



## AGENDA

### Meeting of the Board of Trustees

Thursday, March 26, 2026 – 9:00 a.m.

TMRS Office  
2717 Perseverance Drive, Suite 300  
Austin, Texas

#### Zoom Link for Public:

<https://tmrs.zoom.us/j/85906053930?pwd=Qh2pOrvgAt67oaWsmsliuhRPHgMkKf.1>

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

*Call to Order*

*Invocation*

*Pledge of Allegiance*

#### **Consent Agenda**

1. **Consider and Act on Consent Agenda.** *Jim Parrish*
  - a. Approve Minutes from February 18-19, 2026 Board of Trustees Retreat
  - b. Quarterly Confirmation of Member Retirements
  - c. Quarterly Confirmation of Supplemental Death Benefit Payments and Extended Supplemental Death Benefits Coverage
  - d. Receive Financial Statements as of December 31, 2025

#### **Executive Director Reports**

2. **Executive Director's Report.** *Debbie Munoz*
3. **Receive Senior Staff Reports.** Chief Operating Officer (*Anali Alanis*), Chief Legal Officer (*Christine Sweeney*), Chief Financial Officer (*Cindy Demers*), Chief Information Technology Officer (*Jac Greene*), Chief Service Officer (*Colin Davidson*).

## **Audit**

4. **Report on Audit Committee Meeting.** *Kristyn Scoggins and Tommy Gonzalez*
5. **Present Risk Assessment and Audit Plan to the Board.** *Kristyn Scoggins*
6. **Consider and Act on Selection of Auditor for Private Markets Investment Audit.**  
*Kristyn Scoggins*
7. **Consider and Act on Revisions to 2025-2026 Audit Plan.** *Kristyn Scoggins*

## **Budget and Compensation**

8. **Report on Budget and Compensation Committee Meeting.** *Cindy Demers and Isaac Tawil*

## **Stakeholder Advisory Committee and Legislation**

9. **Report on Stakeholder Advisory Committee Meeting.** *Colin Davidson and Jaime Reyes*
10. **Discuss Potential Topics for 2027 Legislative Session.** *Debbie Munoz and Christine Sweeney*
11. **Consider and Act on Topics for Stakeholder Advisory Committee.** *Jim Parrish*

## **Actuarial**

12. **Review and Discuss TMRS Actuarial Funding Policy.** *Joe Newton, GRS*
13. **Consider and Act on 2025 Interest Credit Allocation to the Benefit Accumulation Fund and Interest Reserve Account.** *Leslee Hardy and Joe Newton, GRS*

## **Governance**

14. **Review and Discuss Board's Bylaws.** *Debbie Munoz and Bob Klausner*

## **Investments**

15. **Report on Investment Committee Meeting.** *Tom Masthay and Bryan Langley*
16. **Consider and Act on Possible Amendments to the Investment Policy Statement.** *Tom Masthay*

## **Board Education**

### **17. Board Education: Public Equity Annual Review. *Frank Atkins***

## **Executive Session**

### **18. 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.

### **19. Call for Future Agenda Items. *Jim Parrish***

**5 min**

## ***Adjournment***

***The Board may meet in Executive Session on any item listed above as 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.***



March 16, 2026

**To:** Board of Trustees

**From:** Christine M. Sweeney, Chief Legal Officer *CS*

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

The Consent Agenda includes Minutes from the February 18-19, 2026 Board Retreat meeting, quarterly Retirement and Supplemental Death Benefit Reports, and financial statements as of December 31, 2025. 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 February 18-19, 2026 Board Retreat meeting
- 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)



**MINUTES OF THE  
TEXAS MUNICIPAL RETIREMENT SYSTEM  
Board of Trustees Retreat**

**Wednesday, February 18, 2026 – 12:30 p.m.  
Thursday, February 19, 2026 – 9:00 a.m.**

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS) convened for a meeting on February 18, 2026, at 12:30 p.m. at Camp Lucy, located at 3509 Creek Road, Dripping Springs, Texas, with the following Trustees present: Chair Jim Parrish, Vice Chair Tommy Gonzalez, Bryan Langley, Jaime Reyes II, Isaac Tawil and Pamela Williams.

Staff present included: Debbie Muñoz, Anali Alanis, Jac Greene, Tom Masthay, Nick O’Keefe, Christine Sweeney, Colin Davidson, Cindy Demers, Leslee Hardy, Daisy Olivera, Kristyn Scoggins, Madison Jechow and Karen Jackson. Consultants present included: Sam Austin, Keith Brainard, Russ Finney, Bob Klausner, Chad Macy, Emily Moran, Joe Newton, Janie Shaw and Taylor Sprague.

Mr. Parrish called the meeting to order on February 18, 2026 at 12:33 p.m.

**1. Welcome.**

Mr. Parrish said the meeting is to set direction for 2026. Ms. Muñoz said the meeting is about reflection, clarity and alignment between the strategic plan and goals for 2026. TMRS has had many changes within the last eight months, including a new Executive Director, four new Trustees, and a new Chief Investment Officer.

**2. Consider and Act on Consent Agenda.**

Mr. Gonzalez moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the December 11, 2025 Board of Trustees meeting. Mr. Tawil seconded the motion, which passed 6-0.

**3. Overview of Public Pension Issues and Trends.**

Mr. Brainard, Research Director for the National Association of State Retirement Administrators and Board member of the Texas Pension Review Board, provided an overview of national and Texas public pension trends, including funding levels, investment return assumptions, and impacts of historical reforms. Mr. Brainard discussed TMRS’s relative funding strength, due in part to reliably receiving full contributions from its participating cities. He compared TMRS’s actuarial assumed investment rate of return of 6.75% to national trends. Mr. Langley asked what the other Texas statewide systems assumed for returns, and Mr. Brainard said that current assumed rates are

7% for the Employees Retirement System (ERS) and the Teacher Retirement System (TRS) and 7.25% for the Texas County and District Retirement System (TCDRS). Mr. Brainard discussed Texas and national trends regarding the ratio between employed members in and retirees from pension plans. He noted that many other states have moved public pensions toward hybrid designs, similar to TMRS's cash-balanced structure. Mr. Gonzalez asked how TMRS's funding level of almost 90% compared to national averages. Mr. Brainard said TMRS has a lower assumed rate of return and is well above the national average for funding level, due in part to reliable contributions from city employers.

#### **4. Board Education: Actuarial Matters.**

Mr. Newton, from GRS, discussed TMRS' actuarial accrued liability and assets as of the end of fiscal year (FY) 2024. TMRS's current funded ratio is 89.4% with an amortization period of 13.9 years, averaged across TMRS's participating cities. Each city has its own funded ratio and amortization period. Mr. Newton reviewed TMRS funding levels historically and noted that a drop in the funding level around 2007 related to changes in actuarial policies, including requiring that cities prefund cost-of-living adjustments (COLAs) and providing for 30-year closed amortization. Around the same time, the Texas Legislature adopted changes to the TMRS Act that allowed TMRS to diversify its investments. Mr. Langley asked how much of the current liabilities, and the 13.9-year amortization period to pay off the liabilities, relates to the 2007 actuarial policy changes. Mr. Newton said most of the liabilities could relate to those changes And noted that, generally, the amortization period has been declining.

Mr. Gonzalez asked if the recent benefit enhancement of an 8% employee contribution rate has been factored into the liabilities yet. Mr. Newton said not fully, as the rate only became an option effective September 1, 2025. Mr. Gonzalez asked about potential impact of cities adopting an 8% employee contribution rate on those cities that do not adopt the rate. . Mr. Newton said more might be known in May, as actuarial results for FY 2025 are completed, but all TMRS cities are invested in a pool, so if cities' actions increase risk that might increase risk for other cities in the pool. Mr. Langley asked about the 5% annual interest credit to member accounts that is in the TMRS Act and whether that affects TMRS's risks and rates. Mr. Newton responded the 5% interest credit has a small impact as compared to the Updated Service Credit (USC) benefit, and that cities without USC typically are fully funded. Mr. Gonzalez asked about risks related to illiquid investments in private markets and expected illiquidity premiums. Mr. Newton said this type of question is why the assumed rate of return should be reviewed over time, because investment returns experience changes over time.

Mr. Newton said in summary that TMRS has enjoyed two decades of improvement in financial strength after adopting best practices in actuarial policies. TMRS has seen relatively few benefit reductions by cities, and the number of cities with a funding level at less than 80% decreased from 185 to 39 in the last 10 years. Mr. Newton said TMRS is the only Texas statewide system with a COLA that is tied to the consumer-price index and inflation, and that is one reason for TMRS to have a more conservative assumed rate of return. Trustees Langley, Reyes and Gonzalez commented on aspects of the assumed rate of return and funded ratio that they want to learn more about in the future.

## **5. Board Education: Investment Matters.**

Mr. Austin, with Board consultant NEPC, said that approximately 92% of investment variability comes from asset allocation, which is the key investment decision set by the Board. Assets are allocated across a spectrum to achieve an expected return. As part of this process, the Board should consider the risk that may need to be taken for the return expectation. City contribution rates can also be affected by investment returns, and there can be pressure on contribution rates if returns are low. In 2026, NEPC will survey the Board to measure their risk appetite. NEPC will apply the results to asset allocation models to seek an efficient frontier portfolio, which seeks the highest returns at the lowest risk possible, based on risk appetite.

Mr. Austin discussed other analyses that NEPC performs for an asset portfolio, including analyses of liquidity, scenarios involving inflation, and risk budgeting. Mr. Gonzalez asked about illiquidity premiums for investments in private markets and referred to a media report that university endowments are exiting private market investments. Mr. Austin said many endowments had much higher allocations (40% and higher) to private markets than TMRS and the article indicated they are exiting investments to lower their private market allocations but are not completely exiting private market investments. Mr. Austin commented that future returns from private markets may not be as high as during the last three decades, but private investments still have a role to play in the jigsaw puzzle of private investments.

Mr. Austin discussed what NEPC sees as market themes for 2026, including navigating AI froth, the strength of the US economy and K-shaped consumer spending, and labor market dynamics. Mr. Austin reviewed NEPC capital market assumptions for the next 10 years and said U.S. large-cap equity is projected to return 4.5% while private equity is projected to return 8.2%, and noted therefore the illiquidity premium included in those assumptions is 3.7%.

## **6. CBIZ Discussion.**

Mr. Sprague, with CBIZ, reviewed the process for conducting a compensation study in 2026. The process will include benchmarking, along with incentive plan design and implementation considerations. Mr. Langley asked if the study would be an update to a current compensation classification system. Ms. Muñoz said that the current system was approved by the Board in 2024, but the last full compensation study was done in 2018 by Aon Hewitt. Ms. Williams asked if TMRS currently uses “open range” compensation structure. Ms. Muñoz confirmed that, and Mr. Sprague said that is consistent with CBIZ recommendations. Mr. Gonzalez asked if turnover was considered in the study, and Ms. Olivera said that would be reviewed in evaluating incentive compensation design. Mr. Gonzalez said that in his cities he does not try to be first but does aim for the top three.

## **7. Update on 2023-2025 Strategic Plan and 2025 Senior Staff Action Plan.**

Ms. Muñoz reviewed the achievements of the 2023 - 2025 Strategic Plan. She noted that no one from the current Board was in place when that plan was approved by the Board in December 2022. The plan’s financial sustainability goal was met, as the TMRS Trust Fund has delivered above medium returns, exceeding its benchmark by more than 50 basis points on a rolling five-year basis.

Achievements also included: establishing an investment vehicle to scale a fee-reduced private markets co-investment program, and the Board amending its funding policy to prevent cities from lowering contributions while increasing USC and COLA benefits. Service goals were met as performance metrics and standard operating procedures were developed and implemented. Also, the TMRS website was redesigned and a tool for cities was added so that cities can model plan changes to see impacts on city rates. Staff implemented legislative changes regarding non-retroactive, repeating COLAs and an 8% employee contribution rate. Technology goals were met through improvements to TMRS's internal pension administration system, NextGen, to the member portal MyTMRS, and through completion of a multi-year modernization program that included 40 projects, including online refund and retirement applications. Other achievements included replacement of TMRS's prior general ledger system and creation of a dashboard reflecting key performance metrics in real time. Organizational goals were met and rewarded with four Quality Texas Foundation awards and recognition of TMRS as an employer of choice by the Austin American-Statesman and Pension & Investments publications. To maintain a sustainable pace, Ms. Muñoz said the Board would discuss prioritizing initiatives for 2026 in a planning session to be led by Mr. Macy on the next day.

After agenda item 7, Mr. Parrish took agenda item 9 out of order.

**9. Executive Session.**

The Board went into Executive Session at 4:41 p.m. on Wednesday, February 18. The meeting reconvened in Open Meeting at 5:30 p.m. At that time, Mr. Parrish stated that all members of the Board who were present before the Executive Session were present afterward and no action was taken in Executive Session.

*Mr. Parrish adjourned the meeting on Wednesday, February 18 at 5:30 p.m.*

*Mr. Parrish called the meeting back to order on Thursday, February 19, 2026, at 9:00 a.m.*

**8. Board Retreat, including Discuss, Consider and Act on Strategic Planning, Mission, Vision and Core Values, Governance, Investments, Service to Members and Cities, Organizational Development, Budget Compensation, Technology and TMRS Operations Topics.**

Mr. Macy led the Board through a discussion of objectives for TMRS's Strategic Plan in 2026. He also led the Board through a discussion to update the TMRS Vision and Mission statements. After Board discussion with Mr. Macy and TMRS staff and consultants, the Board reached consensus on the statements and objectives shown in the chart included as Attachment 1.

Mr. Macy asked if the Board should review the current TMRS Values, in support of the Vision and Mission statements. Ms. Munoz said she preferred to get staff input on the current Values before returning to the Board for discussion.

Mr. Langley moved that the Board approve the 2026 Strategic Plan and the Vision and Mission statements, as reflected in Attachment 1. Mr. Tawil seconded the motion, which passed 6-0.

**10. Call for Future Agenda Items.**

Mr. Tawil asked how items are added to the agenda. Ms. Sweeney said the Board's Bylaws provide that the Board Chair and Executive Director develop the agenda, but the Bylaws include a process for additional items to be added.

