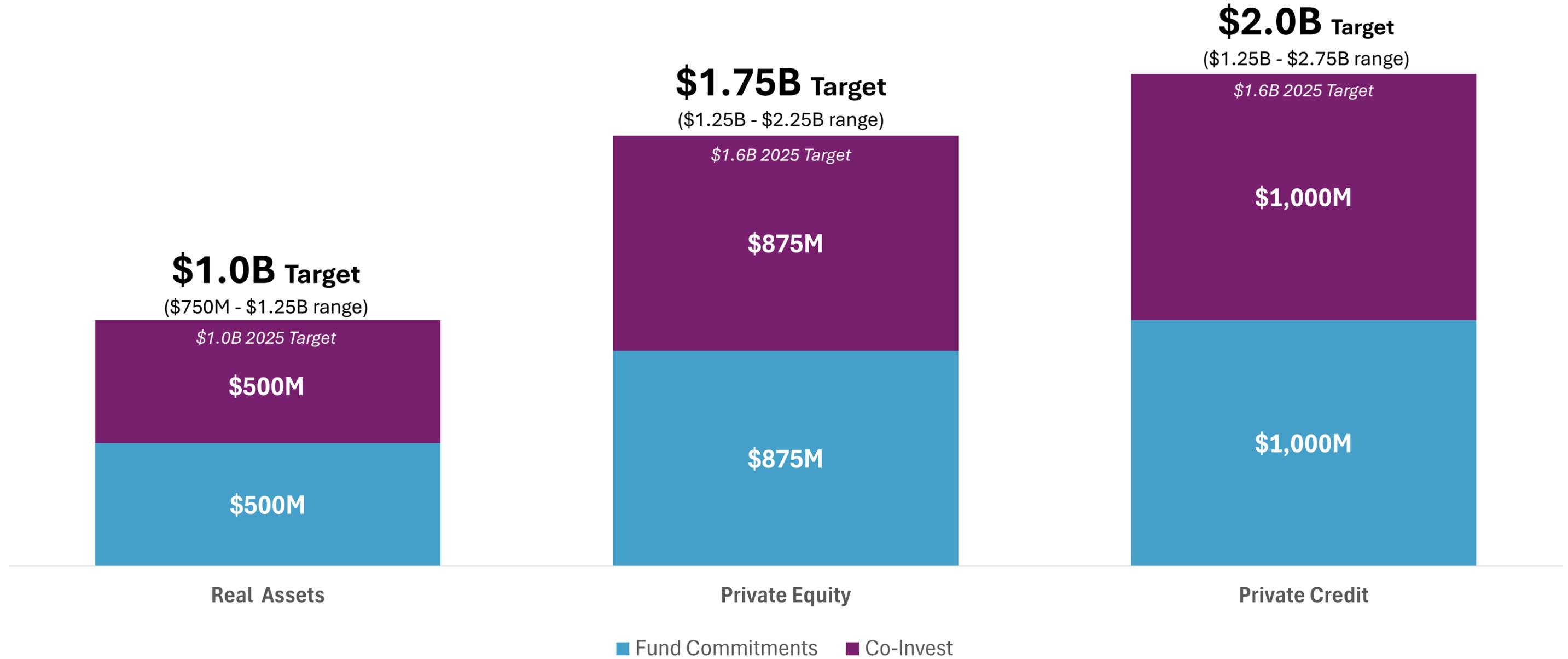
2 Passes liquidity stress tests Staff **models the liquidity position** of the Trust during market dislocations including GFC, COVID, and RUSSIA/UKRAINE to **ensure liabilities are paid**

Trust Balance	Current	2008	2020	2022
Trust Balance	\$47B <i>Flat</i>	\$35B <i>-25%</i>	\$41B <i>-13%</i>	\$43B <i>-8%</i>
Total Liquidity	\$25.6B	\$17B	\$20.8B	\$22.1B
Uncalled Private Capital	\$8B	\$8B	\$8B	\$8B
Member Benefits (0.80% Annualized)	0.4	0.4	0.4	0.4
Total Liability	\$8.4B	\$8.4B	\$8.4B	\$8.4B
Liquidity Coverage Ratio	3.05X	2.02X	2.48X	2.63X

2026 Pacing Plan



2026 Pacing Plan



Consistent Deployment

Consistent deployment year-to-year is critical to success in private markets and reaching target asset allocation goals. The 2026 target capital deployment is \$4.75B.

Asset Class Summaries

1

Public
Equity

2

Tactical
Opportunities

3

Private
Equity

4

Credit

5

Real
Assets

Public Equity Key Performance Indicator Dashboard (September 30, 2025)

Portfolio Pacing and Construction

Cost-Control

Sustainable Performance

Key Performance Indicator (KPI) Description	Grade	Progress	
Trust fund allocation in compliance	On-track	In compliance (37.7%)	
Strategically increase active management	On-track	~25% active	
Maintain benchmark alignment	On-track	Aligned w/ geography, market, and capitalization factors	
Maintain low fees	On-track	Weighted avg. fees of ~12bps	
Portfolio performance relative to benchmark	On-track	1 Year	5 Year
		+81 bps	-18 bps
Asset class ranking vs. peers	On-track	1st	2nd

Public Equity

Topic	Q3 Commentary (July 1, 2025 – September 30, 2025)
<p>Market activity</p>	<ul style="list-style-type: none"> Global Public Equities posted another quarter of strong performance in 3Q25, with the Global Benchmark up 7.3%. USA Public Equities rallied 7.8% (YTD 14.2%), while Ex-USA public equities were up 5.7% (YTD at 25.7%). Large Cap names, specifically related to Artificial Intelligence initiatives such as Nvidia, Microsoft, Taiwan Semiconductor, ASML have performed strongly YTD and in 3Q. We also note that outside the USA healthcare, industrials and financials have done well.
<p>Portfolio activity</p>	<ul style="list-style-type: none"> Portfolio activity in the quarter included the addition of \$200M to an existing manager with limited capacity who has been a strong partner. We also note strong performance in the asset class has contributed to providing significant liquidity for the Trust.
<p>Performance</p>	<ul style="list-style-type: none"> Net returns were +16.9% and +13.0% for the 1-year and 5-year periods ended September 30, 2025. The Global Public Equity portfolio outperformed its benchmark by 81 bps on a trailing 1-year basis and underperformed its benchmark by 18 bps on a trailing 5-year basis. Three-year results are now positive. Outperformance this quarter was driven by strong returns from new managers including Arrowstreet and Marshall Wace.

TMRS Net Performance vs. Benchmark

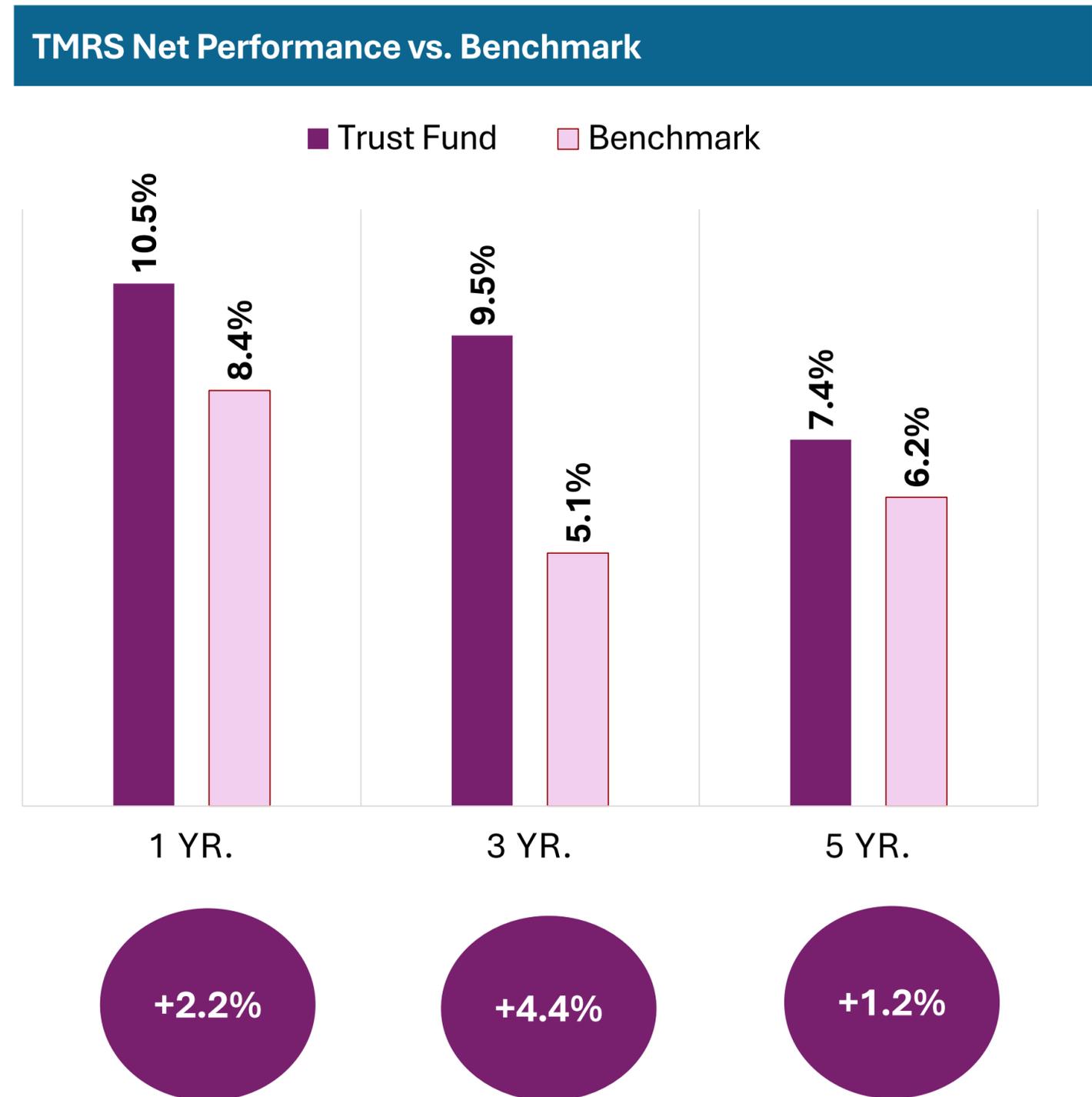


Tactical Opportunities Key Performance Indicator Dashboard (September 30, 2025)

	Key Performance Indicator (KPI) Description	Grade	Progress	
Portfolio Pacing and Construction	Increase portfolio allocation to equity strategies	Transitioning	Current allocation ~55%	
	Increase return profile by scaling partnerships with top managers	On-track	Returns exceed 10% for the third year in a row	
Risk Management	Allocate to managers with a proven ability to protect capital in changing market environments	On-track	Tactical opportunities portfolio continues to outperform in public market drawdowns	
Sustainable Performance	Net returns exceed benchmark	On-track	1 Year	5 Year
			+215bps	+116bps

Tactical Opportunities

Topic	Q3 Commentary (July 1, 2025 – September 30, 2025)
<p>Market activity</p>	<ul style="list-style-type: none"> • Strength in global equity markets alongside elevated interest rates were supportive for performance across multi-strategy and relative value strategies. • All strategies across the TMRS hedge fund portfolio were positive for the trailing 1-year period with relative value contributing +5%, equity-hedge +3%, and event-driven +2%.
<p>Portfolio activity</p>	<ul style="list-style-type: none"> • Portfolio activity in the third quarter totaled \$150 million in a new investment in a global equity strategy, with approximately \$600 million in redemptions from legacy managers.
<p>Performance</p>	<ul style="list-style-type: none"> • Net returns were +10.5% and +7.4% for the 1-year and 5-year periods ended September 30, 2025. The tactical opportunities portfolio outperformed its benchmark by 2.2% on a trailing 1-year basis and outperformed its benchmark by 1.2% on a trailing 5-year basis. • Outperformance this quarter was driven by strength in relative value strategies, led by DE Shaw, multi-strategy managers including Blackstone, and equity strategies including Alyeska.

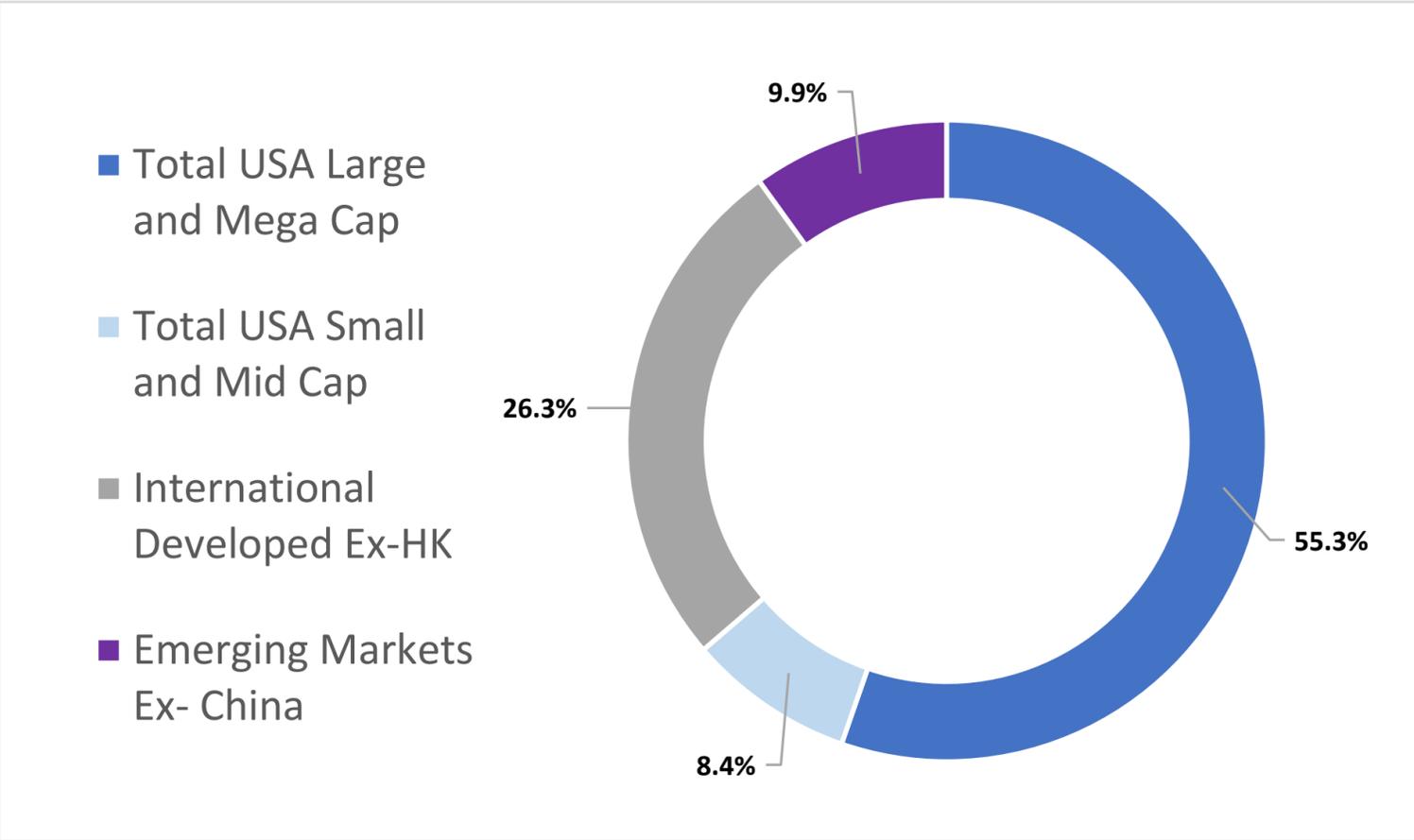


Public Equity and Tactical Opportunities (Public)

Portfolio Activity as of September 30, 2025

Fund	Description	Date	Approval (\$)
1 Global Equity	Broad Global Strategy Alpha Extension	3Q	\$200M
2 Tactical Opps	Global Equity Long Short - Tac Opps	3Q	\$150M

Global Public Equity Portfolio Overview as of 9/30/25



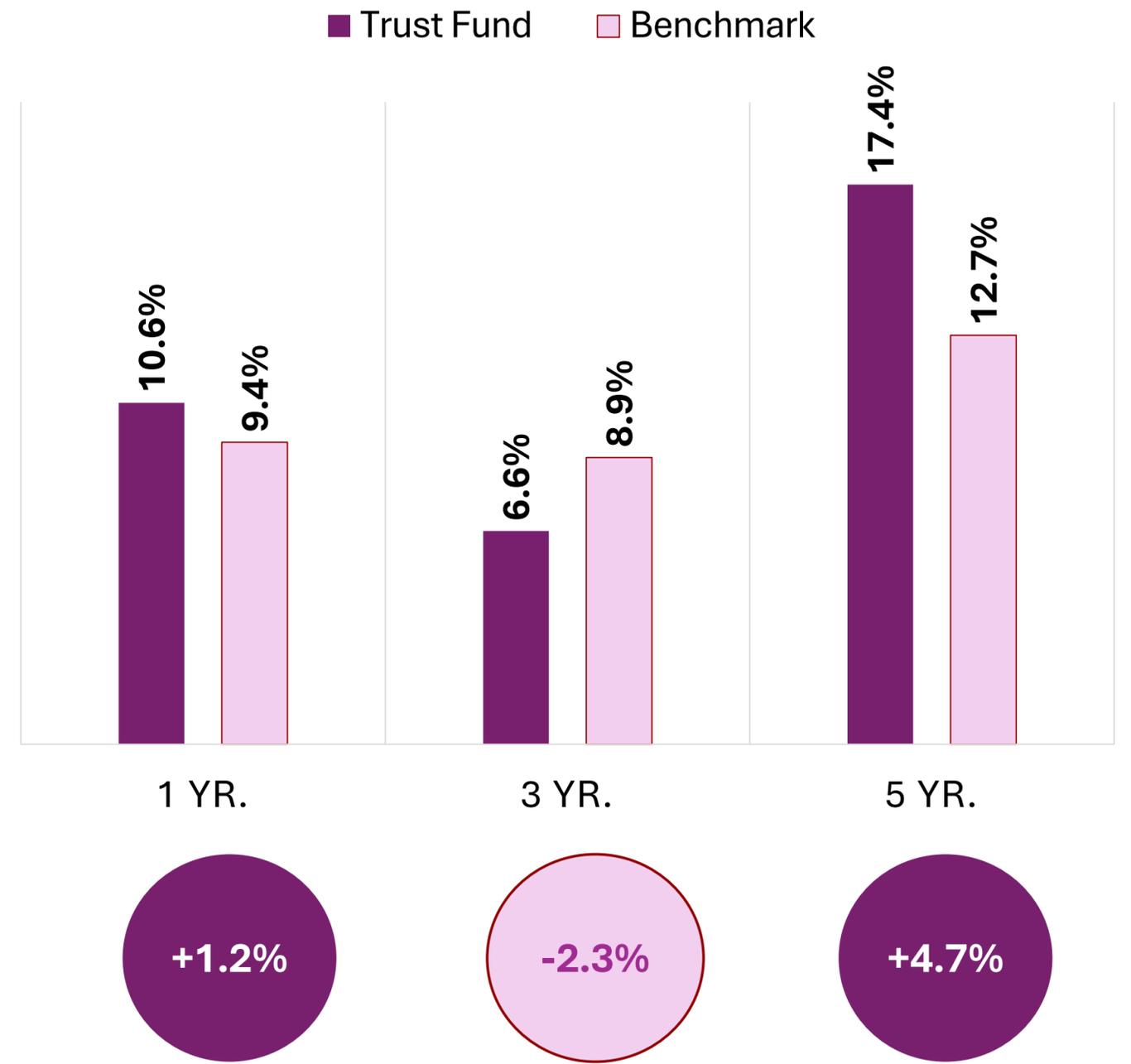
Private Equity Key Performance Indicator Dashboard (September 30, 2025)

	Key Performance Indicator (KPI) Description	Grade	Progress	
Portfolio Pacing and Construction	Fully commit private equity target allocation	On-track	83% of pacing target complete	
	Asset class allocation in compliance	On-track	In compliance	
Reduce Cost	Increase co-investment share of private markets for improved returns and cost savings	Transitioning	58% of total CY2025 approvals for co-investment	
Sustainable Performance	Net returns exceed benchmark	On-track	1 Year	5 Year
			+123bps	+470bps

Private Equity

Topic	Q3 Commentary (July 1, 2025 – September 30, 2025)
<p>Market activity</p>	<ul style="list-style-type: none"> Buyouts accelerated meaningfully in Q3'25, with global PE-announced deal value reaching \$537 billion across 4,062 transactions, led by \$300 billion in the US, which was a record ⁽¹⁾. While not yet matching the record levels seen in deployment, exit activity accelerated meaningfully in Q3. Private equity firms have announced exits totaling \$470 billion so far this year, a 40% increase by value compared with the same period last year ⁽²⁾.
<p>Portfolio activity</p>	<ul style="list-style-type: none"> Portfolio activity in the third quarter totaled \$643 million across funds and co-investments, with approximately \$255 million allocated to funds and \$388 million deployed into co-investments.
<p>Performance</p>	<ul style="list-style-type: none"> Net returns were +10.6% and +17.4% for the 1- and 5-year periods ended September 30, 2025, respectively. The Private Equity portfolio outperformed its benchmark by 1.2% on a trailing 1-year basis and outperformed its benchmark by 4.7% on a trailing 5-year basis. Outperformance this quarter was driven by strong marks from several buyout and venture managers, including Arcline, Reverence, Northlane, Greenoaks, Altimeter, FTV, Tribe, and more, all of which posted returns well above the benchmark's modeled 4.26 percent.

TMRS Net Performance vs. Benchmark



Source: TMRS Trust Fund Report, (1) KPMG Pulse of Private Equity Q3'25, (2) EY Private Equity Pulse Q3'25

Private Equity

Summary of Activity (YTD through September 30, 2025)

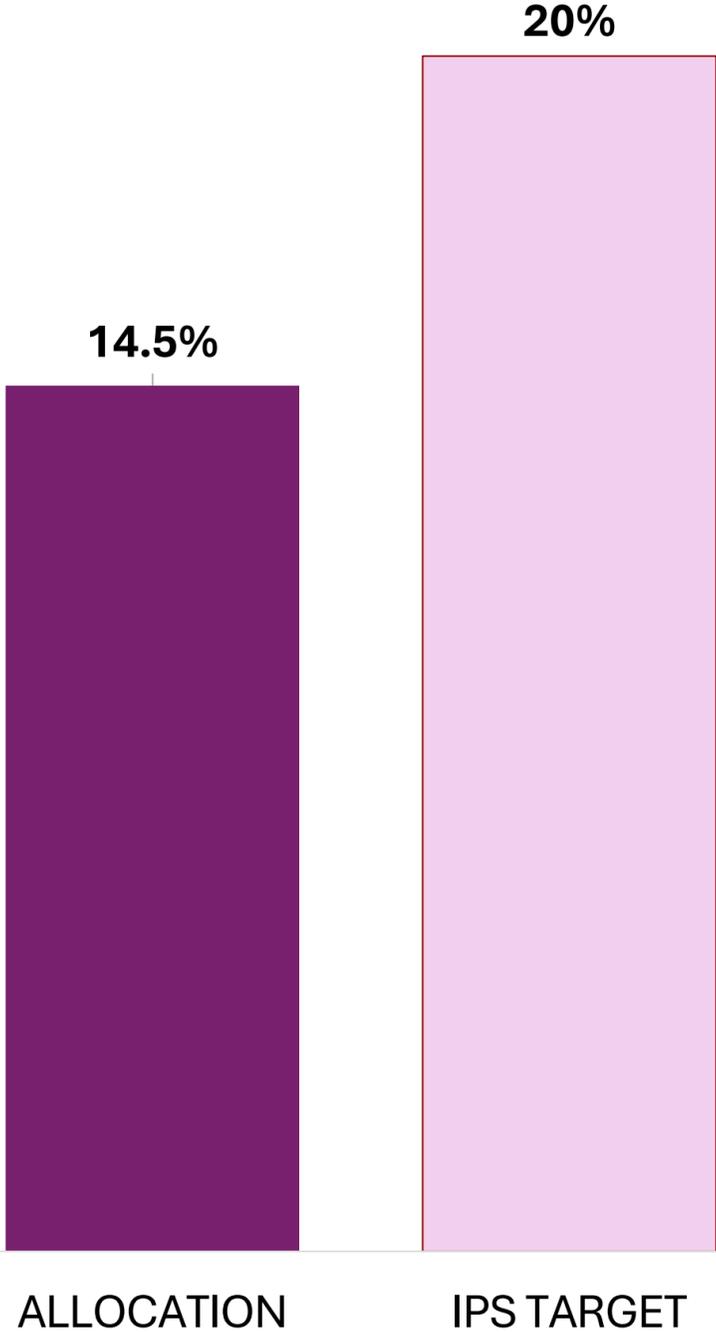
\$555M (42%) Fund Commitments	\$765M (58%) Co-invests	\$280M Remaining	\$1,600M Target
----------------------------------	----------------------------	---------------------	--------------------

Q3 Activity

Deal	Strategy	Theme	Description	Approval (\$M)
Fund	Venture	Digital Transformation	Tech and tech-enabled venture / growth equity	\$80
Fund	Venture	Financial Empowerment	Financial technology venture / growth equity investments	\$56
Fund	Buyout	Financial Empowerment	European financial services and technology buyouts	\$55
Fund	Buyout	Industrial Resilience	Industrial and supply chain services buyouts	\$50
Fund	Venture	Financial Empowerment	Early-stage financial technology investments	\$14
Co-invest	Buyout	Healthcare Innovation	Complex drug outsourced manufacturer	\$75
Co-invest	Growth	Digital Transformation	Enterprise AI infrastructure	\$65
Co-invest	Buyout	Financial Empowerment	Tech-enabled insurance brokerage	\$55
Co-invest	Buyout	Energy Modernization	Software and analytics for energy / power markets	\$50
Co-invest	Buyout	Financial Empowerment	Multi-line insurance program administrator	\$50
Co-invest	Buyout	Healthcare Innovation	Software and analytics for payers / providers	\$50
Co-invest	Growth	Digital Transformation	AI foundational model business	\$23
Co-invest	Growth	Digital Transformation	Enterprise AI infrastructure	\$20
Total				\$643

Note: Table is 3Q (7/1/25 – 9/30/25) 2025 activity only. An additional 4 private equity funds and 6 co-investments were approved in 1H 2025.

Progress to Target Allocation

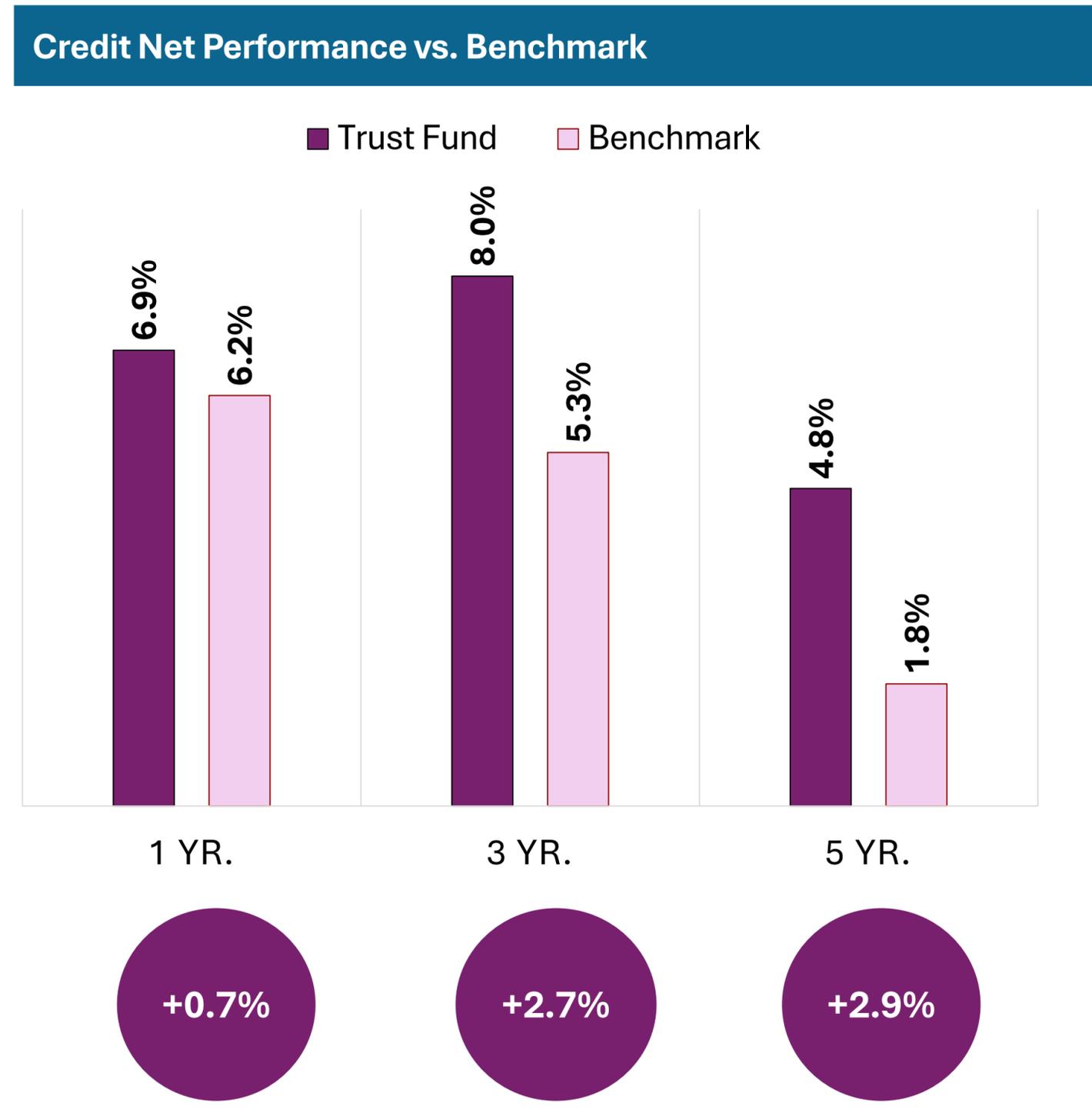


Credit Key Performance Indicator Dashboard (September 30, 2025)

	Key Performance Indicator (KPI) Description	Grade	Progress	
Portfolio Pacing and Construction	Ramp pace of allocation to meet pacing plan	On-track	100%+ of pacing target complete	
	Trust fund allocation in compliance	On-track	In compliance	
Reduce Cost	Increase co-investment deployment for improved returns and cost savings	Transitioning	49% of total CY2025 approvals for co-investment	
Sustainable Performance	Net returns exceed benchmark	On-track	1 Year	5 Year
			+68bps	+295bps

Credit

Topic	YTD Commentary (Jan 1, 2025 – September 30, 2025)
<p>Market activity</p>	<ul style="list-style-type: none"> • Credit yields and spreads generally continued in secular decline throughout 2025 with the meaningful exception of tariff-related volatility in April. • After hitting a peak of +471bps on April 7th, spreads have tightened to +/- 300bp and SOFR’s decline has continued to a ~4.25% base rate on the back of further Federal Reserve interest rate cuts. • Tariff-related uncertainty led to subdued M&A activity and reduced new leveraged loan supply throughout 2025, which instead saw loans aggressively repricing tighter in Q3 and also a robust use case for private credit where technicals also remain strong.
<p>Portfolio activity</p>	<ul style="list-style-type: none"> • Portfolio activity in the third quarter remained strong with approvals for \$825 million of fund commitments and co-investments.
<p>Performance</p>	<ul style="list-style-type: none"> • Net returns were +6.9% and +8.0% for the 1- and 3-year periods ended September 30, 2025, respectively. The Credit portfolio outperformed its benchmark by 0.7% on a trailing 1-year basis and outperformed its benchmark by 2.7% on a trailing 3-year basis. • Outperformance YTD has been driven by strong returns from liquid credit managers, including high yield bond, leveraged loan, and securitized credit managers which all posted returns above the public benchmark’s YTD 4.57% return.