There being no further business, Mr. Parrish adjourned the meeting at 2:53 p.m.


---

Debbie J. Muñoz  
Executive Director

---

Jim Parrish  
Chair, Board of Trustees

**ATTACHMENT 1**

 <b>2026 TMRS Strategic Plan - FINAL</b>			
<b>Vision</b> Be the standard for public pension excellence.			
<b>Mission</b> Deliver secure lifetime income to members by setting the standard for public pension stewardship, resilience, and innovation, strengthening Texas cities for generations.			
Financial	Service	People	Operations
<ul style="list-style-type: none"> <li>• Review Investment Policy Statement (IPS) and implement desired changes.</li> <li>• Review Board Committee Charters and implement desired changes.</li> <li>• Review Board reports and implement desired changes.</li> <li>• Conduct a private market and co-investment review and audit and implement recommendations.</li> <li>• Conduct a Trustee risk tolerance survey to inform asset allocation and investment strategy.</li> <li>• Review actuarial assumptions and strategies (philosophy of TMRS financial structure).</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and conduct four regional TMRS conferences.</li> <li>• Develop a financial toolkit for members.</li> <li>• Create and implement an enhanced city certification program.</li> <li>• Create and execute a “City of Excellence” Award Program.</li> <li>• Create and implement a Governmental and Stakeholder Relations Program.</li> <li>• Evaluate and improve strategy to increase beneficiary designations for members.</li> <li>• Evaluate options to improve the customer service experience</li> <li>• Evaluate current communications plan and identify opportunities and options</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct a compensation study and update the compensation structure and policy.</li> <li>• Identify and implement a Learning Management System (LMS).</li> <li>• Create and execute a performance management program, inclusive of individual employee development plans.</li> <li>• Identify critical knowledge single points of failure and provide knowledge transfer into LMS.</li> <li>• Develop strategy to continuously cultivate a healthy organization.</li> <li>• Develop a succession plan.</li> </ul>	<ul style="list-style-type: none"> <li>• Implement plan to become a high performing organization</li> <li>• Improve and standardize internal staff policies and the framework for managing changes.</li> <li>• Create a centralized procurement and contract management program.</li> <li>• Refine and document an org-wide governance, risk and compliance process.</li> <li>• Combine and modernize the year-end and annual business calendars.</li> <li>• Develop an IT strategy (3-year plan)</li> </ul>



March 16, 2026

**To: Board of Trustees**

**From: April Hernandez, Deputy Chief Service Officer and Director of City and Member Services** AH

**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 Colin Davidson, Chief Service Officer.

## Board Retirement Report

## Summary of Individual Member Retirements Processed from 10-2025 to 12-2025

<b>Total Number of Retirements by Option</b>	<b>Service</b>	<b>Disability</b>	<b>Total</b>
Retiree Life Only	238	3	241
Retiree Life -- 100% to Survivor	307	2	309
Retiree Life -- 75% to Survivor	59	0	59
Retiree Life -- 50% to Survivor	129	1	130
Retiree Life -- 5 Years Guaranteed	7	0	7
Retiree Life -- 10 Years Guaranteed	16	0	16
Retiree Life -- 15 Years Guaranteed	36	0	36
Cashout of Reserves	20	0	20
<b>Total Number -- All Options</b>	<b>812</b>	<b>6</b>	<b>818</b>

<b>Total Monthly Benefits (Nearest Dollar)</b>	\$1,504,829	\$4,034	\$1,508,863
<b>Average Monthly Benefit (Nearest Dollar)</b>	\$1,853	\$672	\$1,845
<b>Average Age at Retirement</b>	60	50	60
<b>Average Years of Service at Retirement</b>	19	10	19

<b>Partial Lump Sum Distributions</b>	
<b>No. of Retirements Taking a PLSD</b>	588
<b>Total Amount Paid</b>	\$35,742,601
<b>% of PLSD Funds Rolled Over</b>	54%
<b>% of PLSD Funds Not Rolled Over</b>	46%

**Texas Municipal Retirement System  
2025 Expense Fund  
Budget to Actual Report  
as of December 31, 2025**

Account Description	Budget	Actual	Amount Over/(Under)	% of Budget Spent YTD (100%)
<b>Personnel Services</b>				
Salaries and Compensation	\$ 20,283,295	\$ 20,505,458	\$ 222,163	101.10%
Employee Benefits	6,096,440	5,711,451	(384,989)	93.69%
<b>Total Personnel Services</b>	<b>26,379,735</b>	<b>26,216,909</b>	<b>(162,826)</b>	<b>99.38%</b>
<b>Professional Fees</b>				
Actuarial Services	824,500	684,496	(140,004)	83.02%
Audit Services	227,250	227,250	-	100.00%
Legal Services	808,500	1,069,240	260,740	132.25%
Information Services	320,500	388,123	67,623	121.10%
Investment	2,270,429	2,102,378	(168,051)	92.60%
Custodial and Banking	1,515,000	1,472,076	(42,924)	97.17%
Other Consulting Services	557,420	662,153	104,733	118.79%
<b>Total Professional Fees</b>	<b>6,523,599</b>	<b>6,605,716</b>	<b>82,117</b>	<b>101.26%</b>
<b>Technology</b>				
Software and Support	3,404,310	3,724,195	319,885	109.40%
Hardware and Other Support	188,900	68,714	(120,186)	36.38%
<b>Total Technology</b>	<b>3,593,210</b>	<b>3,792,909</b>	<b>199,699</b>	<b>105.56%</b>
<b>Facilities</b>	<b>3,061,312</b>	<b>2,828,158</b>	<b>(233,154)</b>	<b>92.38%</b>
<b>City and Member Outreach</b>	<b>768,947</b>	<b>682,166</b>	<b>(86,781)</b>	<b>88.71%</b>
<b>Other Administrative</b>				
Board and Advisory Committee	121,005	68,063	(52,942)	56.25%
Professional Development	465,866	536,352	70,486	115.13%
Insurance,Supplies and Other Misc.	499,885	917,527	417,642	183.55%
Travel	801,860	511,022	(290,838)	63.73%
<b>Total Other Administrative</b>	<b>1,888,616</b>	<b>2,032,963</b>	<b>144,347</b>	<b>107.64%</b>
<b>Total Operating Expenses</b>	<b>\$ 42,215,419</b>	<b>\$ 42,158,822</b>	<b>\$ (56,597)</b>	<b>99.87%</b>



March 16, 2026

**To:** Board of Trustees

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

**Re:** Agenda Item 2: Executive Director's Report

Staff kicked off the new year with strong momentum, delivering a productive first quarter.

**2026 Strategic Plan in Motion.** Last month's Board Retreat was a success, resulting in renewed vision and mission statements, and setting an ambitious course for the 2026 strategic plan. Through collaborative discussions, senior leaders and trustees identified 26 targeted business initiatives for the year ahead. With clear direction from the Board and strong alignment across senior leadership, the organization is well positioned to execute with focus and deliver results.

**Positive Total Fund Performance.** I am pleased to report exceptional investment performance in 2025, with returns of 13.29% that added \$5.6B to the Trust. Performance exceeded the benchmark by 1.07%, generating approximately \$400M to the Trust. Trend lines in longer-term performance have been positive as well.

As you will see in NEPC's reports, TMRS 5-year returns were consistently in the 90<sup>th</sup> percentile or worse among public plan peers through early 2025. As the result of four years of diligent work implementing a higher-return seeking asset allocation adopted by the Board in mid-2021, TMRS' rank among peers has dramatically improved.

After registering a 3<sup>rd</sup> consecutive quarter of improvement, the 5-year performance is now in the 38<sup>th</sup> percentile. The icing on the cake is that TMRS performance figures have been GIPS® verified for the fourth consecutive year. GIPS (Global Investment Performance Standards®) is the gold standard for third party verification of investment results. TMRS was among the first public pension plans nationally to adopt the GIPS Standards and the first Texas plan to do so.

**In Pursuit of Excellence.** Quality Texas Foundation (QTF) examiners visited the TMRS office in February to interview staff and observe the work processes described in TMRS' QTF Award Application. In the next few weeks, QTF will announce their Regional Award recipients. QTF will also provide a report that describes the strengths and opportunities for improvement identified by the QTF examiners during their visit.

**GFOA Certificate of Excellence Awarded to TMRS Again!** TMRS has received the Certificate of Excellence in Financial Reporting for the 2024 Annual Comprehensive Financial Report (ACFR). This is the 38<sup>th</sup> consecutive year TMRS has received the award and is the highest form of recognition in governmental accounting and financial reporting.

**Celebrating Remarkable Careers.** TMRS staff extends heartfelt congratulations to two valued colleagues as they begin their well-deserved retirement.

Regional Manager Lorraine Moreno retired from TMRS on February 28, after a distinguished career spanning 26 years. Lorraine dedicated herself to public service, sharing her passion and expertise with TMRS members and city administrators alike. She was instrumental in providing educational services that empowered countless employees in the South and West Texas regions. Her commitment to collaboration and support fostered strong partnerships and made a lasting impact on those she served.

Director of Actuarial Services Leslee Hardy announced that she is retiring from TMRS effective April 30. Leslee was TMRS' first staff actuary and has had an immeasurable impact on TMRS, its members, and all participating cities. During Leslee's time at TMRS she was instrumental in:

- Updating TMRS' funding policy and actuarial cost method to ensure cities adequately fund their benefits
- Providing staff, the Board, and Texas Legislators with clear, timely analysis on the impact of every piece of legislation affecting TMRS since 2009
- Working with external actuaries on the annual valuation and city rate letters to ensure accuracy and clear communication
- Assisting in the development of the online Plan Change Calculator that is utilized by hundreds of cities to calculate the cost of making changes to their TMRS benefits
- Educating cities about their contribution rate, funding levels and plan design to ensure they fully understood their benefits and the cost for providing those benefits.

This will be Leslee's final TMRS Board meeting after 18 years, but her impact will forever be felt at TMRS.

**2025 Member Annual Statements Uploaded and Mailed.** The 2025 Member Account Statements are now live in MyTMRS. Printed copies are on their way to members who selected mail delivery. Member Account Statements provide members with a snapshot of their TMRS account, including their 2025 contributions and credited interest, city plan information, beneficiary information, and monthly benefit estimates.

**Mainstreet for Cities.** The Q1 2026 edition of Mainstreet was distributed to more than 3,100 city contacts last week. This edition of Mainstreet included several announcements including registration information for the 2026 City Training Conference, an exciting new City of Excellence Award, the last TMRS member spotlight and much more.

**Employee Development and Engagement.** We're thrilled to celebrate our continued commitment to excellence through Lean Six Sigma! Congratulations to Member Service Center Manager Naqqash Sharif and Fraud Analyst Barrett Smith on earning their Lean Six Sigma Green Belt certifications—a tremendous achievement that reflects their dedication to innovation, efficiency, and service. Their hard work and passion for improvement help elevate our entire organization.

We are also excited to share that Chief Information Technology Officer Jac Greene has been selected to participate in both the Governor's Executive Development Program and the Texas ELITE Program—two of the most respected leadership development experiences in Texas public service. These distinguished programs bring together top leaders from across the state to strengthen strategic insight, build high-impact leadership capability, and foster collaboration across agencies. Jac's selection reflects not only exceptional professional achievement, but also a deep commitment to innovation, service, and continuous growth. We congratulate Jac on this remarkable accomplishment and look forward to the valuable perspectives and leadership excellence that will continue to benefit TMRS.

Last, but not least, we are thrilled to share that Records Specialist Lynette Ragbeer has officially passed the sixth and final ICRM exam and is now a Certified Records Manager. This remarkable accomplishment reflects two years of dedication, perseverance, and unwavering commitment to mastering the Records Management discipline. Lynette's success is a tremendous milestone—not only for her personally, but also for the Records Department and TMRS as a whole. Please join us in celebrating this outstanding achievement and congratulating Lynette on reaching this prestigious professional milestone!



March 16, 2026

**To: Board of Trustees**

**From: Anali Alanis, Chief Operating Officer** 

**Re: Agenda Item 3: Chief Operating Officer First Quarter Report**

I am pleased to report on the 2026 first quarter activities of the Communications and Human Resources departments. In addition, I will be providing an update on the 2026 TMRS Strategic Plan. Services and Information Services departments will be reported separately by its respective Chief.

### **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:

- Attended the 2026 NCPERS Communications & Member Services Summit in San Diego and hosted a breakout session entitled Member-Centered Design: Lessons from a Public Pension Website Transformation
- Produced and distributed 90K Retirement Benefit Statements and 170k Member Account Statements by mail and e-mail
- Began planning and coordination for the 2026 City Training Conference, including digital and in-person communications, registration process, programming, and logistics
- Prepared communications and collateral to launch a new City of Excellence award designed to honor TMRS cities who show excellence in TMRS administration – coming in July
- Assisted Quality Initiatives with educating staff on the Quality Texas Foundation application information and producing a staff reference sheet
- Assisted Member & City Services with a monthly email campaign to impart the importance of beneficiary designations
- Created a new video for the Member Spotlight series
- Began work on a custom exhibit booth for the 2026 TML conference and exhibition
- Created collateral for new Mission, Vision, and Values and updated across channels
- Created ads for TML Town and Country magazine March and April issues
- 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 on website
- Maintained and updated TMRS' LinkedIn page

**Communication Numbers.** Since January 1, Communications sent eight mass emails to more than 84,000 recipients, received 388K website views, hosted more than 27,000 mobile app sessions with 2300 new devices added, and increased the TMRS Google reviews to 138.

## **Human Resources**

**Personnel.** TMRS has hired three new employees during the first quarter and is currently recruiting for three open positions.

**2026 Position Management.** 126 positions were budgeted and approved with 2026 budget.

As of today, employee count is as follows:

- **118** – Active Employees
- **3** – Vacant – Actively Recruiting
- **5** – Vacant -Budgeted (not actively recruiting)

**Compensation Study.** HR staff has successfully submitted employee census data to CBIZ to kick off the compensation study process.