Public & Private Credit

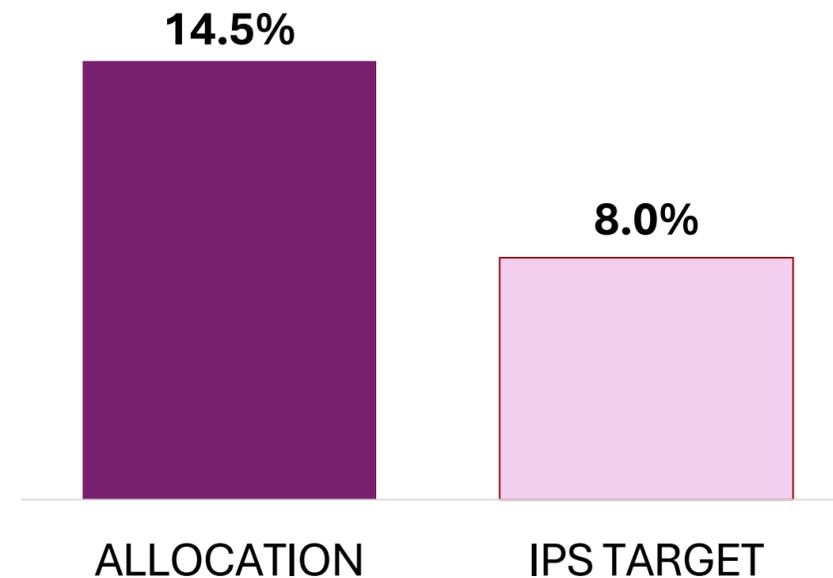
Summary of Activity (YTD through September 30, 2025)



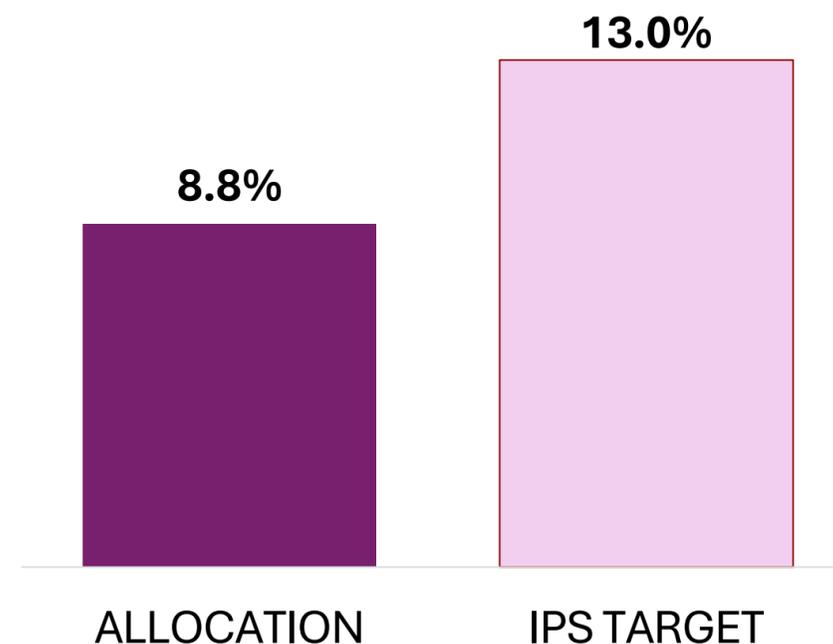
Deal	Private Credit	Theme	Description	Date	Approval (\$M)
1	Co-invest	Industrial Resilience	Co-Investment #8	Q3	\$50
2	Co-invest	Asset-Backed Credit	Co-Investment #7	Q3	\$200
3	Fund	Asset-Backed Credit	Global Asset-Backed Credit Fund	Q3	\$150
4	Co-invest	Asset-Backed Credit	Co-Investment #6	Q3	\$125
5	Fund	Asset-Backed Credit	European flagship opportunistic credit fund	Q3	\$150
6	Fund	Opportunistic Credit	Mid-market flagship opportunistic credit fund	Q3	\$150
7	Co-invest	Financial Empowerment	Co-Investment #5	Q2	\$100
8	Co-invest	Opportunistic Credit	Co-Investment #4	Q2	\$150
9	Fund	Opportunistic Credit	North America Credit Solutions Fund	Q2	\$150
10	Co-invest	Opportunistic Credit	Co-Investment #3	Q1	\$75
11	Fund	Direct Lending	Direct Lending Fund	Q1	\$125
12	Fund	Opportunistic Credit	Mid-market flagship opportunistic credit fund	Q1	\$150
13	Fund	Structured / Niche	North America GP Financing Solutions Strategy	Q1	\$75
14	Co-invest	Financial Empowerment	Co-Investment #2	Q1	\$150
15	Co-invest	Digital Transformation	Co-Investment #1	Q1	\$75
Total					\$1,875

Deal	Public Credit	Theme	Description	Date	Approval (\$M)
1	SMA	Securitized Fixed Income	LibreMax Non-Core Fixed Income SMA	Q2	\$600
2	SMA	Core Fixed Income	Fixed income SMA migration for benchmark alignment	Q1	\$2,500
Total					\$3,100

Public: Progress to Target Allocation



Private: Progress to Target Allocation



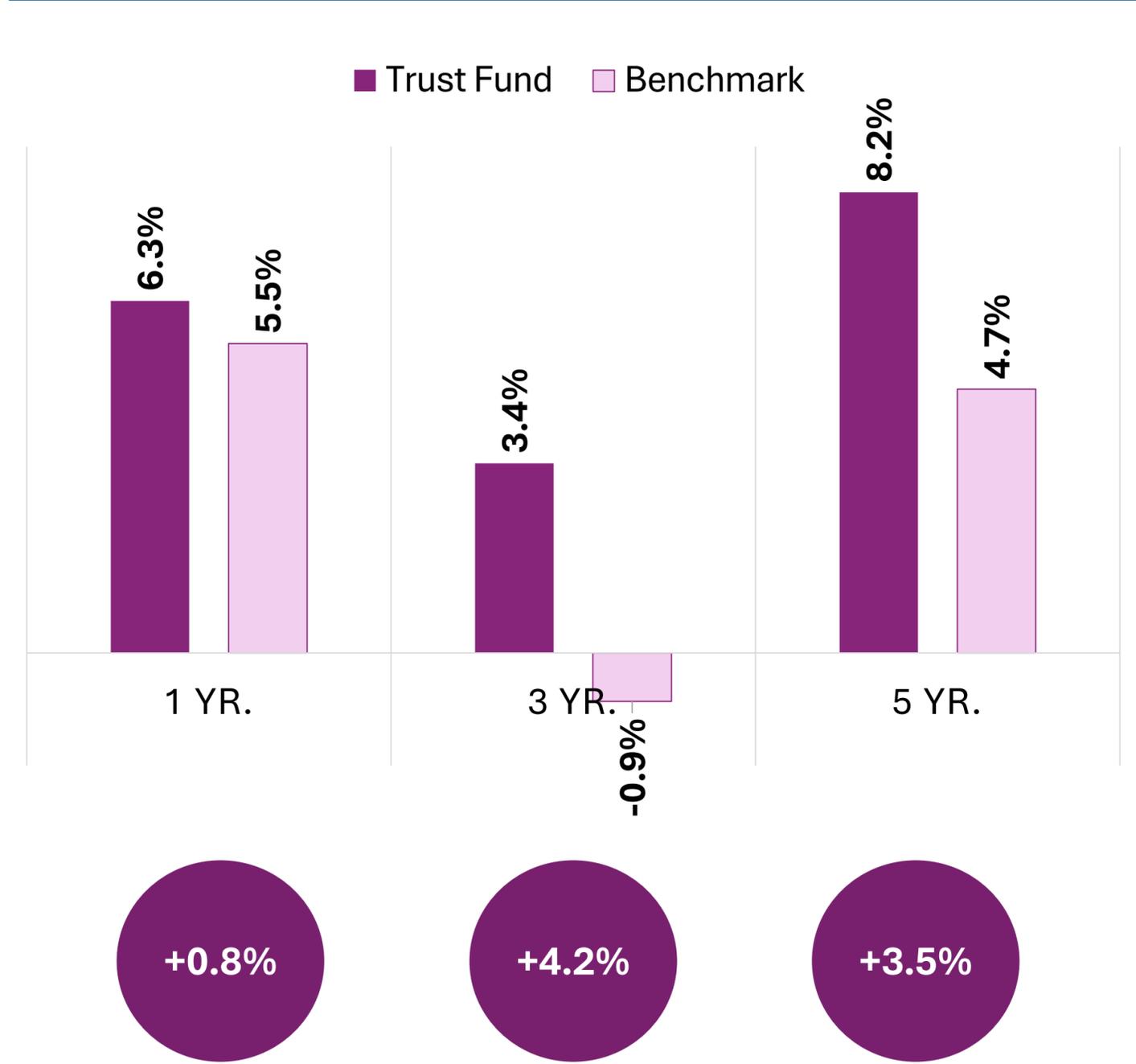
Real Assets Key Performance Indicator Dashboard (September 30, 2025)

	Key Performance Indicator (KPI) Description	Grade	Progress	
Portfolio Pacing and Construction	Fully commit private equity target allocation	On-track	98% of pacing target complete	
	Trust fund allocation in compliance	On-track	In compliance	
Reduce Cost	Increase co-investment share of private markets for improved returns and cost savings	Transitioning	49% of total CY2025 approvals for co-investment	
Sustainable Performance	Net returns exceed benchmark	On-track	1 Year	5 Year
			+76bps	+349bps

Real Assets

Topic	Q3 Commentary (July 1, 2025 – September 30, 2025)
Market activity	<ul style="list-style-type: none"> Across real estate, there has been a refinancing challenge with 30% of maturing loans at risk of default or in need of restructuring. Elevated inflation and material costs have led to an 18% YoY decline in construction starts. Conversely, infrastructure activity and performance remains robust, driven by federal support for nearshoring of critical supply chains and AI dominance. For real estate, exit activity remains muted due to lower levels of leverage relative to prior cycles, with redemption queues improving to 13% of net asset values⁽²⁾. Infrastructure deal activity has normalized with outsized demand and limited capital availability producing a significant increase in co-investment and continuation vehicle activity.
Portfolio activity	<ul style="list-style-type: none"> Portfolio activity in the third quarter totaled \$228 million across funds and co-investments, with \$100 million allocated to funds and \$128 million deployed into co-investments.
Performance	<ul style="list-style-type: none"> Net returns were +6.3% and +8.2% for the 1- and 5-year periods ended September 30, 2025, respectively. The Real Assets portfolio outperformed its benchmark by 0.8% on a trailing 1-year basis and by 3.5% on a trailing 5-year basis. Outperformance this quarter was driven by strong appreciation across the energy, power, and digital infrastructure sectors, led by Hull Street, SDC Capital, Pioneer Point Partners, and Oaktree Power, all of which posted returns well above the benchmark.

TMRS Net Performance vs. Benchmark



Source: TMRS Trust Fund Report, (1) KPMG Pulse of Private Equity Q3'25, (2) EY Private Equity Pulse Q3'25

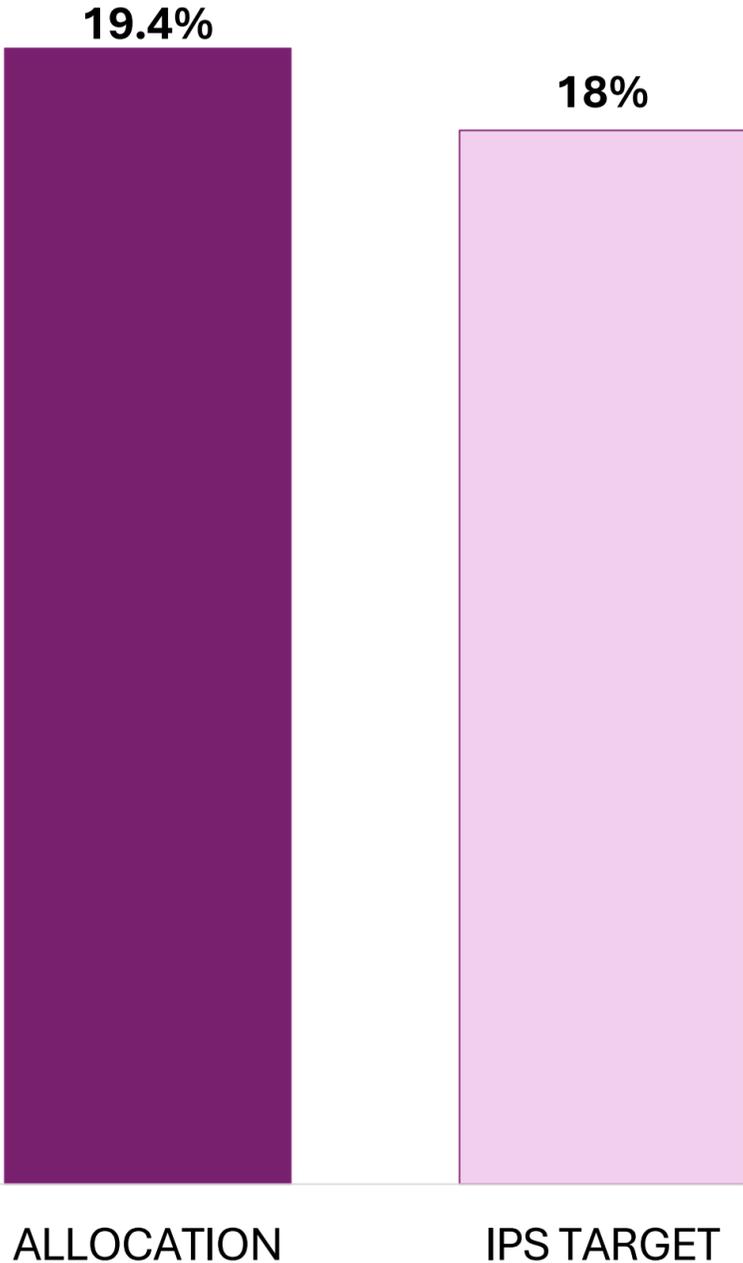
Real Assets

Summary of Activity (YTD through November 30, 2025)



Deal	Description	Theme	Date	Approval (\$M)
1 Co-Invest	Aggregate and drill oil resources in Permian Basin	Energy Modernization	1Q	\$30
2 Fund	Aggregate and drill oil resources across the U.S.	Energy Modernization	1Q	\$100
3 Fund	Powered shell data center development in N. Virginia	Digital Transformation	1Q	\$100
4 Co-Invest	Waste management services for Texas municipalities	Industrial Resillience	1Q	\$50
5 Co-Invest	Powered shell data center development for cloud	Digital Transformation	1Q	\$75
6 Fund	U.S. transportation, waste and social infrastructure	Industrial Resillience	2Q	\$100
7 Co-Invest	U.S. transportation, waste and social infrastructure	Industrial Resillience	2Q	\$100
8 Fund	Buy and lease industrial warehouses largely in Midwest	Industrial Resillience	2Q	\$100
9 Co-Invest	Buy and lease industrial warehouses largely in Midwest	Industrial Resillience	2Q	\$100
10 Fund	Modernization of U.S. regulated utilities	Energy Modernization	3Q	\$100
11 Co-Invest	Louisiana natural gas local distribution company	Energy Modernization	3Q	\$50
12 Co-Invest	Fiber installation for master planned communities	Digital Transformation	3Q	\$50
13 Co-Invest	Aerial firefighting and infrastructure services	Industrial Resilience	3Q	n.a.
14 Co-Invest	Powered shell data center development for cloud	Digital Transformation	3Q	\$28
Total				\$983

Progress to Target Allocation



TMIRS



2025 Completed Investments Report

As of 9/30/2025

<u>Completed Date</u>	<u>Manager or Fund Name</u>	<u>New/Existing Manager</u>	<u>Amount Committed</u>	<u>Asset Class</u>
January 10, 2025	Pioneer Zilker PV1 SCSp	Existing	\$102,495,037	Real Assets
January 16, 2025	Northern Trust Investments, Inc.	Existing	\$3,500,000,000	Global Equity
January 24, 2025	Dimensional Fund Advisors	New	\$250,000,000	Global Equity
January 24, 2025	BCIS El Dorado Investors, L.P.	Existing	\$2,115,370	Private Equity
January 31, 2025	Pearl Energy Investment IV, L.P.	Existing	\$100,000,000	Real Assets
March 25, 2025	BlackChamber Real Estate Opportunity Fund II, LP	Existing	\$100,000,000	Real Assets
April 14, 2025	Public Pension Capital, LLC	Existing	\$50,000,000	Private Equity
April 24, 2025	Hunter Point Capital GPFS – Preferred (Onshore), L.P.	New	\$75,000,000	Credit
April 28, 2025	HPC GPFS Co-Invest (Zilker), L.P.	Existing	\$150,000,000	Credit
April 30, 2025	KLCP Co-Inv Domestic Fund IV LP	New	\$75,000,000	Credit
April 30, 2025	Kennedy Lewis Senior Loan Fund LP	New	\$125,000,000	Credit
April 30, 2025	KLCP Domestic Fund IV LP	New	\$150,000,000	Credit
May 7, 2025	OHA CLO Co-invest SMA	Existing	\$50,000,000	Credit
May 9, 2025	Excelsior Renewable Energy Feeder Fund II-B LP	Existing	\$50,000,000	Real Assets
June 5, 2025	ERA Infra Fund II LP	Existing	\$100,000,000	Real Assets
June 6, 2025	Bain Capital Insurance Fund II, L.P.	New	\$100,000,000	Private Equity
June 11, 2025	Biospring Partners Fund II	New	\$50,000,000	Private Equity
June 20, 2025	NorthPoint Industrial Fund VII, LP	New	\$100,000,000	Real Assets
June 30, 2025	TPG AG Credit Solutions Fund III, L.P.	Existing	\$150,000,000	Credit
July 1, 2025	LibreMax Capital, LLC	New	\$600,000,000	Credit
July 10, 2025	NP Northwest Corporate Park Aggregator, LLC	Existing	\$100,000,000	Real Assets
July 24, 2025	MW TOPS World Equities (US) Fund	Existing	\$200,000,000	Global Equity
August 6, 2025	ERA Blade Continuation Fund ¹	Existing	\$129,872,958	Real Assets
August 15, 2025	Curewell Capital I	New	\$100,000,000	Private Equity
September 1, 2025	Viking Global Equities LP	New	\$150,000,000	Tactical Opportunities
September 5, 2025	Aspurity Partners LLP	New	\$58,682,484	Private Equity
September 30, 2025	PIMCO Specialty Finance Income Fund, L.P.	Existing	\$150,000,000	Credit
<u>Notes</u>				
(1) rollover of existing capital commitments \$0 net new capital deployed				
		Total	\$6,768,165,849	



December 2, 2025

To: Board of Trustees

From: Nick O’Keefe, Chief Compliance Officer 

Re: Agenda Item No. 16c: Third Quarter 2025 Investment Compliance Report

Investment Policy Statement (IPS) Compliance. TMRS was in compliance with all testable IPS parameters.

Investment Manager Compliance. State Street and staff testing confirmed that TMRS’ investment managers were in compliance with all relevant Investment Guidelines.



December 2, 2025

To: Board of Trustees YK
From: Yup Kim, Chief Investment Officer
Re: Agenda Item 17: Review Investment Policy Statement (IPS) and Consider and Act on Possible Amendments to IPS

The Investment Policy Statement (IPS) states that the Board will review the IPS Annually. One modest update to reflect a title change is being proposed.

Proposed redlines are presented in their entirety as follows:

Chief ~~Financial-Compliance~~ Officer. The Chief ~~Financial-Compliance~~ Officer (~~CFOCCO~~) is responsible for designing and implementing a compliance program independent of investment department oversight to ensure that testable parameters of the IPS are adhered to and operational actions pertinent to security of the Trust Fund are carried out.

Redlines can be found on page 5 of the attachment. Recommendations are proposed to be adopted effective January 1, 2026.

ATTACHMENT:

1 - Investment Policy Statement (Red-lined version)



INVESTMENT POLICY STATEMENT

Effective January 1, 202~~6~~⁵

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Exhibit C	INVESTMENT PRINCIPLES C-1
Exhibit D	DEFINITION OF TERMS D-1

SECTION I: INTRODUCTION

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS or the System) has adopted this Investment Policy Statement (IPS) to govern the System's Trust Fund investments. The IPS, along with its Exhibits and Staff Investment Guidelines, outlines TMRS' investment objectives and beliefs, Board and staff responsibilities and limitations, and asset allocation. The IPS also establishes accountability for the Board, staff, investment consultants, and investment managers. Board approval is required for any action that deviates from the IPS.

The objective of TMRS' investment program is to ensure that members, retirees and beneficiaries receive the benefits they have been promised by participating cities at a reasonable and predictable cost to those cities. To achieve this objective, the Board, in consultation with its Consulting Actuary, is responsible for adopting 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%.

The Board will review the IPS annually.

SECTION II: STANDARD OF CARE

Standard of Care. As System 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 from the securities and probable safety of their capital.
2. Evaluate investment decisions in the context of the entire Trust Fund portfolio and with appropriate risk and return objectives.

Conflict of Interest Prohibited. Board members, staff, investment consultants, and investment managers will refrain from any activity that could conflict with the proper execution and management of the TMRS 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.

Decisions in the Best Interest of the System. Board members and staff are required to make all investment decisions in the best interest of the System and shall comply with applicable TMRS policies on personal investment activities. To protect against unethical behavior between TMRS and investment managers during a manager search, any communication by a prospective manager with a Board member regarding an ongoing search should be referred to the Chief Investment Officer.

SECTION III: INVESTMENT MANAGEMENT

A. BOARD RESPONSIBILITIES

Board of Trustees. The Board is responsible for the administration of the System and its investment program. The Board and each Trustee must discharge their duties solely in the interest of providing benefits to members, retirees and beneficiaries. While the Board maintains oversight responsibility for the investment of the Trust Fund, to improve the efficient use of its resources, the Board has delegated general day-to-day investment program administration to staff.

The Board's investment role includes, but is not limited to, the following:

1. Establishing investment goals, objectives and beliefs of the System consistent with plan funding needs;
2. Adopting a written IPS;
3. Monitoring and evaluating investment performance, investment risk, and compliance with the IPS and applicable state and federal laws;
4. Selecting, in consultation with staff, the General Investment Consultant, any Specialized Investment Consultants, Custodian Bank, and Securities Lending Agent;
5. Periodically reviewing investment consultant performance; and
6. Reviewing and, as appropriate, approving investment activities not delegated to staff.

B. INVESTMENT BELIEFS

The Board shall adopt investment beliefs based on capital market theories and other investment and management principles generally accepted by long-term focused institutional investors. The Board's investment beliefs are:

1. The System's asset allocation and funding strategies are based on an asset/liability framework and are designed to optimize the funding of TMRS liabilities over time.
2. The most effective use of the Board's expertise and time is to set overall investment objectives and clearly articulate investment direction through the IPS, while continually monitoring its compliance.
3. Good governance promotes long-term value for the System and its members, retirees, and beneficiaries.

4. Clearly defined roles and responsibilities are essential to good governance.
5. The best investment results come from the right people following prudent processes to make the right decisions and taking ownership of long-term performance outcomes.
6. Intelligent risk-taking is rewarded with compensating returns over time and is justifiable for long-term investors.
7. Trust Fund risk must be managed.
8. The primary determinant of portfolio risk and return is the System's long-term asset allocation.
9. Capital markets have inefficiencies and opportunities that can be exploited.
10. Costs impact investment returns and should be monitored and managed.
11. As prudent stewards of the Trust Fund, we integrate environmental, social, and governance research into the rigorous investment process, where consistent with fiduciary duties.

C. STAFF AND ADVISOR RESPONSIBILITIES

Executive Director. The Board has determined that implementation of investment decisions within the limits set forth in the IPS shall be delegated to the Executive Director (ED) or their designees. The ED's responsibilities and duties include, but are not limited to:

1. Supervising the investment program by ensuring that investment staff act in accordance with the IPS and that internal controls and a compliance structure are in place to safeguard Trust Fund assets;
2. Negotiating, where necessary, and executing all contracts, agreements, and memorandums of understanding in accordance with the IPS;
3. Taking prudent action deemed necessary to protect Trust Fund assets;
4. Ensuring regular investment reporting is provided to the Board; and
5. Performing or delegating additional duties as determined by the Board.

Chief Investment Officer. The Chief Investment Officer (CIO) is the senior member of the investment staff and directs the day-to-day activities of the investment program. The CIO's responsibilities and duties or its designees include, but are not limited to:

1. Providing information, support, and advice to the Board to ensure its directives are fulfilled;
2. Ensuring implementation of the investment program is consistent with the Board's intentions as set forth in the IPS;
3. Ensuring adequate controls are in place to safeguard Trust Fund assets by maintaining internal procedures, analytical and risk management tools, and recommending updates to the IPS;
4. Recruiting, retaining and supervising a qualified investment staff capable of implementing the IPS; and
5. Performing or delegating other duties pertinent to the day-to-day management of the Trust Fund.

Investment Consultants. Investment consultants are retained by the Board to provide independent advice on investment-related matters. All investment consultants must act as fiduciaries in advising the Board and staff, be bound by prudent expert standards, and be Registered Investment Advisers under the Investment Advisers Act of 1940. The Board will retain a General Investment Consultant and may retain Specialized Investment Consultants. Responsibilities and duties of investment consultants include, but are not limited to the following.

1. **General Investment Consultant.**

- a. Advising on the development of investment goals and objectives, investment policies and strategies, asset allocation, investment manager and service provider selection, monitoring, terminations, guidelines and restrictions, analysis of investment performance and risk, advice on internal staffing issues, and independently researched support for delegated investment decisions in areas of firm expertise.
- b. Ensuring the Board is provided educational opportunities on institutional investment practices and other topics pertinent to the discharging their fiduciary obligations.
- c. Working closely with staff to ensure that TMRS' investment objectives are achieved in accordance with the IPS and applicable state and federal laws and regulations.
- d. Collaborating with the Consulting Actuary, Specialized Investment Consultants, and other investment service providers to provide coordinated advice to the Board.

2. **Specialized Investment Consultant.** The Board may retain one or more Specialized Investment Consultants to provide advice on specific asset class implementations or other topics. Specialized Investment Consultants collaborate with the General Investment Consultant and staff to provide independent support for delegated investment decisions.

Chief Legal Officer. The Chief Legal Officer (CLO) is the System's chief legal advisor. With respect to the investment program, the CLO or their designees coordinate all legal services relevant to the administration of the investment program.

Fiduciary Counsel. The Board retains Fiduciary Counsel to provide advice on matters related to the exercise of the fiduciary standards required by law and regulation. Fiduciary Counsel also works with the ED and CLO on investment-related legal matters.

Chief ~~Financial-Compliance~~ Officer. The Chief ~~Financial-Compliance~~ Officer (~~CFOCCO~~) is responsible for designing and implementing a compliance program independent of investment department oversight to ensure that testable parameters of the IPS are adhered to and operational actions pertinent to security of the Trust Fund are carried out.

Director of Internal Audit. The Director of Internal Audit ensures that adequate and effective internal controls are in place and objective audits of investment functions are periodically performed.

Staff Investment Committee. The Staff Investment Committee (SIC), operating at the direction of the Executive Director and pursuant to the SIC Charter, reviews and approves decisions falling under IPS delegated authority.

Investment Staff. Investment staff are responsible for the daily operation and implementation of the investment program and work with investment consultants to advise the Board, ED and CIO on investment-related matters.

Investment Managers. TMRS retains investment managers to implement specific strategies consistent with the IPS and according to the terms of the contract governing their mandate. All investment managers must act as fiduciaries, be Registered Investment Advisers under the Investment Advisers Act of 1940 or be registered comparably in another jurisdiction or otherwise be exempted from regulatory registration and must agree to contractual terms consistent with TMRS' Investment Principles.

D. INVESTMENT RISK MANAGEMENT

Consistent with the Board's Investment Beliefs, TMRS' risk management program monitors what investments TMRS owns, how risks from those investments aggregate within the Trust Fund, and how actual portfolio risk compares to benchmark risk.

The CIO will implement a risk management program to ensure investment risk is managed consistent with the IPS. The CIO will establish and oversee the risk management program to ensure policies and procedures are adopted, documented, and followed. The CIO will ensure that investment risk, operational risk and portfolio impacts are assessed during the investment manager selection processes and ongoing portfolio management.

The Director of Internal Audit and compliance staff will provide an independent review and make recommendations regarding investment department governance and internal controls.

SECTION IV: DELEGATED AUTHORITY AND REPORTING REQUIREMENTS

A. DELEGATED AUTHORITY

The Board, pursuant to limitations set forth below, delegates the following authority to staff.

Investment Managers. The Board authorizes staff to hire, retain and terminate investment managers to achieve the System's investment objectives.