**Employee Engagement.** HR launched “Dish with Debbie” as a new employee engagement approach. This event will be hosted monthly and aims to increase real-time interactions between staff and Executive Director. In addition, TMRS celebrated National Employee Appreciation Day to remind staff that we appreciate and value each and every one of them and all that they do to further TMRS’ mission.

## **2026 TMRS Strategic Plan**

**Deployment.** The recently approved 2026 Strategic Plan has been distributed to all staff to ensure alignment throughout the organization. All four categories have been assigned an owner that will work on completing each individual task; all items have been reviewed by their respective owner and date of completion has been set.

The newly adopted Mission and Vision have been updated throughout the building and in all digital assets. Staff has been tasked to evaluate our current values, as a first step a survey was conducted to gauge if our values remain relevant to the workforce. We will continue to work with staff in the upcoming weeks and present a final version of TMRS’ values to the Board in June.



March 16, 2026

**To: Board of Trustees**

**From: Christine M. Sweeney, Chief Legal Officer** *CS*

**Re: Agenda Item 3: First 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 December 1, 2025 → March 11, 2026
    - 6 investment allocation transactions (not including any additional allocations made through rebalancing)
    - 127 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 December 1, 2025 → March 11, 2026
    - 23 contracts (non-investment related) submitted for signature
    - 3 other benefits administration and non-investment related items submitted for signature or approval
    - 18 city ordinances reviewed or generated for City Services, and 2 new city ordinance templates created
  
- **Public Information Requests.** Since December 1, 2025, Legal staff have worked on 14 information requests under the Texas Public Information Act.

**TMRS Administrative Cases.** None pending.

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



March 16, 2026

**To: Board of Trustees**

**From: Cindy Demers, Chief Financial Officer**

A handwritten signature in blue ink, appearing to read "Cindy Demers", is written over the "From:" line.

**Re: Agenda Item 3: First Quarter Report**

**2024 GFOA Certificate of Excellence in Financial Reporting.** TMRS has received the Certificate of Excellence in Financial Reporting for the 2024 Annual Comprehensive Financial Report (ACFR). This is the 38<sup>th</sup> consecutive year TMRS has received the award.

**2025 Financial Close.** 2025 is the first fiscal year on the new general ledger system – NetSuite. Staff is working diligently to close the books in the new system including finalizing investment valuations and developing reporting templates for the external auditors.

**2025 Financial Audit.** TMRS' independent auditor CliftonLarsenAllen (CLA) began the external financial audit in January. Staff have been meeting with the auditors and providing a series of data requests over the next several months which will result in the preparation of the 2025 ACFR by the end of May.

**Benefit Accumulation Fund (BAF) Interest Credit.** Per discussions with Leslee Hady and Tom Masthay, Finance staff calculated the recommended BAF interest credit for 2025. Leslee Hardy will present the recommendation to the Board at the March meeting. Once approved, Finance will calculate final BAF fund balances for actuarial use.



March 16, 2026

**To: Board of Trustees**

**From: Jac Greene, Chief Information Technology Officer**

A handwritten signature in black ink, appearing to be "JG", is written above the name "Jac Greene" in the "From:" field.

**Re: Agenda Item 3: First Quarter Information Services Report**

**Audit and Actuarial Reports.** Produced data files and reports for the Financial, Data Analytics and SOC 1 Audits. Delivered City Plan, Member and Retiree actuarial data files to GRS.

**Business Intelligence Tool.** Launched a dashboard of member population segments and trend analysis over time to enable strategic decision-making and targeted member outreach.

**Infrastructure and Security.** Partnered with Accounting and Benefit Administration to deploy a new in-house check printing solution. Expanded automation of security updates, engaged third-party vendors to optimize cyber security and fraud prevention tools, and mitigated security vulnerabilities through the timely application of patches to servers, computers, and network devices.

**Member and Regulatory Communications.** Generated Retirement Benefit Statements, Member Annual Statements, and 1099-R/MISC/NEC forms.

**MyTMRS Member Portal.** Released security enhancements related to user credentials and implemented new activity log functionality that improves security investigations.


**NextGen.** Improved retirement application search features and released enhanced city plan management functionality with new views of city details, plan and rate histories, and the ability to manage city plan provisions.

**Records Management.** Staff processed 10,442 incoming documents resulting in 41,781 pages being scanned and loaded into the electronic document management system. 2,155 pieces of outgoing correspondence were mailed.



March 16, 2026

**To: Board of Trustees**

**From: Colin Davidson, Chief Service Officer** 

**Re: Agenda Item 3: First Quarter Services Report**

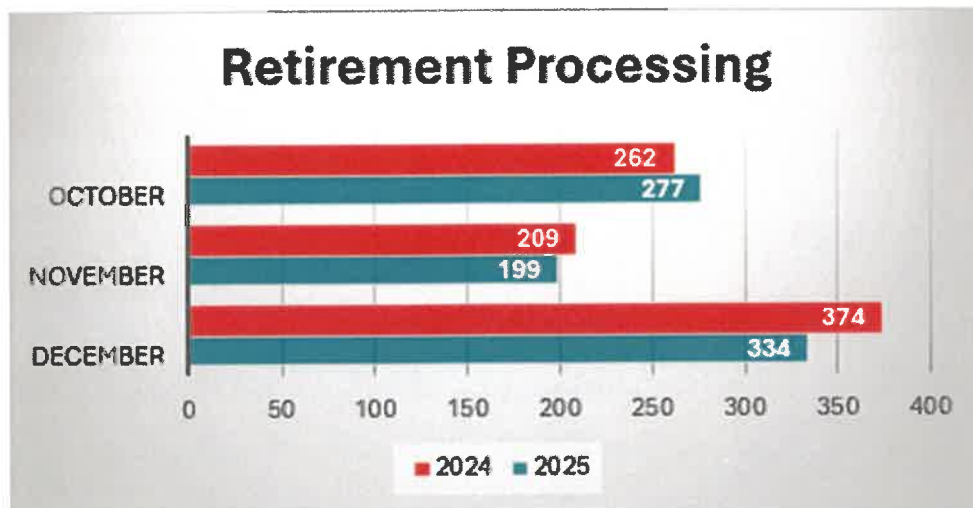
I am pleased to provide a 2026 first quarter update for the Benefit Administration, City Services, Education Services, Member Service Center, Actuarial Services, Project Management, and Quality Initiatives departments.

**Benefit Administration**

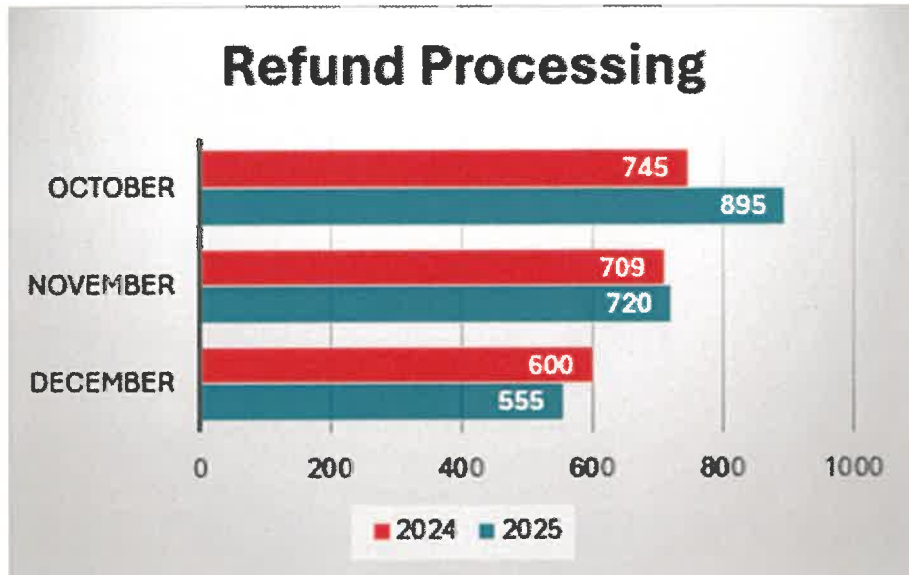
**Service Enhancements.** Benefit Administration continues to maintain its 100% completion of its key processes every week, while supporting several system and operational initiatives. The team remains involved in testing and implementation efforts to help ensure system enhancements are rolled out effectively.

**Staff Development.** The team continues to focus on process improvement efforts through Lean Six Sigma practices and ongoing workflow reviews. These efforts are helping identify opportunities to simplify processes and improve efficiency while maintaining a high level of service for members, retirees and beneficiaries. Also, new employee Brandi Sullivan completed her White Belt Training and will complete her White Belt project in the coming months.

**Retirements.** In the fourth quarter of 2025, TMRS processed 810 retirements, a 4% decrease from the same quarter in 2024. During the fourth quarter of 2025, approximately 40% of the retirement applications were completed online in MyTMRS. Online Retirement became available in July 2025.



**Refunds.** TMRS issued 2170 refunds in the fourth quarter of 2025, which was a 6% increase from the same quarter in 2024. During the fourth quarter of 2025, 77% of the refund applications were completed online in MyTMRS.



### City Services

**Plan Changes.** Year-to-date, 22 plan change studies have been prepared by staff for 2026 plan changes. In addition, there are 52 cities currently on the list for plan change studies when the plan calculator becomes available after completion of the valuation in July. 42 of the 52 city requests include an 8% employee contribution rate study. Seven model ordinances have been requested by cities, and six cities have adopted changes to their TMRS plans. This includes one city that adopted the 8% employee contribution rate, bringing the total number of cities with the 8% rate to 56.

**New Cities.** So far in 2026, two cities elected to participate in TMRS, Malone (Jan 1) and Appleby (Apr 1). This brings the total number of participating cities in TMRS to 945.

### Education Services

**Personnel Transitions.** Education Services Regional Manager Lorraine Moreno retired from TMRS effective February 2026, concluding 26 years of dedicated service to the organization. Gabe Chavez joined TMRS in February and will assume responsibility for serving the South, Rio Grande Valley and West Texas regions previously covered by Lorraine Moreno.

**Member Education.** Education Services' Regional Managers have counseled/educated more than 2,792 Members through March 11, 2026. The Education team has represented TMRS at 70 city events this year and has conducted 231 direct counseling sessions with Members.

**Webinars.** The Education Team has hosted and participated in 7 webinars and virtual meetings this year for more than 534 attendees.

## **Member Service Center**

**Call Volume.** Through March 6th, the Member Service Center has successfully handled more than 16,500 calls with a median caller wait time of 8 seconds.

**Call Topics.** The most common call topics that the MSC received were related to Retirement (16%), MyTMRS (13%) and tax-related forms and guidance (10%).

**Surveys.** Through March 6<sup>th</sup>, 2026, the Member Service center received 2550+ after-call surveys from 16,500+ callers. The response rate of 15% far exceeds call center industry standards (5% to 10%). Importantly, of the surveys more than 95% of those were perfect score surveys; the industry standard is near 85%.

**Staff.** The Member Service Center hired a 9<sup>th</sup> analyst in early March. Kayley Donahue has extensive customer care experience as well as valuable experience working with the cities of Jonestown and Lago Vista. Her work with the cities puts her in a formidable position to help members and retirees.

## **Actuarial Services**

**Actuarial Valuation.** Work on the 2025 actuarial valuation has begun. The active and retired lives data, city data and valuation payroll files have been submitted to GRS. The Actuarial Services team will continue working with GRS to complete the valuation, which will be presented by GRS at the June Board meeting.

**Benefit Accumulation Fund (BAF) Interest Credit.** Worked with the Accounting and Investment departments to recommend the BAF interest credit for 2025. Leslee Hardy and GRS will present this recommendation to the Board at the March meeting.

**City Plan Change Studies and Meetings.** Since January 1, Leslee and Kenneth have attended nine meetings with cities that are considering plan changes.

**General Obligation Pension Bonds (POBs).** Leslee Hardy, Kenneth Oliver and Madison Jechow are working with the City of Red Oak who is considering issuing POBs to pay off all or a portion of their Unfunded Actuarial Accrued Liability. The city is meeting with their Bond council and expects to be ready for approval at the June Board meeting.

**Happy Retirement!** Leslee Hardy announced that she is retiring from TMRS effective April 2026. Leslee was TMRS' first staff actuary and has had an immeasurable impact on TMRS, its members, and all participating cities. This will be Leslee's final TMRS Board meeting after 18 years, and we wish her the very best.

## **Project Management**

**NextGen.** To improve the user experience, the following changes were made to the pension administration system this quarter:

- The search functionality within the online retirement application management feature was improved.
- The city search feature was revised to include additional search parameters and better presentation of results.
- New views of the city plan screens displaying city details, plan and rate histories, contact information and notes were released.
- Management capabilities of the city plan and notes sections were enhanced.

**MyTMRS.** Security enhancements related to user credentials and activity logs were released.

### **Quality Initiatives**

**Retiree Survey.** More than 97% of responding retirees rated TMRS' retirement process, service, and online tools as Good, Very Good, or Excellent. Additionally, 41 of 42 (98%) of responding retirees who applied online shared that they would recommend the online process to their coworkers.

**Quality Texas Foundation (QTF).** QTF examiners visited the TMRS office on February 23<sup>rd</sup>, 24<sup>th</sup>, and 25<sup>th</sup> to interview staff and observe the processes described in TMRS' QTF Award Application. In the next few weeks, QTF will notify Debbie if TMRS received the QTF Regional Award and will provide a report that describes the strengths and opportunities for improvement the QTF examiners observed during their visit.



March 16, 2026

**To: Board of Trustees**

**From: Kristyn Scoggins, Director of Internal Audit** *Kristyn Scoggins*

**Re: Agenda Item No. 4: Report on Audit Committee Meeting**

Trustee Tommy Gonzalez and Kristyn Scoggins will report on the Audit Committee meeting.



March 16, 2026

**To: Board of Trustees**

**From: Kristyn Scoggins, Director of Internal Audit** *Kristyn Scoggins*

**Re: Agenda Item No. 5: Present Risk Assessment and Audit Plan to the Board**

At the Audit Committee Meeting on March 25<sup>th</sup>, the Committee will consider and act on approval of the revised 2026 Audit Plan. At the March 26<sup>th</sup> Board Meeting, I will present the Audit Plan that the Audit Committee recommended forwarding to the Board for approval.