Investment Decisions. The Board delegates to staff the authority to invest Trust Fund assets subject to the following limitations:

1. *Passive Public Markets Strategies.* An investment in Passive Public Markets Strategies up to limits stated in the Asset Allocation.
2. *Active Public Markets Strategies.* An investment in Active Public Markets Strategies up to 3% of total Trust Fund assets.
3. *Private Markets Strategies.* An investment in Private Markets Strategies up to 1.00% of total Trust Fund assets. Three years after an initial investment in an Open-ended Private Markets Strategy, additional investments may be made up to 1.50% of total Trust Fund assets.
4. *Asset-Specific Private Markets Strategies (ASPMS).* An investment in ASPMS strategies up to 0.50% of total Trust Fund assets.
5. *Rebalancing.* The authority to rebalance Trust Fund assets so long as no additional net investment is required and is within the above limitations and consistent with the Board's Asset Allocation.
6. *Cash Management.* The Board delegates to the CIO the ability to raise cash to meet the operational needs of the System and to invest cash in public markets strategies within the above limitations and consistent with the Board's Asset Allocation.

7. *Emergencies.* Emergency measures to ensure Trust Fund assets remain under fiduciary management are delegated to staff.

Proxy Voting. Proxy voting is an important part of TMRS' investment program. Investment staff will vote proxies consistent with the Board's fiduciary duty. Working with a proxy advisory firm, investment staff will direct the proxy advisor how to vote proxies consistent with such fiduciary duties and monitor their compliance with TMRS' instructions.

Delegation Standards. The following standards apply to investment delegation:

1. *Delegated Limits.* Delegated limits are calculated using the market value of total Trust Fund assets as reported in the latest Annual Comprehensive Financial Report (ACFR).
2. *Investment Consultant Support.* Written General and/or Specialized Investment Consultant support must be received prior to the implementation of any delegated Investment Decisions with respect to Passive Public Markets Strategies, Active Public Markets Strategies, and Private Markets Strategies. Written Consultant support for an existing investment strategy may be relied upon for a delegated decision involving an ASPMS. Written Investment Consultant support for approved Transition Managers must be provided every four years.
3. *Executive Director Designee.* When the ED designates responsibility for executing investment contracts and agreements, the designee must be independent of and in addition to the CIO.

B. REPORTING REQUIREMENTS

The Board has adopted the following four investment reporting principles to ensure the Board has appropriate information to carry out its fiduciary responsibilities and to confirm the standards it expects in investment reports.

1. **Clear.** Written communications should be in plain English and avoid unnecessary technical jargon. Important messages or results should be easy to find and recognize.
2. **Concise.** Key information should be summarized. Extraneous information that does not directly improve the Board's ability, knowledge, and understanding in fulfilling its fiduciary responsibilities should be avoided.
3. **Balanced.** The pros and cons of any investment should be identified. Positive and negative information should be communicated to the Board.
4. **Timely.** Information should be provided to the Board in a timely manner.

Investment staff shall provide performance reporting and material investment program updates to the Board at regular intervals. In addition, the following reporting will be provided to the Board regularly:

1. **General Investment Consultant Reports.** The General Investment Consultant will provide regular reports on subjects pertinent to the Board's execution of its fiduciary responsibilities. These reports should provide the Board the ability to assess: i) asset allocation; ii) capital markets conditions; iii) absolute performance and risk; iv) performance and risk relative to benchmarks; and v) performance and risk relative to peer institutions.
2. **Delegated Decision Reports.** Reports documenting delegated decisions will be provided by staff to the Board at its next regularly scheduled meeting. These reports should include: i) Executive Summaries and/or schedules of completed actions; ii) Investment Consultant Support, where required; and iii) relevant SIC meeting minutes.
3. **Investment Risk Reports.** Staff will provide a performance and risk report to the Board quarterly. This Report will include historical risk in current asset class implementations, and a comparison of historical total Trust Fund risk relative to the General Investment Consultant's risk expectations used in the last Asset Allocation Study.
4. **Investment Compliance Reports.** Compliance staff will provide the Board each quarter with the results of any policy compliance testing performed during the quarter.
5. **Annual Asset Class and Investment Manager Reviews.** Staff shall conduct comprehensive asset class and investment manager reviews at least annually. The results of these reviews, including any related recommended actions and the costs of asset class implementation, will be reported to the Board.
6. **Proxy Voting.** Staff will provide the Board a proxy voting summary report for each public markets separately managed account, and other accounts which TMRS has contractual authority to direct proxy voting as appropriate, as soon as practical after fiscal year-end. The Report will include the number of ballots cast, the number of issues voted upon, and percent of issues voted with management, against management, and designated as abstaining.
7. **Material Deviations from the IPS.** If an investment consultant learns of any material deviation from prudence, objectivity, IPS provisions, or learns of any other matter of concern involving TMRS' investment program, the consultant must promptly express their concern in writing to the Board.

EXHIBIT A

ASSET ALLOCATION

Effective January 1, 2025

One of the Board's investment beliefs is that the primary determinant of portfolio risk and return is the System's strategic, long-term asset allocation. The Board's Asset Allocation includes asset classes, strategic target allocations with minimum and maximum allocation ranges, and a benchmark to measure investment performance. Asset Allocation is based on an Asset Allocation Study that includes expectations for long-term return and risk.

The Board's Asset Allocation 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 an asset allocation, the Board should consider the System's 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:

Asset Class	Target %	Range	Benchmark
Public Equity	35%	25% - 45%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Private Equity	20%	10% - 25%	Cambridge Global Private Equity & Venture Capital
Tactical Opportunities	6%	0% - 11%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Credit	21%	16% - 26%	40% ICE BofA 1-3 yr. A-BBB US Corporate Index 60% CS Leverage Loans Index + 100bps
Real Assets	18%	13% - 23%	50% Cambridge Infrastructure 50% NCREIF NFI-ODCE (net)

The Asset Allocation will be 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 to comprehensively review the Asset Allocation will be completed at least every four years. The Board will verify or amend its Asset Allocation upon review of an Asset Allocation Study.

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

The Board will assess the Asset Allocation's performance over five-year rolling periods compared to the ARA, Trust Fund benchmark, and asset class benchmarks.

EXHIBIT B

INVESTMENT FEE POLICY

Effective December 3, 2020

Summary. The Investment Fee Policy (Policy) is a Board approved policy that ensures the following three objectives are balanced and reported as part of TMRS' investment management processes.

1. Securing the best available combination of skill, net of fee performance expectations, and risk management for a given investment discipline;
2. Aligning the interest of TMRS with selected investment management firms; and
3. Reducing the overall costs of the investment program.

Approach and Alignment Principles. TMRS has adopted the following principles to negotiate investment management services fees across all strategies:

4. TMRS will consider manager compensation levels and alignment of economic interests in its manager selection decisions.
5. TMRS will utilize its negotiation strength to improve its contractually negotiated economic share of investment return.

The Approach and Alignment Principles recognize that:

1. Considerations will differ depending on asset class, strategy, vehicle structure and management style
2. TMRS has varying levels of negotiation strength
3. Passive alternatives are typically the least costly option but are not available for all strategies
4. Active management strategies typically charge more than passive strategies
5. Internal management of certain strategies may be a viable cost reduction alternative
6. Different strategies and managers have different demand levels for their products and thus may charge different fees
7. Alignment with and access to differentiated managers often come with higher levels of compensation
8. Compensation considerations include balancing management fees and incentive compensation

Oversight and Reporting Principles. Oversight and reporting of investment manager fees and expenses is a critical component of TMRS' investment management. By statute, industry requirement and/or best practice, TMRS must report certain fee and expense information concerning its investment portfolio to the Texas Pension Review Board or the public pursuant to open records requests and in the Annual Comprehensive Financial Report.

TMRS utilizes the following oversight and reporting principles:

6. TMRS will document its consideration of the rates of compensation for a manager during the investment decision-making process.
7. TMRS will ensure that payments are made in accordance with each investment manager agreement.
8. TMRS will design its manager fee and expense reporting practices to be consistent, timely, and in accordance with statutory and other reporting requirements.

EXHIBIT C

INVESTMENT PRINCIPLES

TMRS' Investment Principles state the minimum contractual standards by which investment managers must abide. The Executive Director is responsible for the maintenance and updating of the Investment Principles consistent with the IPS. Any amendments to the TMRS Investment Principles will be provided to the Board at the next regularly scheduled Board meeting.

1. Investment managers must be registered as an investment adviser with the SEC, exempt from registration with the SEC, or registered with a foreign regulatory agency.
2. Investment managers must agree to act as fiduciaries and to a standard of care that prohibits placing their or their affiliates' interests ahead of those of the investment vehicle in which TMRS invests.
3. TMRS will not agree to indemnify or exculpate for breach of fiduciary duty.
4. Texas law must govern issues related to Texas law and regulation, including sovereign immunity and litigation involving only TMRS, and venue must be in Texas for any litigation involving only TMRS.
5. Investment managers must permit communications among investors, subject to reasonable limitations.
6. Investment managers and their affiliates cannot vote on non-ministerial matters, such as self-interested transactions or an increase in fees payable to the manager.
7. Investment managers must agree to TMRS' language regarding compliance with Texas statutes that require public disclosure of certain information pertaining to TMRS investments and access to TMRS' board meetings.

Revised October 2023

EXHIBIT D

DEFINITION OF TERMS

Active Public Markets Strategies. Actively managed strategies which have redemption windows of one month or less.

Asset Allocation Study. A study to determine the asset allocation most appropriate for the System based on the results of the Asset Liability Study.

Asset-Liability Study. A comprehensive actuarial review process that seeks to align Trust Fund investment policy with System-designated contribution policy, expected future benefit payments to beneficiaries, and plan expenses.

Asset Specific Private Markets Strategies (ASPMS). Strategies that involve the underwriting of specific and known assets, rather than diversified or unspecified, blind-pool fund vehicles. ASPMS include, but are not limited to, single-asset co-investments and continuation vehicles.

Custodian Bank. The financial institution that holds and/or accounts for Trust Fund assets.

Investment Managers. Third parties that provide investment management services on a long-term basis. Investment managers include, but are not limited to, the managers of Passive Public Markets Strategies, Active Public Markets Strategies, Private Markets Strategies, and Asset Specific Private Markets Strategies.

Open-ended Private Markets Strategy. A Private Market Strategy invested in a structure with no fixed term, allowing for investments and redemptions to occur over an indefinite time period. Specifically, as related to Delegated Authority: i) three-years is measured from the date capital is first drawn from TMRS to be invested; ii) the numerator in the delegated limit test is measured by adding the most recently available net asset value plus the new committed amount at time of legal closing. The Hedge Fund asset class is not considered an Open-ended Private Markets Strategy for purposes of Delegated Authorities.

Passive Public Markets Strategies. Strategies invested in public securities that seek to closely replicate a TMRS asset class benchmark in the Asset Allocation, or closely replicate an index which plays a role in more closely aligning a TMRS asset class portfolio with its asset class benchmark. Enhanced core fixed income strategies are considered Passive Public Markets Strategies.

Private Markets Strategies. Strategies which have redemption windows exceeding one month. Hedge Funds are considered Private Market Strategies for purposes of Delegated Authority.

Registered Investment Adviser. An investment adviser is defined by the Securities and Exchange Commission (SEC) as an individual or a firm that is in the business of giving advice about securities and is registered as such with the SEC or a state's securities agency.

Trust Fund. Total TMRS investment assets held in trust for the benefit of members, retirees and beneficiaries and service of expenses of administering the System.



December 2, 2025

To: Board of Trustees YK
From: Yup S. Kim, Chief Investment Officer
Re: Agenda Item 18: Board Education: Private Equity Asset Class

In accordance with the Investment Policy Statement, comprehensive asset class reviews are conducted annually. At the December Board meeting, Amol Deshpande (Managing Director, Private Equity) will present the Private Equity asset class review.

Board Education: Private Equity

Amol Deshpande, Managing Director of Private Equity

Board of Trustees Meeting

December 11, 2025



Private Equity Executive Summary

1

Objective. Per the Investment Guidelines: “The Private Equity asset class is intended to enhance total fund performance through investment in non-publicly traded securities by generating a long-term rate of return that exceeds that of publicly traded equities.”

2

Permissible Investments. Private Equity strategies generally include, but are not limited to, buyouts, growth equity, and venture capital. The Private Equity market can be accessed using the primary (fund) market as well as secondaries, co-investments, and continuation vehicles, among other approaches.

3

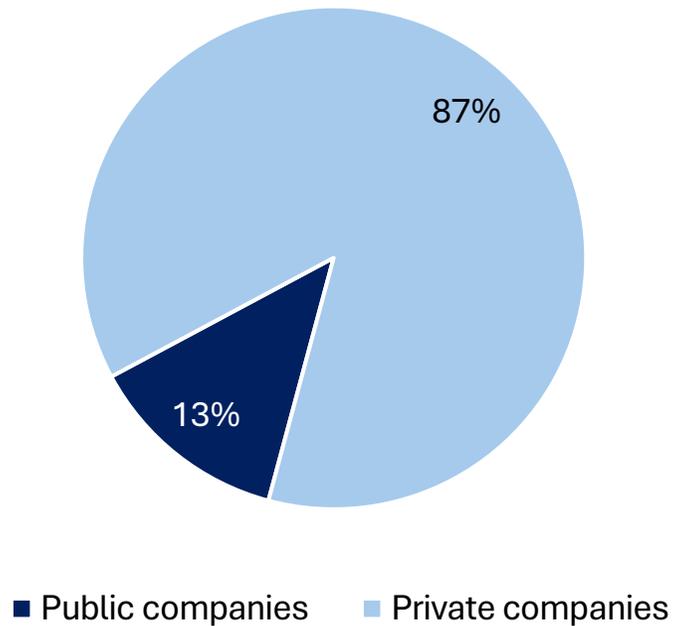
Risk Management. TMRS’ PE asset class manages risk through formal strategy and geographic concentration limitations. The investments are definitionally illiquid. Additionally, sector, manager concentration, and vintage risks are tracked and managed closely.

Why Private Equity #1: Rich Opportunity Set

- Private equity offers a rich investment opportunity set beyond what public markets can deliver
- Over 30,000 PE-backed companies exist globally, and over 11,000 exist in the U.S.

87% of companies with revenue >\$100M are private

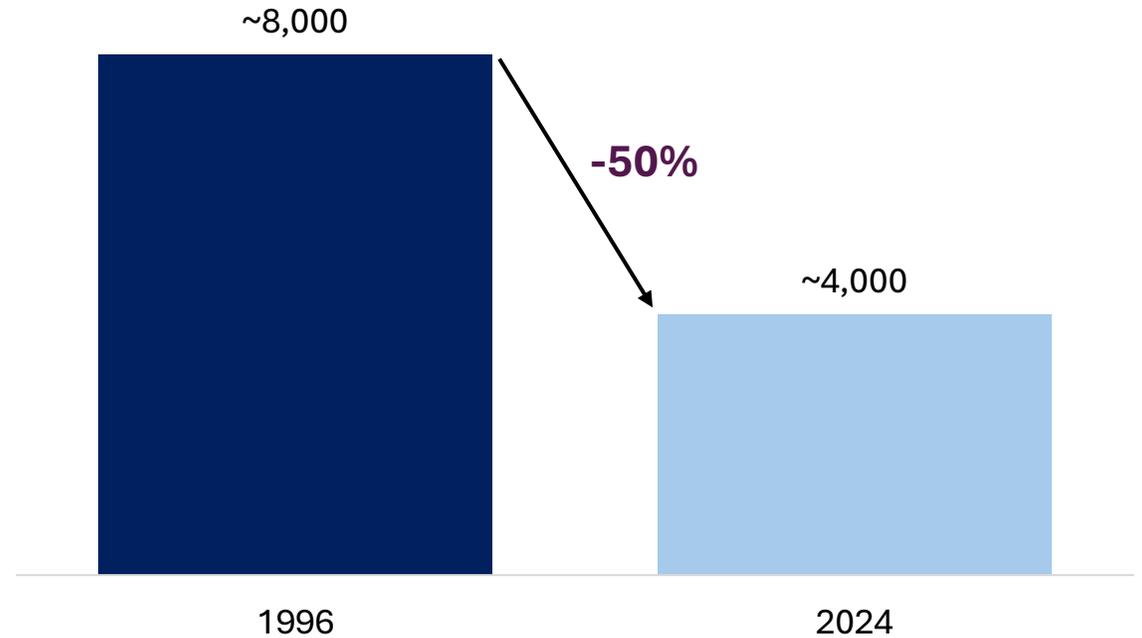
Share of public and private companies in the U.S. with revenue >\$100M



Source: S&P Capital IQ, Apollo Chief Economist.