March 16, 2026

**To: Board of Trustees**

**From: Kristyn Scoggins, Director of Internal Audit** *Kristyn Scoggins*

**Re: Agenda Item No. 6: Consider and Act on Selection of Auditor for Private Markets Investment Audit**

At the Audit Committee Meeting on March 25<sup>th</sup>, the Committee will consider and act on selection of an auditor for a Private Markets Investment Audit. The Committee's recommendation will be discussed at the Board Meeting on March 26<sup>th</sup>.



March 16, 2026

**To: Board of Trustees**

**From: Kristyn Scoggins, Director of Internal Audit** 

**Re: Agenda Item No. 7: Consider and Act on Revisions to 2025-2026 Audit Plan**

At the Audit Committee Meeting on March 25<sup>th</sup>, the Committee will consider and act on approval of the revised 2026 Audit Plan. The Committee's recommendation will be discussed at the Board Meeting on March 26<sup>th</sup>.



March 16, 2026

**To: Board of Trustees**

**From: Cindy Demers, Chief Financial Officer**

A handwritten signature in blue ink, appearing to read "Cindy Demers", is written over the text of the "From:" field.


**Re: Agenda Item 8: Report on Budget and Compensation Committee Meeting**

Trustee Tawil, Committee Chair, and Cindy Demers will provide an update on the March 25, 2026 Budget and Compensation Committee meeting.



March 16, 2026

**To: Board of Trustees**

**From: Colin Davidson, Chief Service Officer** 

**Re: Agenda Item 9 - Report on Stakeholder Advisory Committee Meeting**

Trustee Jaime Reyes and Colin Davidson will report on the Stakeholder Advisory Committee meeting.



March 16, 2026

**To: Board of Trustees**

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

**Re: Agenda Item 10: Discuss Potential Topics for 2027 Legislative Session**

### **Legislative Process**

In general, the process for developing a legislative agenda, if any, occurs throughout each legislative interim period, which is the time between legislative sessions. If the Board of Trustees (Board) approves moving forward with a legislative proposal, staff drafts legislation to provide to TMRS's bill sponsor(s), who then must submit it to the Texas Legislative Council for formal bill drafting. Only after Legislative Council completes their process can any proposed legislation be filed as a bill. Because proposed legislation submitted to Legislative Council increases as the start of a Legislative Session nears, there can be an advantage to identifying bill sponsors and having them submit draft legislation to Legislative Council earlier in the process.

Since at least 2010, TMRS' staff has drafted proposed legislation and worked with Legislative Council to address any questions during their review process. This process ensures the provisions of the Council's bill work correctly with the provisions of the TMRS Act. Having an internal Director of Governmental Relations has been a key factor in TMRS successfully navigating the legislative process, but the last Director retired in March 2024 and was not replaced by former Executive Director Wescoe.

For the 2027 Legislative Session, a bill can be filed between November 9, 2026, and March 12, 2027. If the Board wants to pursue legislation in 2027, hiring a new Director of Governmental or External Relations would be critical, but that position is not yet approved in the 2026 budget. Also, if the Board wants to pursue legislation, a decision should be made by December at the latest, but the earlier a bill is filed the better (e.g., the more opportunity TMRS has to educate legislators about the bill provisions).

Attachment 1 is a potential timeline for Board and staff activities during 2026 that would be needed to enable TMRS to submit any proposed legislation to a potential bill sponsor in October.

Also, with the recent appointments to the TMRS Board of Trustees, four trustees will need to be confirmed by the Senate Nominations Committee in the 2027 Legislative Session. At least one trustee might be required to appear and testify before the Committee.

## **Recent History of TMRS Legislation**

The 2018 -2022 TMRS Strategic Plan included an objective to “Develop and Promote Legislation and Rule Amendments to Clarify Certain Aspects of the TMRS Act.” During the past four interim periods (2018 – 2024), staff provided the Board with priority items to consider for legislative change. When deliberating whether to pursue legislation, several factors were considered, such as:

- The degree of urgency of the changes
- The scope and overall impact of suggested changes on the System as well as cities, members, and retirees
- The type of changes being proposed (i.e. benefit-related vs. administrative)
- The legislative climate for proposing changes
- Potential stakeholder support or opposition

2019 Session. In 2018, after staff’s extensive review of the TMRS Act, the Board considered statutory suggestions that staff had identified as priority items. After multiple meetings of the Board and the Advisory Committee on Benefit Design (“Advisory Committee”; replaced by the Stakeholder Advisory Committee in June 2023), the Board decided to pursue nine proposed administrative/ operational legislative changes and not pursue three benefit design proposals (related to COLAs, return to work, and the retiree Supplemental Death Benefit). In 2019, the Legislature passed Senate Bill 1337, enacting these amendments to the TMRS Act effective January 1, 2020. Attachment 2 is a Summary of TMRS Bill (SB 1337).

2021 Session. In 2020, at both the Board and Advisory Committee meetings, potential 2021 legislation topics were discussed, including return-to-work (RTW), COLAs, and administrative provisions in the TMRS Act. In December 2020, the Board approved pursuing a legislative proposal regarding the RTW issues only. In 2021, the Legislature passed Senate Bill 1105 effective September 1, 2021. SB 1105 amended the TMRS Act to allow a retiree to return to work for the same city from which they retired after a one-year break in service without having their TMRS benefit payment suspended and forfeited while working again at the city. Attachment 3 describes how the Act’s RTW provisions work after SB 1105.

2023 Session. In 2022, potential legislation topics were discussed at both Advisory Committee and Board meetings. The Advisory Committee discussed benefit topics including COLAs, Updated Service Credit (USC), and the retiree Supplemental Death Benefit. The Board also discussed the benefit topics, as well as potential changes to administrative provisions of the Act. Staff noted that, from a legal and operational perspective, the administrative topics were not critical and TMRS could operate efficiently under the existing TMRS Act provisions. After receiving updates on the Advisory Committee meetings, the Board noted that there was opposition to some of the benefit proposals and reached a consensus not to pursue legislation in 2023.

Although the Board decided not to pursue legislation in 2023, two bills were filed that Session by others that sought to amend the TMRS Act: House Bill 2464 and House Bill 3441.

House Bill 2464 was filed by Representative Four Price (Amarillo) and as filed, proposed to amend the TMRS Act to add a new repeating, fixed rate COLA, without the retroactive “catch-up” feature, that could only be adopted by cities during a limited period of time. TMRS learned this bill was

being pursued by the City of Amarillo and CLEAT. As drafted, the terms of HB 2464 could not be properly administered by TMRS and so staff and TMRS' governmental relations consultant worked with Rep. Price and representatives of Amarillo and CLEAT to revise the bill to make it one that TMRS could administer if passed. The Legislature did pass HB 2464, effective May 25, 2023, amending the TMRS Act to allow cities to adopt a repeating, CPI-based COLA, without the retroactive "catch-up" feature, subject to certain restrictions in the bill. TMRS refers to this new COLA structure as a "Non-retroactive COLA." Under HB 2464, if a city wanted to adopt a Non-retroactive COLA they needed to do so before January 1, 2026 – after that the option was no longer available.

House Bill 3441 was filed by Representative Todd Hunter (Corpus Christi) to amend the TMRS Act to allow cities the option to adopt an 8% employee contribution rate. This was a proposal that Scott Leeton (then on TMRS' Advisory Committee as a representative for the Combined Law Enforcement Associations of Texas (CLEAT)), indicated he was going to have filed. HB 3441 was not passed in the 2023 Legislative Session.

2025 Session. In June 2023, the Board voted to dissolve the Advisory Committee on Benefit Design, replaced it with the current Stakeholder Advisory Committee (SAC), and adopted a Stakeholder Advisory Committee Charter. In November 2023, the initial SAC meeting was held. In December 2023, the Board assigned the following topics to the SAC for review and input: COLA benefits, de-coupling COLA and USC benefits, making all plan changes effective January 1, and removing the statutory maximum contribution rate limits ("StatMax"). The SAC met in February, April and June 2024 to carefully consider each topic. The SAC quickly reached consensus on making all city plan changes effective January 1 and removing the Stat Max for all cities and, due to the complexity of USC and COLA benefits, took additional time to examine "decoupling" and various COLA options. SAC members who voiced an opinion (TMPA and CLEAT representatives did not express an opinion) all supported decoupling and the following COLA options: (i) making HB 2464's Non-retroactive COLA option permanent, without its current restrictions, and (ii) adding 40% and 60% COLA percentage options.

Staff brought the four proposed topics to the Board for consideration and proposed additional operational amendments to update the Act's requirements relating to using a Small Estate Affidavit and to add venue provisions for state court and administrative hearings proceedings. In October 2024, the Board approved the six topics for submission in the 2025 Legislative Session.

In 2025, TMRS' proposed legislation was introduced as House Bill 4609, filed by Representative Jay Dean, and Senate Bill 2436, filed by Senator Tan Parker. SB 2436 did not move through the Senate. HB 4609 was passed by the House but did not receive a hearing in the Senate Finance Committee and so died in the Legislature. Since the bill did not pass, the Non-retroactive COLA option expired on December 31, 2025.

Attachment 4 is a summary of the proposed amendments in HB 4609.

The 8% employee contribution bill was introduced again in 2025, as House Bill 3161 filed by Representative Denise Villalobos (Corpus Christi). HB 3161 was passed by the Legislature and became effective September 1, 2025.

## **Recommendation**

Staff requests that the Board provide staff with guidance on whether the Board has an interest in pursuing TMRS Act legislation in the 90<sup>th</sup> Legislative Session in 2027.

## **Attachments**

1. Potential Timeline
2. Summary of TMRS Bill (SB 1337) (2019)
3. Return to Work Fact Sheet for Members and Retirees (2021)
4. Summary of House Bill 4609 (2025)
5. Presentation

**Attachment 1**

**DRAFT Potential Timeline – 2027 Legislative Session**

<ul style="list-style-type: none"><li>• Staff presents Board with an overview of recent TMRS legislation</li><li>• Board provides direction for (i) any legislation it may want staff to begin drafting, and (ii) hiring an internal government/external relations director</li></ul>	March 2026
<ul style="list-style-type: none"><li>• Staff updates Board and presents some or all initial draft bill language, depending on the number of topics</li><li>• Board provides comments and any additional direction on legislative topics</li></ul>	June 2026
<ul style="list-style-type: none"><li>• Staff continues work on internal bill draft</li><li>• Staff and external Governmental Relations Consultant begin process of identifying and securing potential bill sponsor(s)</li></ul>	June - September 2026
Board makes decision about pursuing legislation and approves draft bill	September 2026 Board meeting
Staff submits TMRS draft legislation to bill sponsor(s), who submits it to Legislative Council	After Board decision
TMRS reviews Legislative Council’s draft bill / coordinates changes	Upon receipt of draft bill from Legislative Council; hopefully by November 2026 (but in 2025, Legislative Council did not produce a draft until mid-March 2025)
Bill sponsor(s) files bill on behalf of TMRS	Upon receipt of final bill from Legislative Council; ideally, November 2026 – January 2027 (but in 2025, HB 4609 was filed on March 12, right before the filing deadline)

# Summary of TMRS Bill (SB 1337)

Senate Bill 1337 (SB 1337), by Senator Huffman (House sponsor Representative Flynn) was passed by the Texas Legislature in 2019 and signed by the Governor. The bill's provisions are effective January 1, 2020.

As a public retirement system, applicable provisions of the Texas Government Code require TMRS to distribute to active members and retirees a summary of any significant changes made to the TMRS Act that affect contributions, benefits, or eligibility. The following information is being provided in accordance with that requirement, but includes a summary of all significant changes made by SB 1337, not just ones affecting contributions, benefits, or eligibility. SB 1337 significant provisions include:

## Updated Service Credit (USC)

Beginning January 1, 2022, a member must be a contributing employee of a municipality on the Updated Service Credit (USC) "study date" to be eligible to receive a USC from that city. Under the TMRS Act, the "study date" is January 1 of the year immediately preceding the January 1 on which the USC will take effect. For example, January 1, 2018 was the "study date" for any January 1, 2019 USC credit.

## Buy Backs

Under the TMRS Act, USC is typically calculated only once a year in January. SB 1337 clarifies administrative procedures providing that (i) if a member who has an option to buy back previously refunded service, exercises the buy back and retires within the same calendar year, and (ii) if a city from which the member is retiring as part of that retirement has a USC ordinance in effect for January 1 of that same calendar year, then TMRS may recalculate the member's USC prior to his/her retirement for purposes of determining the annuity. For example, assume Member A has a buy back option and is working at City 1; if (i) Member A exercises the buy back in May 2019 and retires from City 1 in June 2019, and (ii) City 1 has a USC ordinance with an effective date of January 1, 2019, then TMRS may recalculate Member A's USC prior to retirement.

TMRS notes that, while a buy back may be exercised at any time after a member becomes eligible for it, historically members with buy backs often wait until the time they retire to exercise the buyback. Members with buy back options should consider what effect, if any, the above change to USC eligibility might have on potential USC calculations related to their buy back and whether the member wants to exercise their buy back option before the change to USC eligibility becomes effective January 1, 2022.

## Occupational Disability

Under the TMRS Act, occupational disability is a benefit that allows a member who is disabled, to the degree that he or she cannot perform the duties of his or her occupation, to retire if his/her application is approved by the TMRS Medical Board. The benefit is not subsidized and is based on the member's account, city match, and interest at the time of determining the disability retirement.

SB 1337 removes an administrative provision that allowed TMRS to apply an income test to occupational disability retirees, which could result in a reduction of the annuity. The income test will no longer be applicable after January 1, 2020.

SB 1337 adds a provision that allows TMRS to require (by written request from TMRS) a disability retiree who is younger than age 60 to submit to a medical examination or otherwise provide evidence of continued disability. If a retiree does not comply with the request, TMRS may suspend their disability benefit. If a benefit is suspended and the retiree subsequently complies within four years of the request, the suspended payments may be paid and the benefit resumed. If, as result of a medical examination, the retiree is found to no longer meet the requirements for occupational disability, the benefit can be suspended until the retiree turns age 60.