Public equity markets have offered fewer investment opportunities over time

Number of U.S.-listed companies (1996-2024)



Source: World Federation of Exchanges.

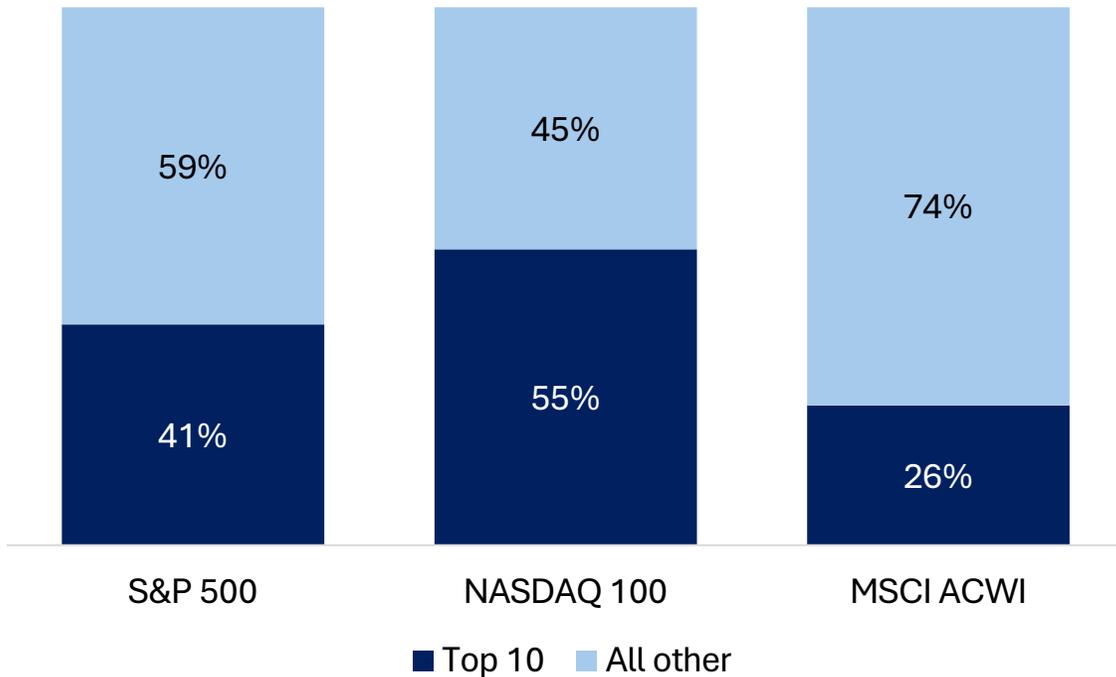
Why Private Equity #2: Diversification

- Public equity markets have become highly concentrated, with top 10 companies representing 26-55% of major stock indices
- Technology sector dominates the S&P 500, with nearly half of the index's weight in technology companies

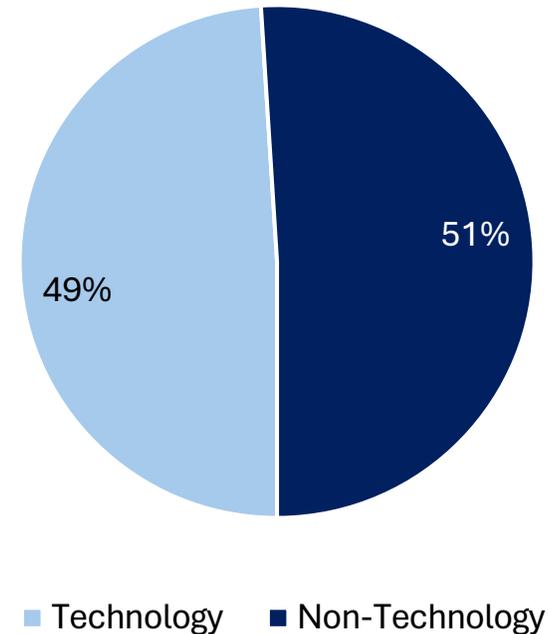
Public indices are concentrated in a few companies...

...as well as in the Technology sector

Top 10 companies as % of each index



Technology vs. non-technology as % of S&P 500

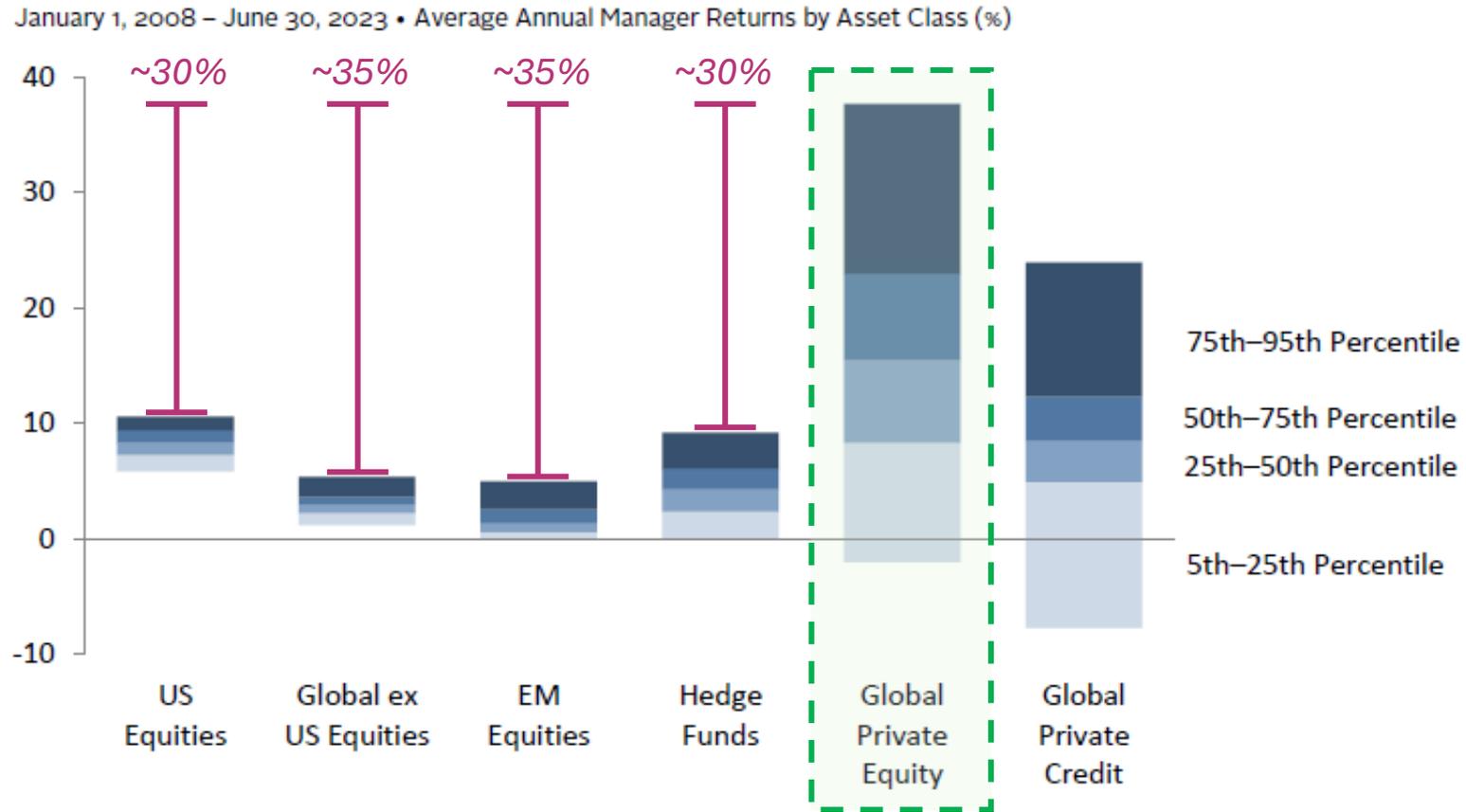


Source: Bloomberg (November 2025).

Source: State Street (November 2025); includes Information Technology sector plus Alphabet, Amazon, Meta, Netflix, Tesla.

Why Private Equity #3: Long-Term Returns

- PE managers have exhibited greater average returns as well as greater dispersion of returns over the last 15 years than other asset classes
- There is significant compensation in PE for skilled selection of investment managers and direct investments

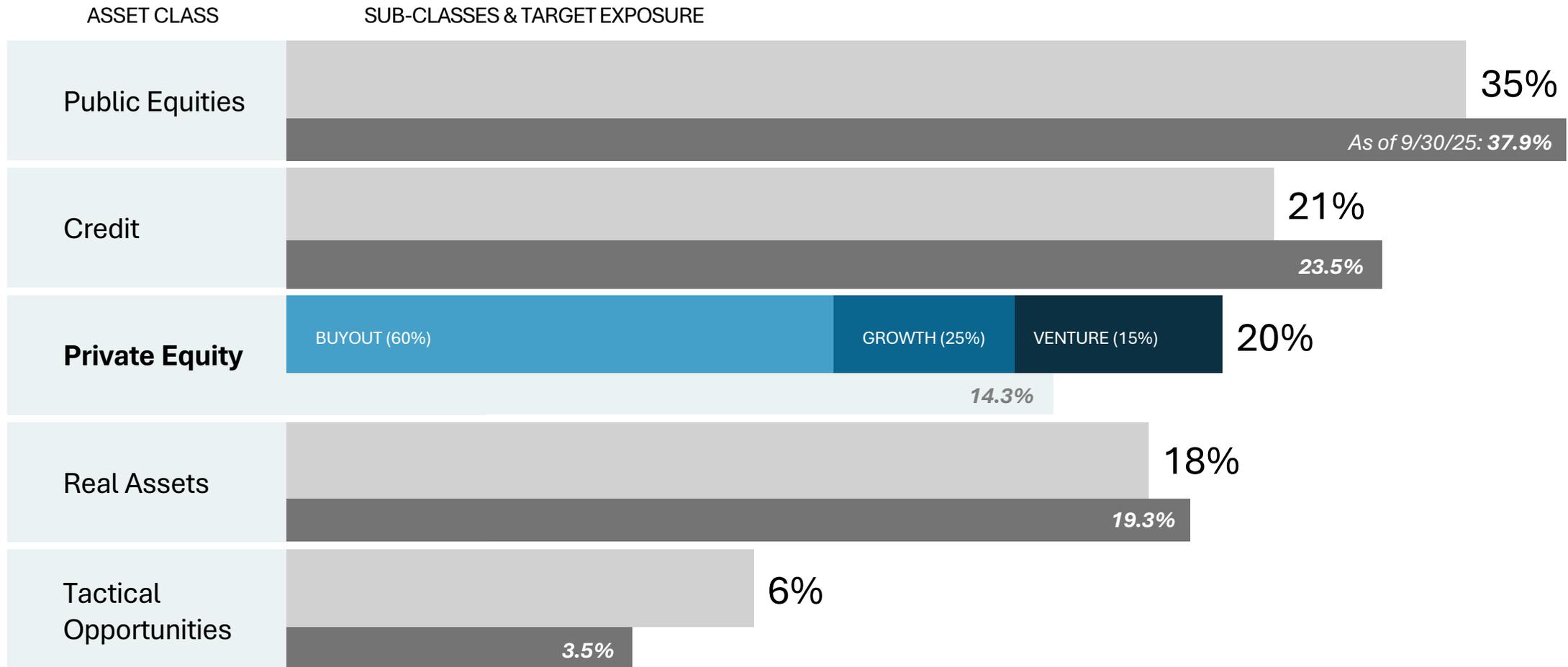


Source: Cambridge Associates LLC. Note: Returns data and percentiles for US Equities, Global ex US Equities, and EM Equities are time-weighted, while returns data and percentiles for Hedge Funds, Global Private Equity, and Global Private Credit are dollar-weighted.

Asset Allocation



Managing the portfolio toward the target allocation is the core portfolio management goal. The adoption of a new allocation in 2024 will take some time to implement but progress is rapidly being made.



What Are the Key Private Equity Strategies?

- Private equity investment firms exert influence over their investments in ways that public company investors cannot
- PE strategies range from control buyouts (mature companies) to venture capital (highest risk and potential reward)

Buyout *Control or influence positions in profitable companies. Operational improvements and growth/margin enhancements are frequently the focus of business plans.*

Growth Equity *Minority influence positions in profitable or near-profitable businesses. Investing in growth is typically the focus of business plans.*

Venture Capital *Minority positions in companies pursuing new technologies, products and markets. Investing in product enhancements and customer capture is typically the focus of business plans.*

Typical private equity value creation levers

	Management team	Identify and/or put in place a world-class management team
	Operational optimization	Pricing, cost structure, insourcing/outourcing initiatives
	Industry-specific value add	Customer introductions, regulatory insight
	Growth capital	Organic investments in markets/products with high return potential
	M&A capital	Mergers, acquisitions, divestitures to drive additional value
	Strategic guidance	Guide business during IPO or sale of company

Private Equity Portfolio Construction by Strategy

- The private equity portfolio seeks to achieve superior long-term returns relative to public equities while increasing diversification
- Private Equity represents approximately 14% of the Trust Fund as of September 30, 2025, below the 20% long-term target

Private equity portfolio mix by asset class, including example fund managers



■ Buyout & Other ■ Venture ■ Growth

Source: Internal TMRS trust data.

Thematic Approach to Private Equity Investments

The investment approach is focused around five key megatrends which drive the global economy.



TMRS's private investment program is aligned with structural trends that are poised to shape the global economy over the next decade

Co-invest Is Critical to Long-Term Success

- Co-investment refers to investing directly into a company alongside a private equity fund manager, usually without the full burden of management fees and carried interest

Trinity River Holdings



TMRS executes co-investments through **Trinity River Holdings (TRH)**, a partnership with GCM Grosvenor. TRH establishes the structural foundation for **best-in-class** co-investment capabilities.

Benefits



Reduced **fees**



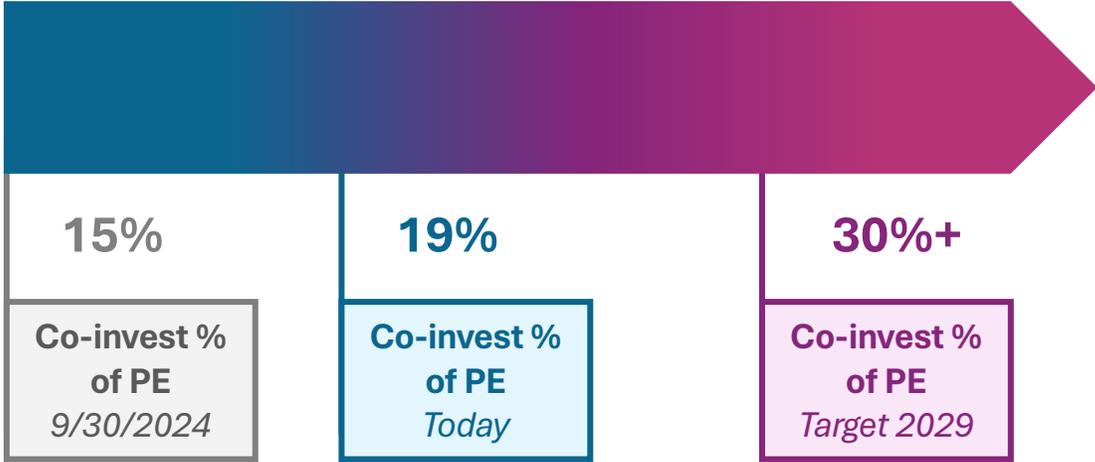
Uplift in **returns** from targeted deal selection



Greater **discretion** over deployment timing and sector focus

Co-invest mix of private equity book over time

Actual % as of September 30, 2025



Significant Fee Savings from Co-invest

- When the value of a \$100M investment doubles, in a fee-free co-investment, TMRS realizes \$100M in profit
- In a standard fund commitment structure, TMRS realizes only \$67M in profit

**Fund
Commitment**

\$67M profit

Limited Partner (TMRS)



\$100M investment

\$100M investment through GP fund commitment

\$167M returned (\$67M profit)

**2% annual mgmt. fees,
20% carry**

**Fee-Free
Co-investment**

\$100M profit

Limited Partner (TMRS)



\$100M investment

\$100M investment doubles through fee-free co-invest

\$200M returned (\$100M profit)

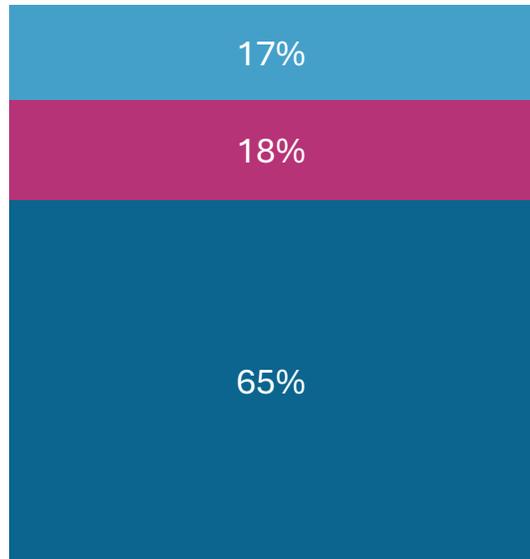
**0% annual mgmt. fees,
0% carry**

Snapshot of Today's Private Equity Portfolio

- \$6.8B in NAV, with a majority of value (65%) in mature businesses and meaningful venture/growth equity exposure
- 19% of the portfolio is in fee-advantaged co-invest, up from 15% one year ago

PE Portfolio Net Asset Value *(As of 9/30/2025)*

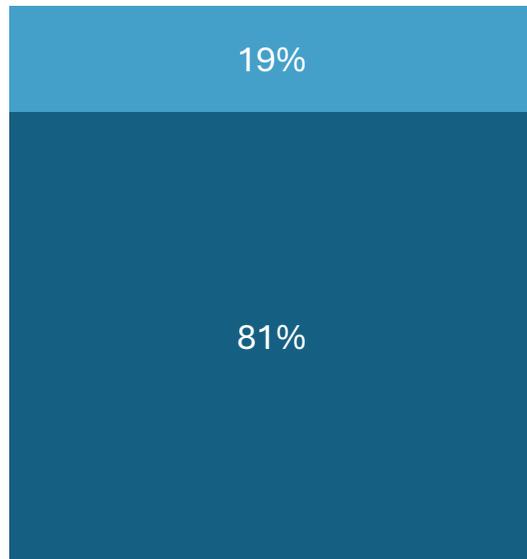
\$6.8 billion total PE NAV



■ Buyout / Other ■ Venture ■ Growth

Funds and Co-investments *(As of 9/30/2025)*

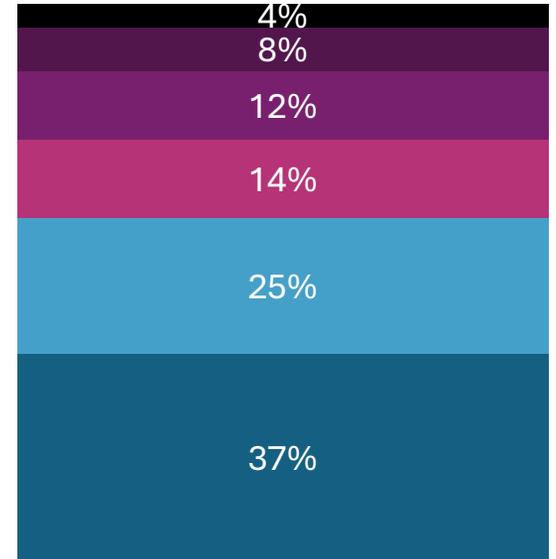
\$1.3 billion in fee-advantaged co-invest



■ Funds ■ Co-investments

PE Portfolio Sector Breakdown *(As of 9/30/2025)*

PE portfolio mix by sector



■ Other ■ Consumer
 ■ Healthcare ■ Financial Services
 ■ Industrials & Business Svc. ■ Technology

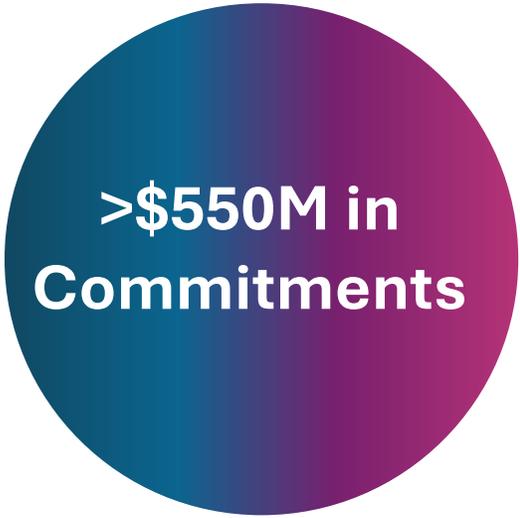
Source: Internal TMRS data.

Year-to-Date Investment Activity

- Activity year-to-date is approximately on pace with target; 9 managers and 15 co-investments approved, totaling ~\$1.3 billion
- >\$750 million in fee-advantaged co-investments approved to date

Approved Funds
(As of 9/30/2025)

Approved Co-investments
(As of 9/30/2025)



Source: Internal TMRS data.

Summary of Activity

Q3 Activity Detail (July 1, 2025, through September 30, 2025)

TMRS Investment Themes

Digital Transformation
Financial Empowerment
Industrial Resilience
Energy Modernization
Healthcare Innovation

Deal	Strategy	Theme	Description	Approval (\$M)
Fund	Venture	Digital Transformation	Tech and tech-enabled venture / growth equity	\$80
Fund	Venture	Financial Empowerment	Financial technology venture / growth equity investments	\$56
Fund	Buyout	Financial Empowerment	European financial services and technology buyouts	\$55
Fund	Buyout	Industrial Resilience	Industrial and supply chain services buyouts	\$50
Fund	Venture	Financial Empowerment	Early-stage financial technology investments	\$14
Co-invest	Buyout	Healthcare Innovation	Complex drug outsourced manufacturer	\$75
Co-invest	Growth	Digital Transformation	Enterprise AI infrastructure	\$65
Co-invest	Buyout	Financial Empowerment	Tech-enabled insurance brokerage	\$55
Co-invest	Buyout	Energy Modernization	Software and analytics for energy / power markets	\$50
Co-invest	Buyout	Financial Empowerment	Multi-line insurance program administrator	\$50
Co-invest	Buyout	Healthcare Innovation	Software and analytics for payers / providers	\$50
Co-invest	Growth	Digital Transformation	AI foundational model business	\$23
Co-invest	Growth	Digital Transformation	Enterprise AI infrastructure	\$20
Total				\$643

YTD Activity (through 9/30/2025)



YTD Approvals

Target Pacing Plan

\$1,200M - \$2,000M

Presented in December 2024

2025 Progress

In line with our co-invest strategy, TMRS reconstituted its private equity team from late 2024 to mid-2025 with professionals who bring significant direct investment experience. This team has moved quickly to put in place deal sourcing and diligence processes that have enabled us to ramp capital deployment to target levels.

We set up a partnership with GCM Grosvenor to serve as the execution chassis for our co-investment program, bringing to bear their best-in-class legal and administrative resources. Year to date, fee-advantaged co-invest represents 58% of our PE investment approvals, well over planned targets, in leading companies alongside world-class investors.

We have developed frameworks for portfolio construction by sector and fund phenotype. Our initiatives to focus on highest quality relationships with strategic fund partners are underway and have already begun to drive our portfolio evolution.

2025 Goals

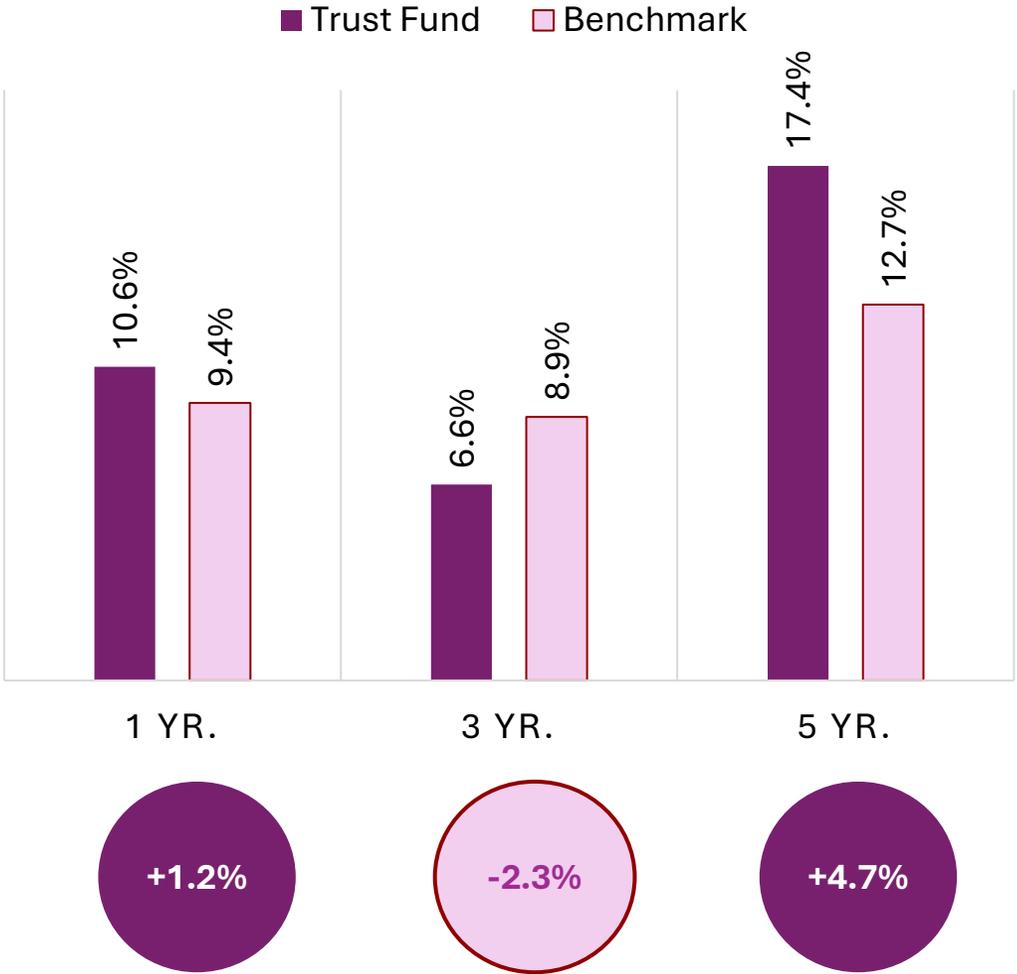
Communicated at the Dec. 2024 Board Meeting

- ✓ **Resource Utilization.** Integrate knowledge and networks of new TMRS investment professionals into the investment process. Build team cohesion.
- ✓ **Co-Investment Scaling.** Establish a strategic co-investment partnership. Widen the investment opportunity funnel. Process and execute high-caliber deal flow.
- ✓ **Portfolio Optimization.** Develop enhanced portfolio analysis frameworks. Consider opportunistic secondary transactions. Focus on highest quality relationships.

Q3 Activity and Private Equity Performance

Topic	Q3 Commentary (July 1, 2025, through September 30, 2025)
Market activity ⁽¹⁾	<ul style="list-style-type: none"> Global buyout volumes reached \$537B in Q3, a +5% y/y increase (+9% YTD), led by 2 large deals (EA and Air Lease) Global venture funding reached \$121B in Q3, a +29% y/y increase (+35% YTD), led by funding for AI and defense technologies Private equity exits remain muted relative to long-term history, but there has been significant improvement this year, with exit value up +40% relative to the first 9 months of 2024
Portfolio activity	<ul style="list-style-type: none"> In Q3, TMRS approved \$643 million in PE commitments (\$255M in funds and \$388M in co-investments) Year to date, TMRS has approved \$1.3 billion in PE commitments (\$555M in funds and \$765M in co-invest) relative to its \$1.6B annual target TMRS has deployed \$920M in PE capital calls this year to date, relative to \$527M distributions received
Performance	<ul style="list-style-type: none"> Net returns were +10.6% and +17.4% for the 1- and 5-year periods ended September 30, 2025, respectively The PE portfolio outperformed its benchmark by 1.2% on a trailing 1-year basis and outperformed its benchmark by 4.7% on a trailing 5-year basis Q3 net asset value growth was broad-based, across buyout/venture/growth and across a wide set of fund managers

TMRS Net Performance vs. Benchmark



Looking Forward

1

Build on team momentum.

Drive best-in-class investment process with new team in place. Leverage individual strengths while building new pockets of expertise.

2

Continued co-invest scaling.

Execute on our thematic co-investment strategy. Continuously improve caliber of deal flow. Deploy a significant portion of capital into co-invest.

3

Portfolio optimization.

Deepen ties with a select set of strategic fund partners. Consider opportunistic secondary sales.

TMRS





December 2, 2025

To: Board of Trustees YK
From: Yup S. Kim, Chief Investment Officer
Re: Agenda Item 19: Board Education: Real Assets Asset Class

In accordance with the Investment Policy Statement, comprehensive asset class reviews are conducted annually. At the December Board meeting, John Ritter (Managing Director, Real Assets) will present the Real Assets asset class review.

Annual Asset Class Review: Real Assets

John Ritter, Managing Director of Real Assets
Board of Trustees Meeting
December 11, 2025



Real Assets Executive Summary

1

Objective. Per the Investment Guidelines: “Real Assets is intended to enhance the total fund performance through investments that exhibit less volatility, greater income orientation, and more inflation hedging than most equity-oriented strategies.”