## Excluded Prior Service Credit (EPSC)

When a city joins TMRS, Prior Service Credit (PSC) is granted for all months of employee service to the city before the city joins TMRS at a percentage (from 10% to 100% of calculated value) determined by the city. Because the Texas Constitution forbids a person from receiving benefits from more than one public retirement system for the same service, in some circumstances the PSC provision could present an obstacle for a city that wants to join TMRS but already provides retirement benefits to their employees. Examples include cities that wish to join TMRS that have had an existing retirement plan in effect; cities that have one or more departments covered by other retirement systems and that now wish to enroll employees of those departments in TMRS; and cities that joined TMRS but then suspended their TMRS membership for employees hired after a certain date, adopted another retirement arrangement for such employees, and now wish to rejoin TMRS for those employees.

Over →

SB 1337 requires a city that meets specific criteria to grant PSC at 0% of calculated value (Excluded Prior Service Credit). Any city that joins TMRS that does not meet the criteria must still grant PSC at a percentage from 10% to 100%. EPSC may only be used to satisfy length of service requirements for vesting and retirement eligibility and cannot be used to determine eligibility for or the computation of a USC calculation.

## Amortization Periods

SB 1337 makes TMRS statutes consistent with Pension Review Board amortization guidelines on maximum amortization periods while clarifying the TMRS Board's authority to establish separate amortization periods for each participating city. The changes:

- Remove a city's unilateral right to request a new amortization period of up to 40 years, but provide the TMRS Board authority to allow cities to request a new amortization period, not to exceed 30 years, in certain circumstances and subject to certain limits.
- Clarify that the maximum amortization period for all participating cities is 30 years.
- Clarify the TMRS Board's ability, by rule or by funding policy, to:
  - Establish open or closed amortization periods;
  - Decrease or increase amortization periods, not to exceed 30 years; and
  - Set different amortization periods for unfunded actuarial accrued liabilities arising from different types of events that generate liabilities, and to ladder the amortization of the liabilities.
- Clarify the TMRS Board's ability to phase in contribution rate increases or increase cities' amortization periods, not to exceed 30 years, in certain circumstances resulting from actuarial changes.
- Clarify that a city may decline a TMRS Board initiated phase-in of a rate increase or increase of its amortization period.

## TMRS Board Meetings

SB 1337 modifies current Board meeting requirements by: 1) removing month-specific meeting requirements and allowing the Board to determine when to hold those meetings, 2) allowing Board members to participate via video or telephone conference call, and 3) permitting Board members to discuss specific matters (e.g., certain private investment matters, audit matters, evaluations of Board trustees or consultants, and Board self-evaluations) in executive session. The Board is still required to meet at least four times annually.

## Immunity and Liability Protection

SB 1337 codifies existing common law liability protections for the Board, staff, members of Board-appointed committees, and the TMRS Medical Board. This change brings the TMRS statute in line with the other Texas statewide retirement systems' statutes by expressly providing protection for acts or omissions made in good faith in the performance of duties for the retirement system.

## Legal Advisor

SB 1337 removes the requirement that the Board-appointed General Counsel represent the System in all litigation. It also clarifies that the System may hire additional legal counsel to represent the System in litigation and provide advice on fiduciary and legal matters.

## Confidential Information/Audit Working Papers

SB 1337 adds confidentiality provisions for member and retiree personal information currently found in the Public Information Act to those that were already in the TMRS Act. SB 1337 also adds protection for audit working papers. Final audit reports received by the Board, unless made confidential under other law, continue to be open records.

## Investment of Assets/Definition of Security

SB 1337 updates the TMRS Act's definition of "security" to better reflect the diversification of TMRS' investment portfolio. For information regarding TMRS' current investment portfolio, please see the website: <https://www.tmr.com/investments.php>.

## Providing Electronic Information to Members and Retirees

SB 1337 provides TMRS with explicit authority to distribute member and retiree annual statements and other information electronically to members and retirees in addition to the current paper and mail formats, similar to other Texas statewide retirement systems. TMRS intends to offer members and retirees the option of receiving statements electronically in the very near future. ♦

## Different City

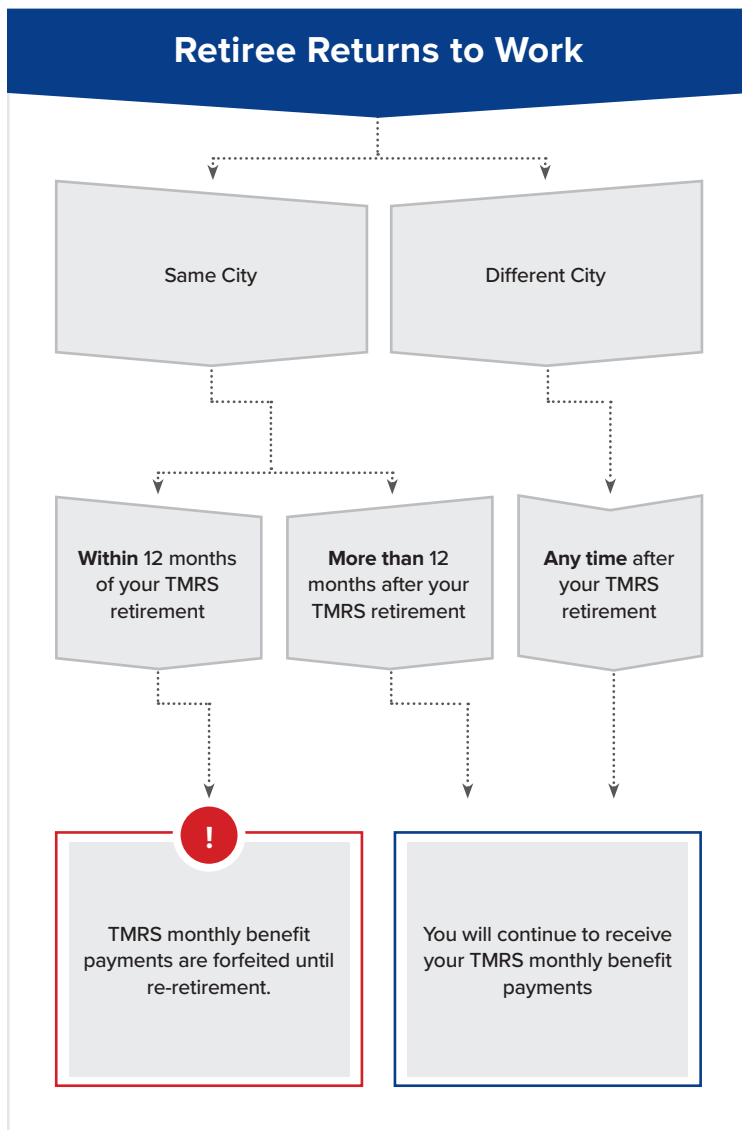
If you return to work for a **different** TMRS participating city from which you retired at any time after your TMRS retirement date, you will continue to receive your TMRS monthly benefit payments.

## Same City

If you return to work for the **same** TMRS participating city from which you retired:

**Within 12 months of your TMRS retirement:** your TMRS monthly benefit payments **will be forfeited** for as long as you work.

**More than 12 months after your TMRS retirement:** you will continue to receive your TMRS monthly benefit payments.



## Example

If your TMRS retirement date is June 30, you may return to work for:

- A **different city** from which you retired at any time after your TMRS retirement and continue to receive your TMRS monthly benefit payments; or
- The **same city** from which you retired...
  - **Before** July 1 of the following year, however your TMRS monthly benefit payments **will be forfeited**.
  - **On or after** July 1 of the following year and continue to receive your TMRS monthly benefit payments.

### Member Service Center

800-924-8677

8 a.m. to 5 p.m., Monday – Friday

Fax • 512-476-5576

help@tmrs.com

### Website

tmrs.com

### Mailing Address

P.O. Box 149153

Austin, TX 78714-9153



## Summary of Proposed Amendments to the TMRS Act

### **1. Update the Act's Cost-of-Living Adjustment (COLA) Provisions.**

This amendment will make the last Session's COLA provisions (HB 2464) permanent without its current restrictions and add 40% and 60% COLA percentage options to TMRS' current 30%, 50%, and 70% COLA percentage options.

### **2. Allow Cities to Select COLA and USC Plan Benefit Options Independent of the Other.**

This amendment permits cities to offer a Cost-of-Living Adjustment (COLA) and Updated Service Credit (USC) independent of each other. Today, if a city adopts a COLA, it also must adopt USC. However, the city can adopt USC but not a COLA.

TMRS' statutory responsibility is to provide cities with a menu of benefit options. It is not to force a city to adopt a benefit that it does not want. Requiring a city to offer USC if it wants to offer a COLA violates that responsibility and makes adopting a COLA much more expensive for cities.

### **3. Make City Benefit Plan Changes Effective on January 1.**

This amendment would make all city TMRS-related ordinances effective on January 1 of the year after the city's adoption of the ordinance (except for ordinances relating to a city's participation in TMRS or to reduce the city's member contribution rate).

### **4. Repeal the Statutory Limitation on Maximum City Contribution Rates (Stat Max).**

This amendment would repeal the Act's current statutory limitation on maximum city contribution rates (Stat Max). The Stat Max is a relic from the original 1947 Act and is outdated and unnecessary. The Act now requires each city to pay an actuarially determined contribution (ADC) rate based on that city's benefit plan design. The Legislature eliminated the Stat Max for any city that joined TMRS after January 1, 2000. As a result, only 309 of TMRS' 938 participating cities remain subject to the Stat Max. Repealing the Stat Max will eliminate an unnecessary provision from the Act and result in uniformity for all participating cities.

### **5. Update Small Estate Affidavit Provisions.**

This amendment will make TMRS' small estate size limit (\$50,000) consistent with the Texas Estates Code size limit (\$75,000) and remove TMRS' current limit on the number of heirs (three) that can be paid when using the Affidavit.

### **6. Add Litigation Venue Provisions.**

This amendment establishes Travis County as the venue for any legal action brought against TMRS and establishes Travis County or the defendant's county as the venue for any legal action brought by TMRS.



# Legislative Overview and Discussion of Potential Topics for the 2027 Legislative Session

Board of Trustees Meeting

Debbie Muñoz, Executive Director

March 26, 2026



# Preparing for Legislative Sessions

- Legislative agenda, if any, developed during interim period
- Board approval required to move proposal forward
- Draft legislation prepared by staff and submitted to Legislative Council by Bill sponsor



# 2027 Legislative Session

- Bill filing window: November 9, 2026 – March 12, 2027
- Decision needed by December - but the earlier, the better!
- Earlier submissions reduce risk of delay due to Legislative Council backlog and allow more time to engage with Legislature and stakeholders



# Recent History of TMRS Legislation

- Strategic Plan (2018–2022) prioritized legislative and rule amendments
- Staff reviewed and recommended priority statutory changes
- Factors considered:
  - Level of urgency
  - Impact on System, cities, members, and retirees
  - Benefit vs. administrative changes
  - Political climate
  - Stakeholder support and/or opposition



# 2019 Legislative Session (SB 1337)

- Board pursued nine administrative changes
- Board decided not to pursue three benefit proposals related to COLAs, Return-to-Work provisions and the Retiree Supplemental Death Benefit
- Legislature passed SB 1337; effective January 1, 2020



# 2021 Legislative Session (SB 1105)

- Board chose to pursue Return-to-Work amendments only
- SB 1105 allowed retirees to return to same city after 1-year break without suspension of retirement benefit
- Legislature passed SB 1105; effective  
September 1, 2021



# 2023 Legislative Session

- Board chose not to pursue legislation
- Two external bills filed:
  - HB 2464 (Non-retroactive COLA option): passed
  - HB 3441 (8% Contribution option): did not pass



## 2025 Legislative Session (HB 4609 / SB 2436)

- Stakeholder Advisory Committee (SAC) replaced the Advisory Committee
- SAC deliberated on COLAs, USC, Stat Max, and various administrative changes suggested by staff
- Board pursued six items for 2025 legislation –  
HB 4609 (companion SB 2436)



# 2025 Legislative Session

- HB 4609 passed in House but died in Senate
- Non-retroactive COLA option (HB 2464) expired  
December 31, 2025
- External HB 3161 (8% employee contribution) passed  
and became effective September 1, 2025



# What's Next?

- Seek Board direction on whether to pursue legislative changes in 2027
- Assign topics to the SAC for deliberation
- If Board is interested in pursuing legislation, additional steps would include:
  - Seek Board approval on Bill proposal
  - Draft Bill and secure Bill sponsors
  - Bill sponsors file Bill with Legislative Council





*Thank you!*





March 16, 2026

**To:** Board of Trustees

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

**Re:** Agenda Item 11 - Consider and Act on Topics for Stakeholder Advisory Committee

Trustee Jim Parrish will call for topics to be considered and acted on for the Stakeholder Advisory Committee.



March 16, 2026

**To:** Board of Trustees  
**From:** Leslee S. Hardy, Director of Actuarial Services *Leslee S. Hardy*  
**Re:** Agenda Item 12: Review and Discuss TMRS Actuarial Funding Policy

This agenda item is intended to provide an overview of TMRS' current actuarial funding policy.

The key elements of a funding policy include a description of the actuarial cost method, asset smoothing method, amortization methods and actuarial assumption processes.

The primary goals and objectives of TMRS' funding policy are to:

1. Outline the funding policy components used in calculating the annual Actuarially Determined Employer Contribution (ADEC) for each participating city;
2. Achieve long-term full funding (funded ratio of 100% or greater) of the cost of promised and/or anticipated benefits for each participating city;
3. Allocate the costs of benefits in a reasonable and equitable manner which promotes the principle of intergenerational equity;
4. Manage and control contribution rate volatility to the extent reasonably possible, consistent with other funding policy goals; and
5. Support transparency and accountability to stakeholders of TMRS.

## **ATTACHMENTS**

1. GRS Presentation

# Texas Municipal Retirement System



**Funding Policy Overview**  
**March 26, 2026**



# Defined Benefit Plan

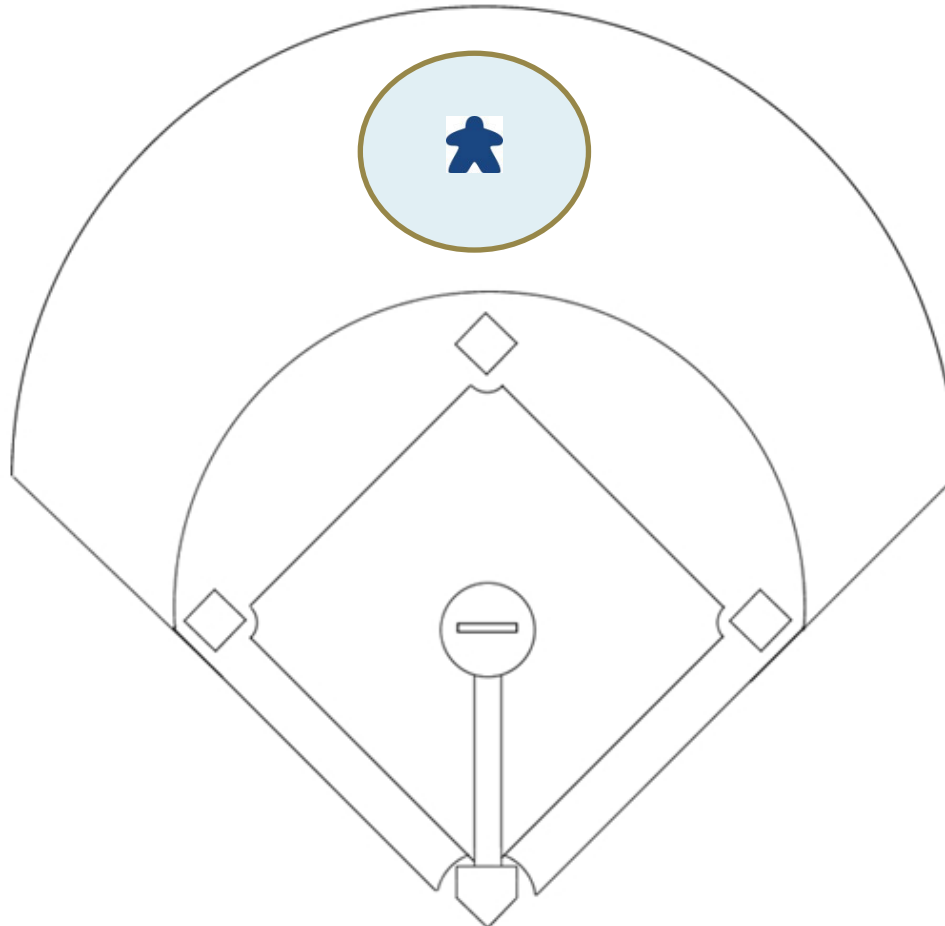
- TMRS is a Defined Benefit Plan
  - The retirement benefit is based on a pre-determined formula: thus “defined”
- Based on  $C+I=B$ , if the B is “defined” and the I is uncertain, then the C has to also be uncertain
  - Meaning the contribution stream has the risk if assumptions aren’t met
  - Risk = has to be able to move
- TMRS has policies for each of these components
  - Investment
  - Administrative rules
  - Funding policy

# Funding Policy Defined

- ◆ The “Funding Policy” of a pension plan is a systematic set of procedures used to determine the annual contributions to be made by the employer in a specific year and series of years
- ◆ Under a “typical” funding policy the total contribution requirement equals:
  - ▶ Normal Cost (new accruals), plus
  - ▶ Amortization of any Unfunded Liability (Debt from the past)

# Is a baseball manager trying to predict where the ball will be hit?

Prediction vs Preparation



# Funding Strategy/Policy

- ◆ Have a reasonable starting point and a well defined objective
- ◆ Have a plan of action that reacts as experience unfolds:
  - ▶ What are you going to do *if* things don't go your way over the long term?
  - ▶ What are you going to do *when* things don't go your way over the short term?
  - ▶ What are you going to do when/if things move favorable?
- ◆ True decisions always involve trade-offs.
  - ▶ Lowest cost vs lowest volatility
  - ▶ Benefit security vs short term budget impact

# All requirements and/or industry standards stress that plans should have objectives of being “well funded” and target 100% funded ratios

- ◆ Texas Government Code §802.2011 requires the Board to *“adopt a written funding policy that details the governing body's plan for achieving a funded ratio of the system that is equal to or greater than 100 percent”*
- ◆ Texas PRB Guidance: *“The funding policy must target a funded ratio of 100 percent or greater”*
- ◆ Actuarial Standards of Practice: *“A reasonable amortization must be expected to:*
  - ▶ *fully amortize any unfunded liability in a reasonable timeframe, or*
  - ▶ *reduce the outstanding unfunded liability by a reasonable amount annually”*
- ◆ GASB: requires a cross over test to determine if the current funding policies will fully finance the UAAL. If not, then a lower discount rate must be used for reporting balance sheet liabilities.
- ◆ So this clearly becomes a main objective.

# Why does the TMRS trust exist?

- **Provide benefit security:** Accumulate assets to pay benefits when due
- **Optimization of Benefit vs Cost:** Provide the benefits at the lowest cost or provide the most benefit for a given cost
- **Manage intergenerational equity:**
  - Align the cost of employee benefits with the period in which employees provide their services
  - Avoid burdening future taxpayers with the pension costs of current or past employees
  - Ensure fair and sustainable funding of pension obligations over time

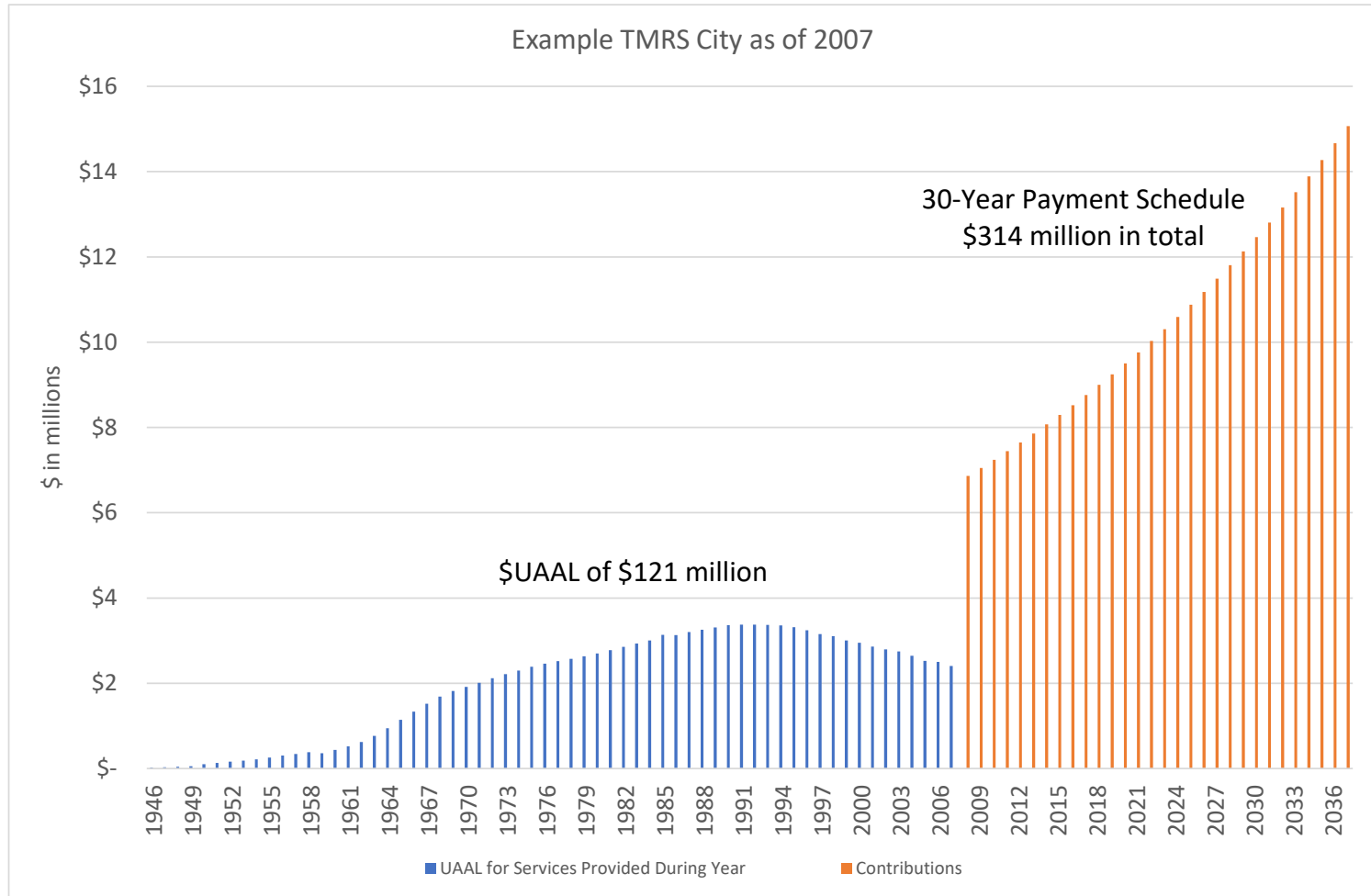
# What is benefit security?

- What does it mean to be secure?
- Secure:
  - *not subject to threat; certain to remain or continue safe and unharmed*
  - *feeling safe, stable, and free from fear or anxiety*
- Goal is to securitize the benefit owed to the member

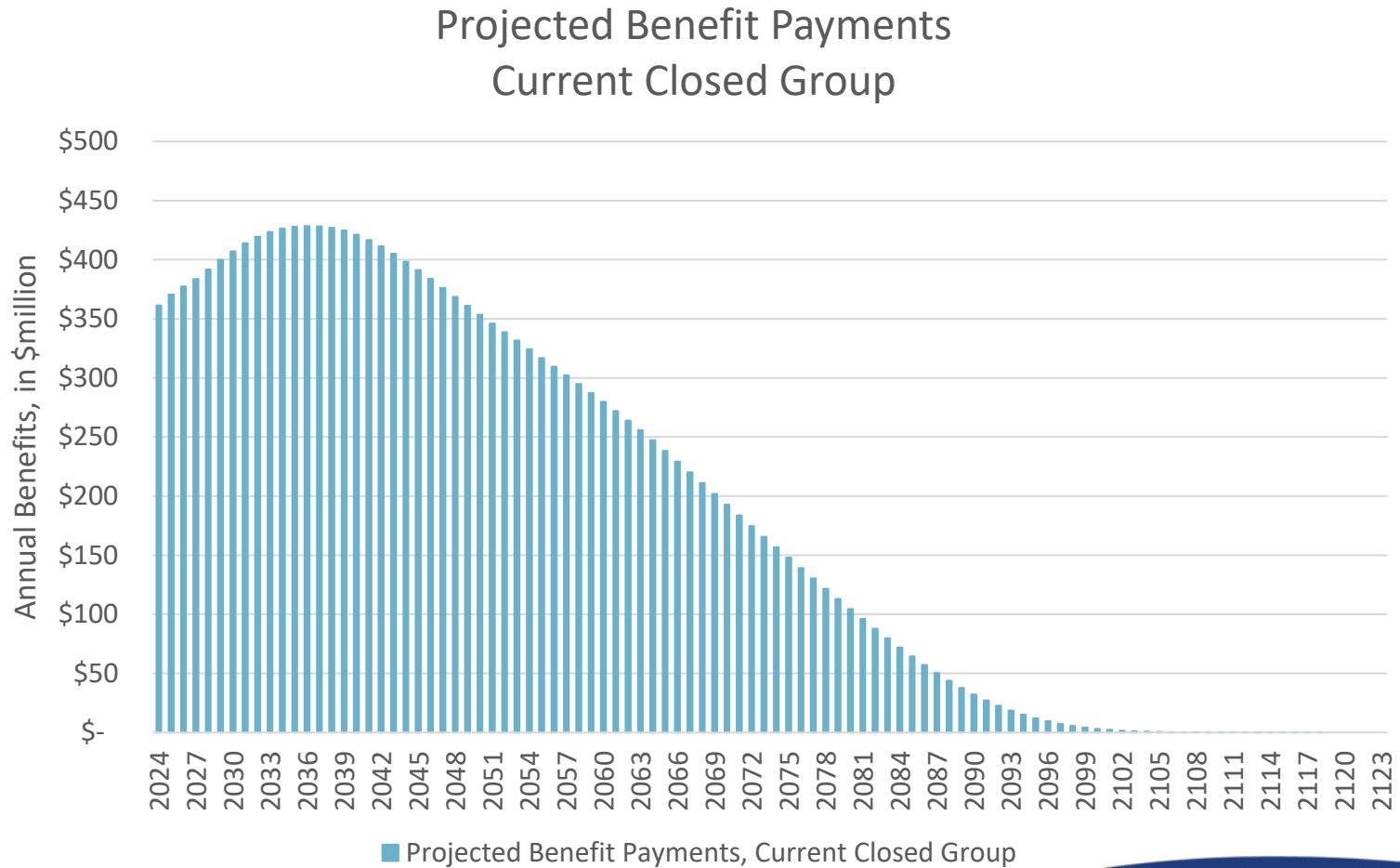
# What is intergenerational equity?