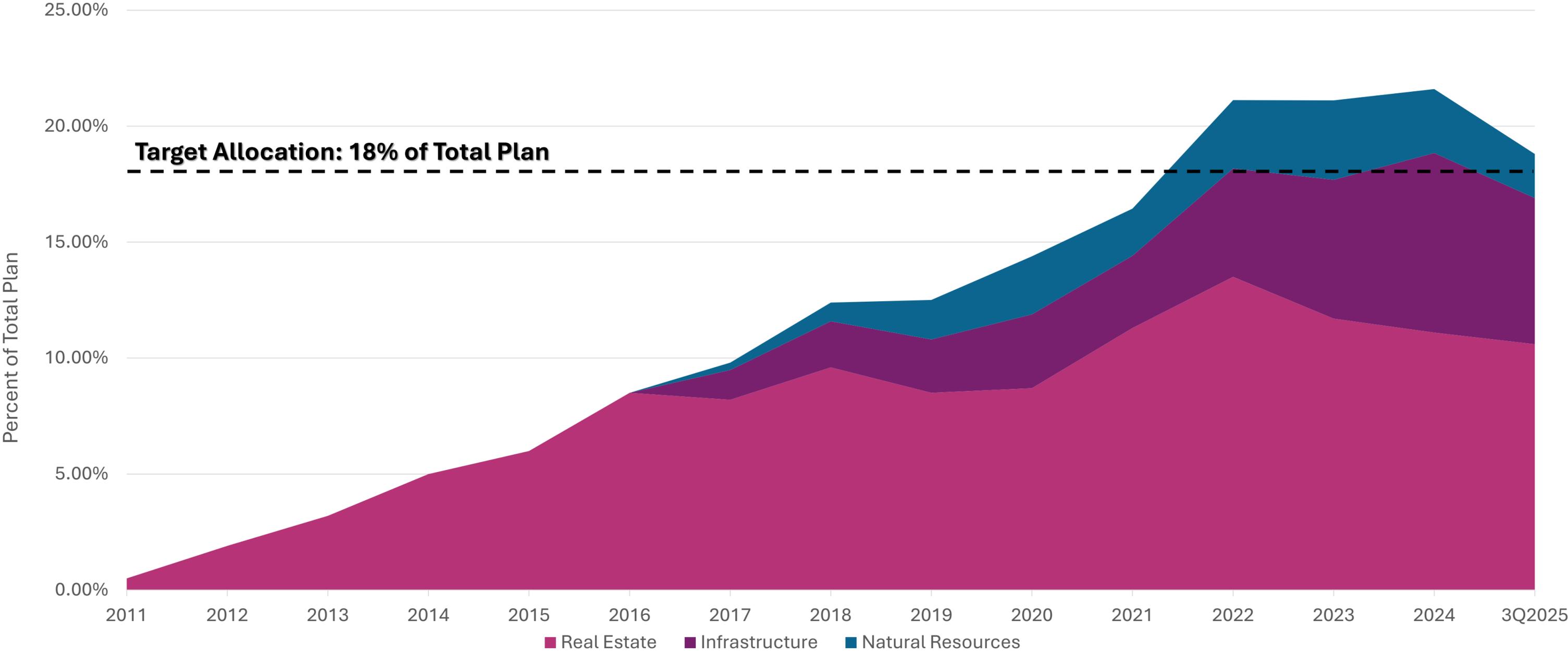
2

Permissible Investments. The Real Assets portfolio can be invested in real estate, infrastructure, and natural resources, as well as other strategies exhibiting real-asset-like characteristics.

3

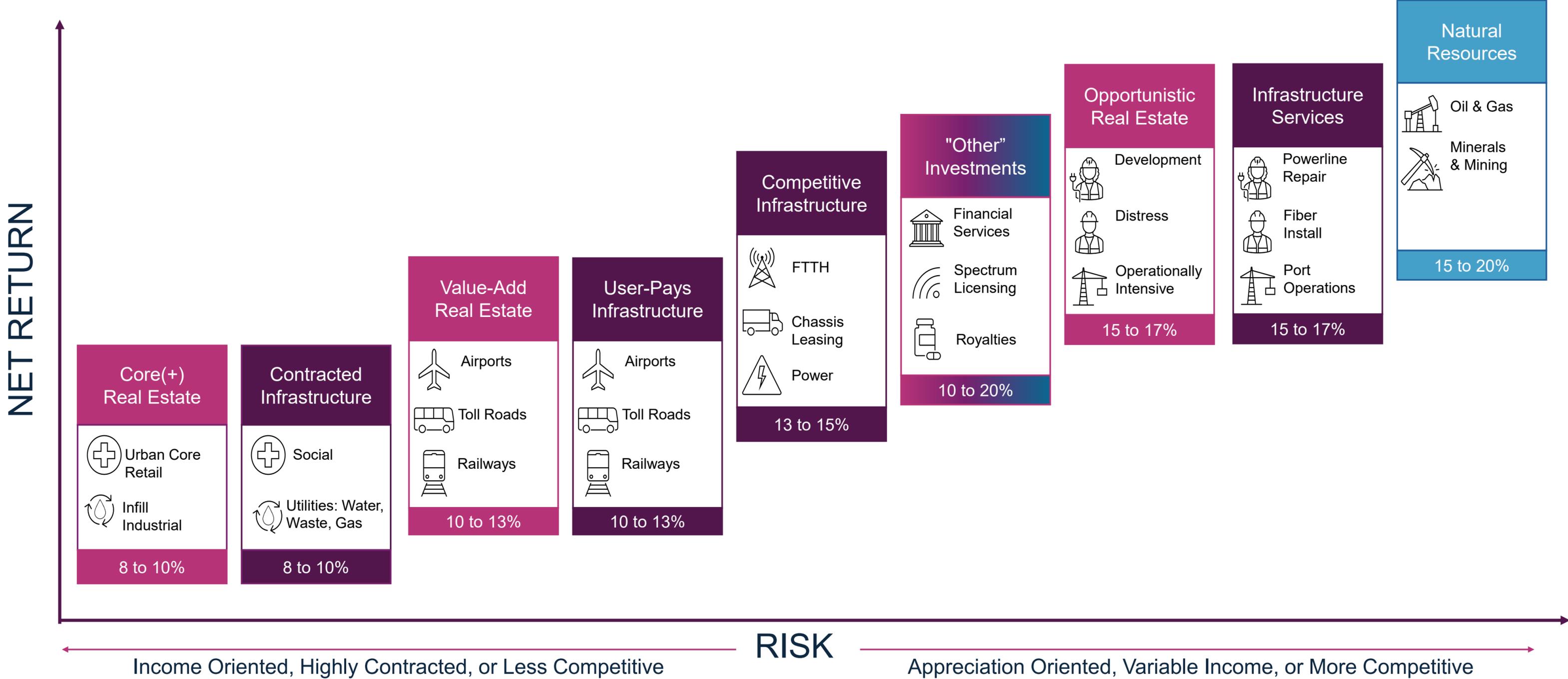
Risk Management. TMRS’ Real Asset portfolio manages risk through formal strategy concentration limitations. Additionally, geography, sector, property / asset type, leverage, and income profile are tracked and managed closely.

History of Real Asset Allocation



Note: Real Assets allocation shown includes real estate, infrastructure and natural resource investments, which comprise 18.8% of the Total Plan. Not shown are 'Other – Legacy OPPM' investments which comprise 0.6% of total trust exposure, as these investments represent legacy OPPM strategies that do not align with the Real Assets mandate. Combined, Real Assets and Other - Legacy OPPM represent 19.4% of the Total Plan relative to an 18% target.

Real Asset Risk & Return



Real Estate Strategies (10.6% of Total Plan)



Residential

Housing Affordability
Domestic Migration

- High Rise
- Low Rise
- Garden

30%

37%



Industrial

On- and Near-Shoring
eCommerce

- Warehouse
- Sortation
- Last Mile

34%

33%



Office

Return to Office
STEM Sector Growth

- CBD
- Suburban
- Medical

16%

7%



Retail

Consumer Spending
Population Growth

- Mall
- Grocery Anchored
- Power Center

11%

6%



Other

Gov't R&D Funding
Domestic Migration

- Self Storage
- Cold Storage
- Life Science

9%

17%

MARKET DRIVERS

ASSET SUBCLASSES

BENCHMARK WEIGHTING

TMRS WEIGHTING

Infrastructure Strategies (6.3% of Total Plan)



Utilities

AI and Compute Demand
On- and Near-Shoring

- Water
- Power
- Gas

38%



Transportation

On- and Near-Shoring
Geopolitical Tensions

- Roads
- Airports
- Vessels

22%



Digital

Workforce Digitalization
Smart Devices

- Data Centers
- Towers
- Fiber

30%



Social

Population Growth
Public Balance Sheets

- Education
- Courthouses
- P3s

2%



Other/Services

Gov't Regulation
Development Cycles

- Maintenance
- Repair
- Consulting

8%

MARKET DRIVERS

ASSET SUBCLASSES

TMRS WEIGHTING

Note: Cambridge Private Infrastructure Index does not report sector weightings for diversified constituents which comprise 81% of the index. Excluding the diversified fund exposure, index sector weightings were approximately 34% utilities (incl. utility-scale renewable generation), 3% social, 31% midstream and energy storage, and 33% digital.

Nature Resource Strategies (1.9% of Total Plan)

MARKET DRIVERS

ASSET SUBCLASSES

TMRS WEIGHTING



Oil & Gas

Global Energy Demand
Geopolitical Tensions

- Exploration
- Development
- Production

67%



Minerals & Mining

Construction Growth
Geopolitical Tensions

- Exploration
- Development
- Production

33%



Timberland

Return to Office
STEM Sector Growth

- Natural
- Plantation
- Credit-based

0%



Farmland

Consumer Spending
Population Growth

- Row Crops
- Permanent Crops
- Agri-tech

<1%

Note: TMRS' benchmark constituents largely do not invest in natural resources.

YTD Co-Investment Activity

Thematic Focus:

Digital Transformation

Industrial Resilience

Energy Modernization



Investment	\$mm	Description	Date
Permian E&P	\$30	Aggregate and drill oil resources in Permian Basin	1Q
Green	\$50	Waste sortation services for TX municipalities	1Q
Gulfstream	\$75	Powered shell data center development for cloud	1Q
ERA	\$100	U.S. transportation, waste and digital infrastructure	2Q
Northpoint	\$100	Buy and lease U.S. industrial warehouses	2Q
Magnolia	\$50	Louisiana natural gas local distribution company	3Q
LightSpeed	\$50	Fiber installation for master planned communities	3Q
Blade	n.a.	Aerial firefighting and infrastructure services	3Q
Bricklayer	\$28	Powered shell data center development for cloud	3Q
Saturn	\$50	New Mexico natural gas local distribution company	4Q
Total	\$533		2025

Detailed Performance

as of Sept-2025

TMRS Real Assets portfolios demonstrate strong performance and closely track their designated benchmarks.

Real Estate

NET PERFORMANCE

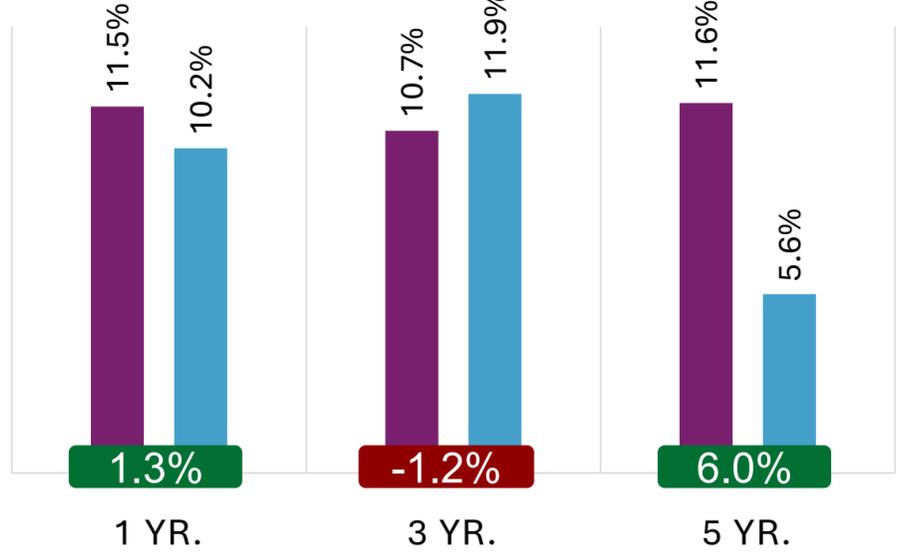
■ Real Estate ■ Benchmark
 ■ Excess Return



Infrastructure

NET PERFORMANCE

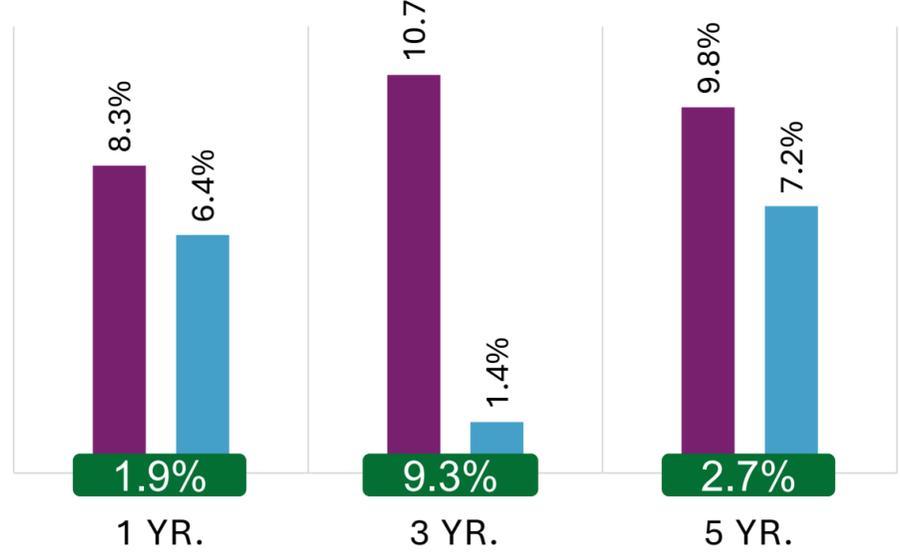
■ Infrastructure ■ Benchmark
 ■ Excess Return



Resources & Other

NET PERFORMANCE

■ NR + Other ■ Benchmark
 ■ Excess Return



Note: TMRS' real estate benchmark is the NCREIF ODCE Index. TMRS' infrastructure benchmark is a blend of the MSCI ACWI and Cambridge Private Infrastructure Index based on the investment commitment date. TMRS' 'Natural Resources and Other' Benchmark is a blend of NCREIF ODCE, MSCI ACWI, and Cambridge Private Infrastructure Index.

RA Key Performance Indicator Dashboard (September 30, 2025)

	Key Performance Indicator (KPI) Description	Grade	Progress	
Portfolio Pacing and Construction	Fully commit private equity target allocation	On-track	100% of pacing target complete	
	Trust fund allocation in compliance	On-track	In compliance	
Reduce Cost	Increase co-investment share of private markets for improved returns and cost savings	Transitioning	52% of total CY2025 invested in co-investment	
Sustainable Performance	Net returns exceed benchmark	On-track	1 Year	5 Year
			+80bps	+350bps

Looking Forward

1

Progress parity to infrastructure.

To reflect the Board's decision to consolidate Real Assets, moderately decreasing real estate deployment to relatively increase infrastructure.

2

Scale co-invest program.

Co-investment program expansion with strategic relationships will help reduce portfolio fee load and mitigate the blind pool risk linked to closed-end funds.

3

Rebalance core real estate portfolio.

Enhance performance through tactical drawdown of core real estate portfolio to fund higher volume of infrastructure co-investments.