- Principle that each generation of taxpayers should pay the cost of benefits for the public employees who serve them, rather than passing these costs on to future generations

# Intergenerational equity?

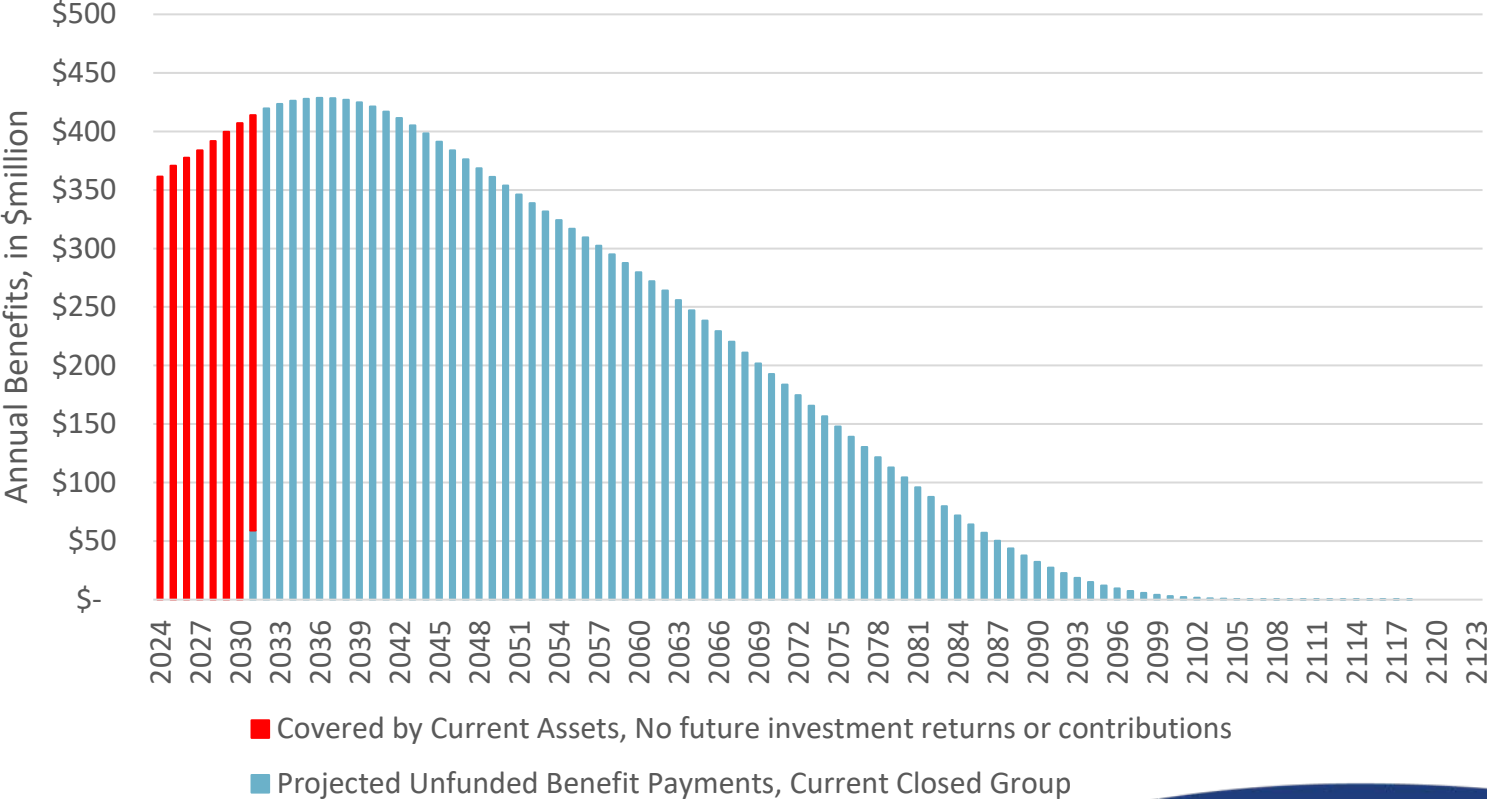


There are also financial efficiency arguments. The exhibit below shows the current projected benefit payments of another large pension plan.



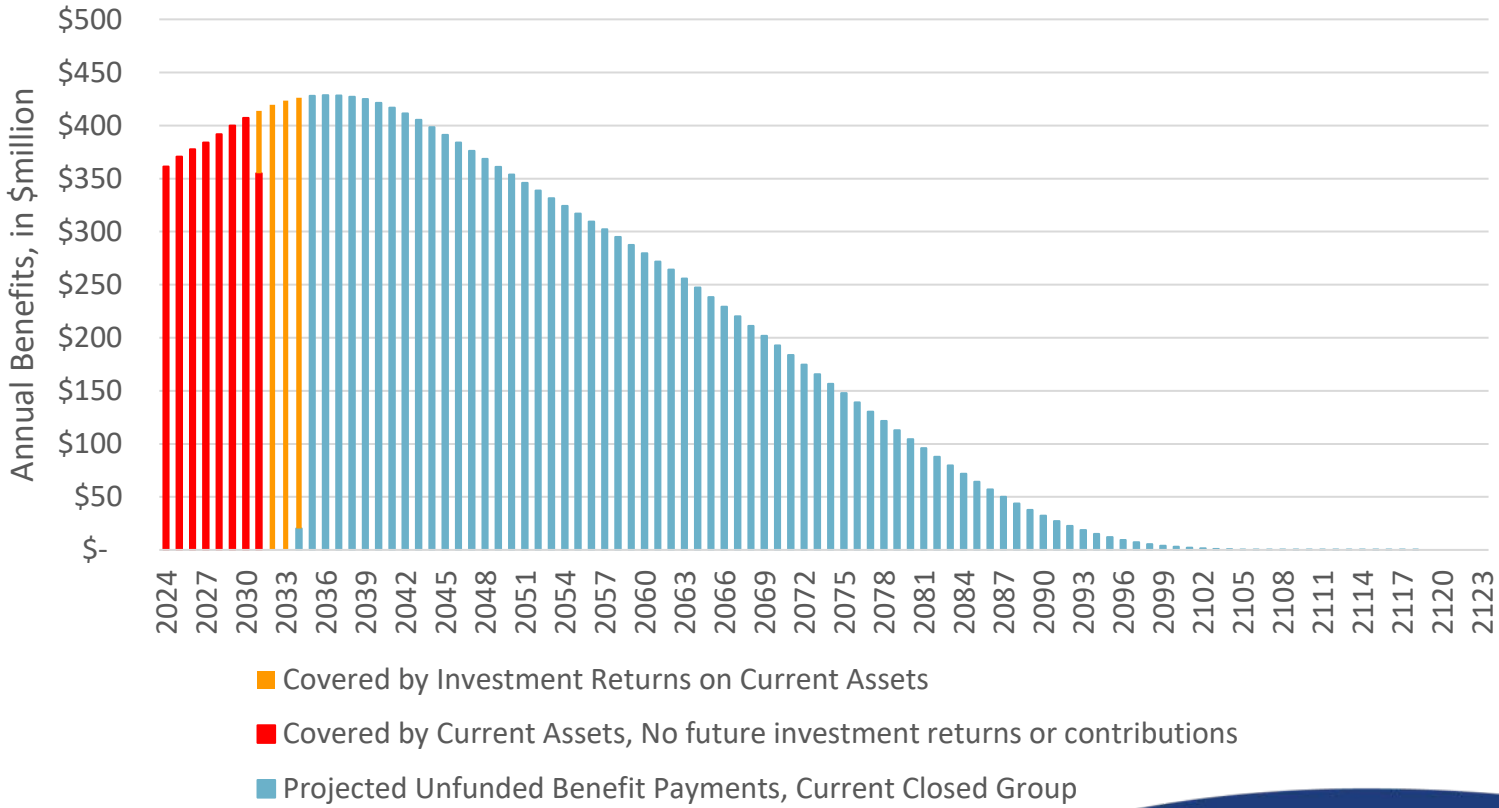
Currently the plan is about 60% funded. In this condition there are not enough assets to cover just under 8 years of benefit payments with no investment earnings or contributions.

### Projected Benefit Payments Current Closed Group



With investment returns on current assets, there are enough assets to cover just under 11 years of benefit payments with no further contributions. Clearly, the current benefits rely heavily on future contributions.

### Projected Benefit Payments Current Closed Group

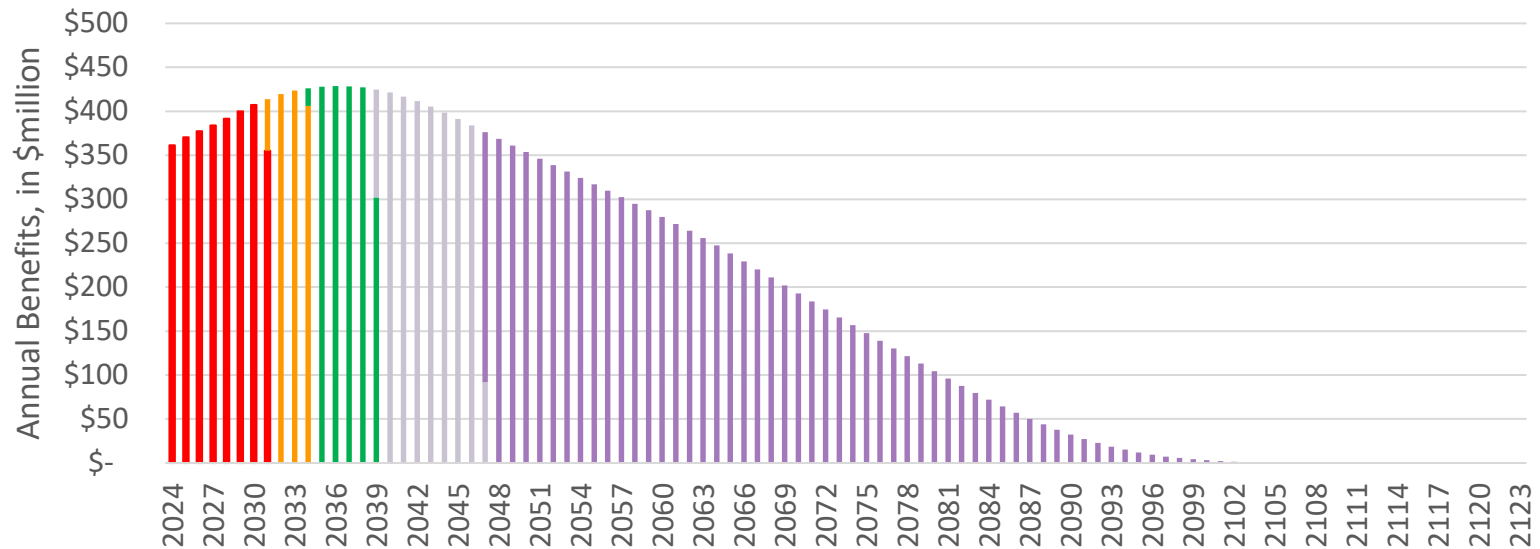






A third and final \$850 million lump sum extends the period another 76 years and generates a total of \$9.0 billion in payments: a 10.6 to 1 return

### Projected Benefit Payments Current Closed Group



- Final \$850 million lump sum plus earnings (10.6X)
- \$Another 850million lump sum plus earnings (3.6X)
- \$850 million lump sum plus earnings (2.4X)
- Covered by Investment Returns on Current Assets
- Covered by Current Assets, No future investment returns or contributions
- Projected Unfunded Benefit Payments, Current Closed Group

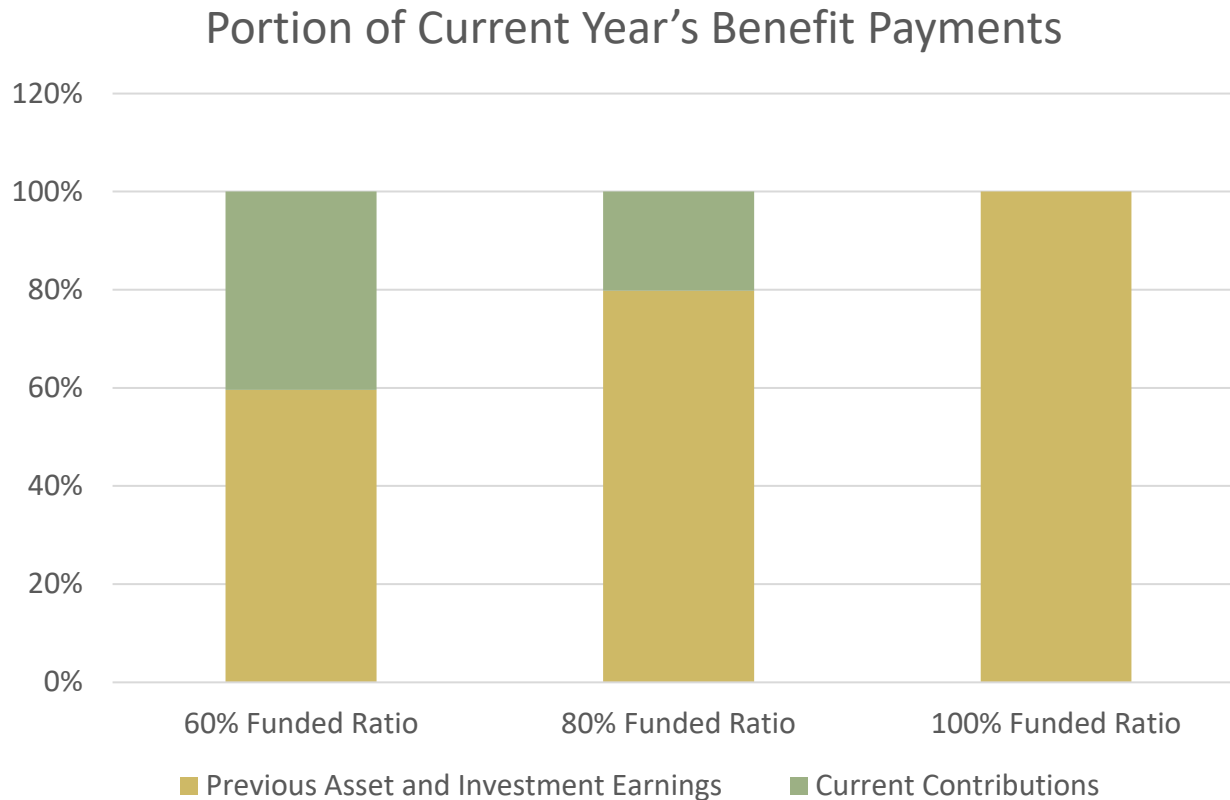
# Why does the third lump sum generate 3 times more earnings than the first one?

Time in the Market

- ◆ It is based on time
- ◆ The first lump sum is only invested for 11-16 years.
- ◆ The third lump sum, since there already enough assets to pay benefits for the next 24 years, can be compounded over and over before payouts have to begin
- ◆ So the longer monies can be invested and remain in the trust, the more investment earnings are generated and the less contributions are needed to pay a given level of benefit

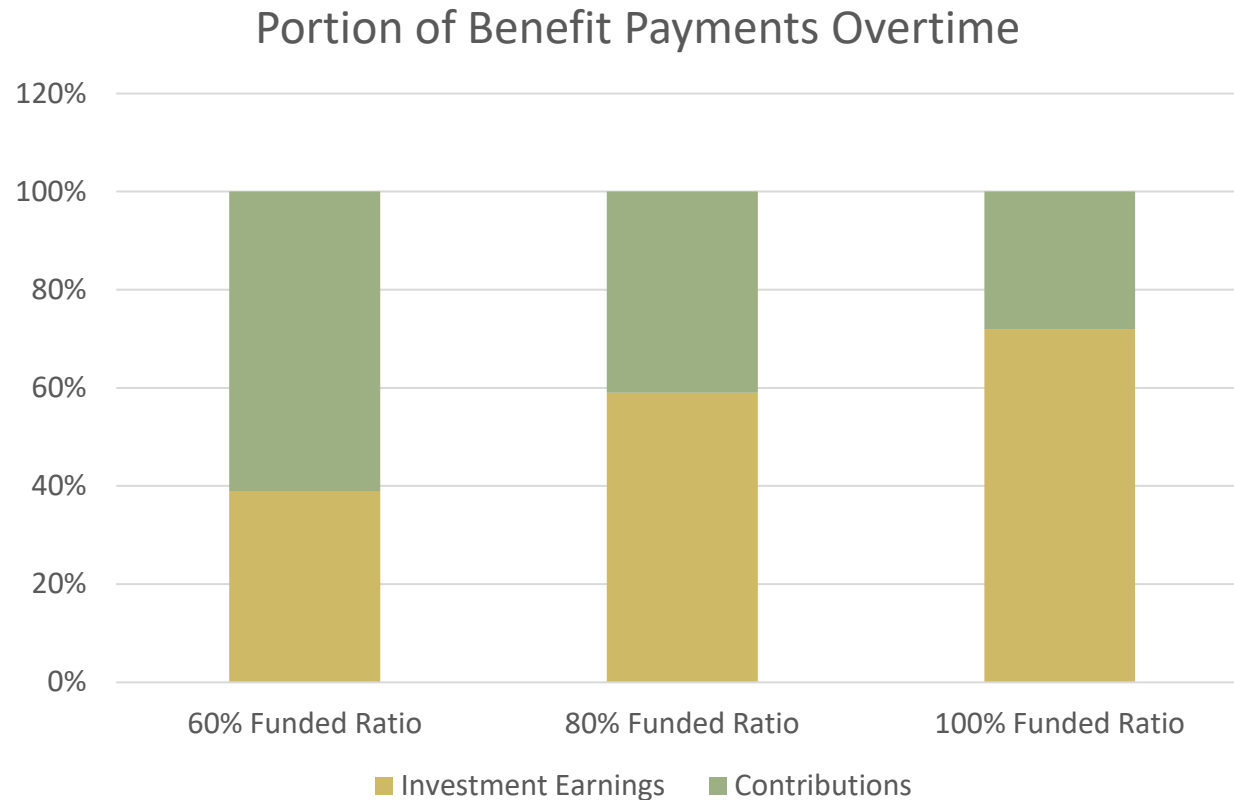
# The higher the funded ratio, the less reliant the current year's benefit payments are on new contributions

New Contributions can be Invested for the Future



Over the long term, Systems with better funded ratios get much more value from their investments and the generated returns

Same Benefit for a Fraction of the Cost



# So, all three principles are optimized when the UAAL is \$0

- **Benefit security:** all benefits are covered by collateral
- **Intergenerational equity:**
  - Each year's contribution is paying for that year's services
  - No additional contribution needed to make up for past deficits
- **Optimization of cost per benefit:** the monies are invested for long periods of time, thus, can pay for a significant portion of the cost of benefits

# Friction in Objectives

- The funding policy will dictate the timing of the contributions much more than the amount
- It will also impact the ability for the funded status to deteriorate over a given amount of time (or provide protection against it)
- Thus, the funding policy is setting contribution volatility against downside protection

# Speed of Amortization vs Contribution Volatility

Understand your limitations

- ◆ “It is difficult to make predictions, especially about the future”
  - ▶ Danish proverb
- ◆ Future volatility should be anticipated, and prepared for

# Potential Elements of a Funding Policy

- **Actuarial Cost Method:** allocates the total present value of future benefits to each year (Normal Cost) including all past years (Actuarial Accrued Liability or AAL)
- **Asset Smoothing Method:** reduces the effect of short term market volatility while still tracking the overall movement of the market value of plan assets
- **Amortization Method:** determines the length of time and the structure of the increase or decrease in contributions required to systematically (1) fund any current Unfunded Actuarial Accrued Liability (UAAL) or any new UAAL that is created or develops in the future
- **Contribution stabilization techniques:** or “direct rate smoothing” in addition to both asset smoothing and UAAL/Surplus amortization
- **Procedures for scenarios with unacceptably low funded ratios**
- **Surplus management**
- **Risk management**
- **Governance/Oversight policies**

# Summary of Current TMRS Funding Policy

- The current policy annually calculates the required contribution for each individual city based on
  - Closed amortization of the current UAAL
  - 20-year layered, closed amortization of any new loss
  - Combination of 10-year and 3-year asset smoothing,
    - 10-year most of the time
    - with acceleration to 3 years if market value gets more than 12% away from smoothed value
  - Both the asset and amortization methods allow for offsetting gains and losses to reduce volatility
  - Perpetual amortization credit of any surplus

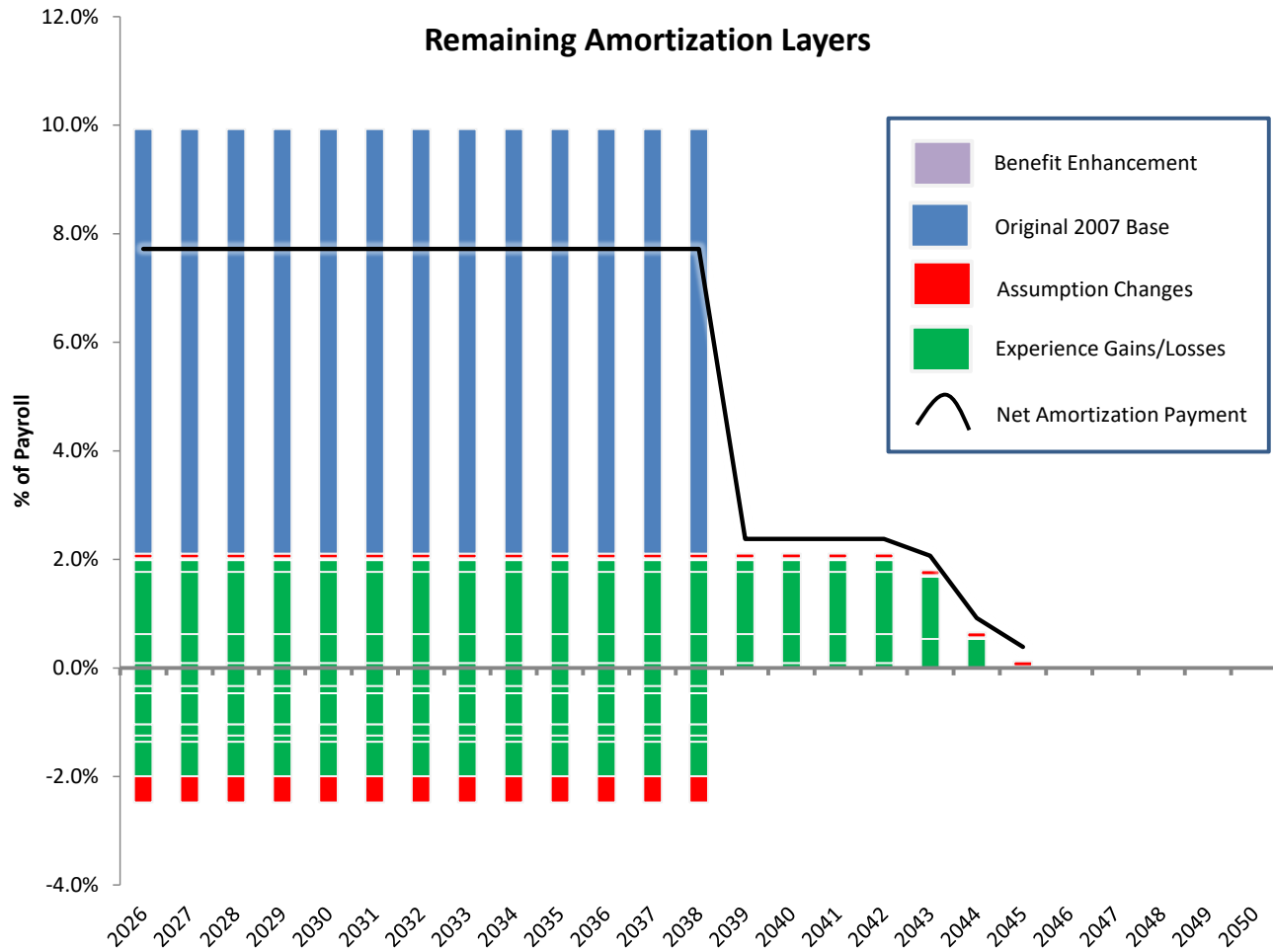
# Layered Amortization

- ◆ Having a closed amortization schedule for the current UAAL is consistent with best practices
- ◆ However, new liabilities (actuarial losses) can be created by the following:
  - ▶ Benefit increases granted that change the accrual for past service
  - ▶ Changes to assumptions or funding policies
  - ▶ Experience differing from expectations (assumptions)
- ◆ To deal with the potential volatility, but still have a systematic approach for financing any new UAAL, TMRS uses a process of “layering” new losses over its own closed amortization period
  - ▶ For example, losses from current valuation over a 20 year period
  - ▶ Loss from Year-1: 19 years remaining
  - ▶ Loss from Year-2: 18 years remaining
  - ▶ Loss from Year-3: 17 years remaining
- ◆ New gains are also laddered over a closed period, but the period is set to offset the largest outstanding loss base
- ◆ If a City becomes overfunded, then all previous bases are wiped clean

# Layered Amortization Example

Purpose	Remaining Balance as of December 31, 2024	Payment FY2026	Payment FY2027	Payment FY2028	Payment FY2029	Payment FY2030	Payment FY2031	Fiscal Year of Final Payment
2013 Valuation (Fresh Start)	\$ 110,005,583	\$ 10,880,976	\$ 11,180,203	\$ 11,487,659	\$ 11,803,570	\$ 12,128,168	\$ 12,461,693	2038
2014 Experience	(8,113,518)	(802,532)	(824,602)	(847,279)	(870,579)	(894,520)	(919,119)	2038
2015 Experience	(1,608,258)	(159,078)	(163,453)	(167,948)	(172,567)	(177,313)	(182,189)	2038
2015 Actuarial Changes	647,738	45,457	46,707	47,991	49,311	50,667	52,060	2046
2016 Experience	1,580,693	128,121	131,644	135,264	138,984	142,806	146,733	2042
2017 Experience	(2,872,832)	(284,160)	(291,974)	(300,003)	(308,253)	(316,730)	(325,440)	2038
2018 Experience	(1,855,906)	(183,573)	(188,621)	(193,808)	(199,138)	(204,614)	(210,241)	2038
2019 Experience	(4,671,334)	(462,055)	(474,762)	(487,818)	(501,233)	(515,017)	(529,180)	2038
2019 Actuarial Changes	1,686,807	122,245	125,607	129,061	132,610	136,257	140,004	2045
2020 Experience	(8,944,822)	(884,759)	(909,090)	(934,090)	(959,777)	(986,171)	(1,013,291)	2038
2021 Experience	3,716,997	301,276	309,561	318,074	326,821	335,809	345,044	2042
2022 Experience	20,460,380	1,593,078	1,636,888	1,681,902	1,728,154	1,775,678	1,824,509	2043
2023 Experience	9,910,231	743,448	763,893	784,900	806,485	828,663	851,451	2044
2023 Actuarial Changes	(6,757,271)	(668,382)	(686,763)	(705,649)	(725,054)	(744,993)	(765,480)	2038
2024 Experience	5,130,789	371,834	382,059	392,566	403,362	414,454	425,851	2045
<b>Unfunded Actuarial Accrued Liability</b>	<b>\$ 118,315,277</b>	<b>\$ 10,741,896</b>	<b>\$ 11,037,297</b>	<b>\$ 11,340,822</b>	<b>\$ 11,652,696</b>	<b>\$ 11,973,144</b>	<b>\$ 12,302,405</b>	
<b>Projected Payroll</b>		<b>\$ 139,110,701</b>	<b>\$ 142,936,246</b>	<b>\$ 146,866,993</b>	<b>\$ 150,905,835</b>	<b>\$ 155,055,745</b>	<b>\$ 159,319,778</b>	
<b>Amortization Payment as a Percent of Payroll</b>		<b>7.72%</b>	<b>7.72%</b>	<b>7.72%</b>	<b>7.72%</b>	<b>7.72%</b>	<b>7.72%</b>	

# Visualized Layered Amortization Example



# Impact of Offsetting

- We have several “non-traditional” mechanisms in the funding policy designed to reduce volatility and “always turn towards the target”
- These items do not increase the risk to the system, but substantially reduce the contribution volatility

Traditional 25/10  
TMRS 25/10

From 2019 ALM Study

Probability Contribution Increase Greater than 0.50%	Probability Less than 80% Funded In 2050
31%	25%
18%	25%

# Conference of Consulting Actuaries White Paper: *Actuarial Funding Policies and Practices for Public Pension Plans*

## Model Amortization Periods

### Experience Gain/Loss

- 15 to 20 years

### Assumption or Method Changes

- 15 to 25 years

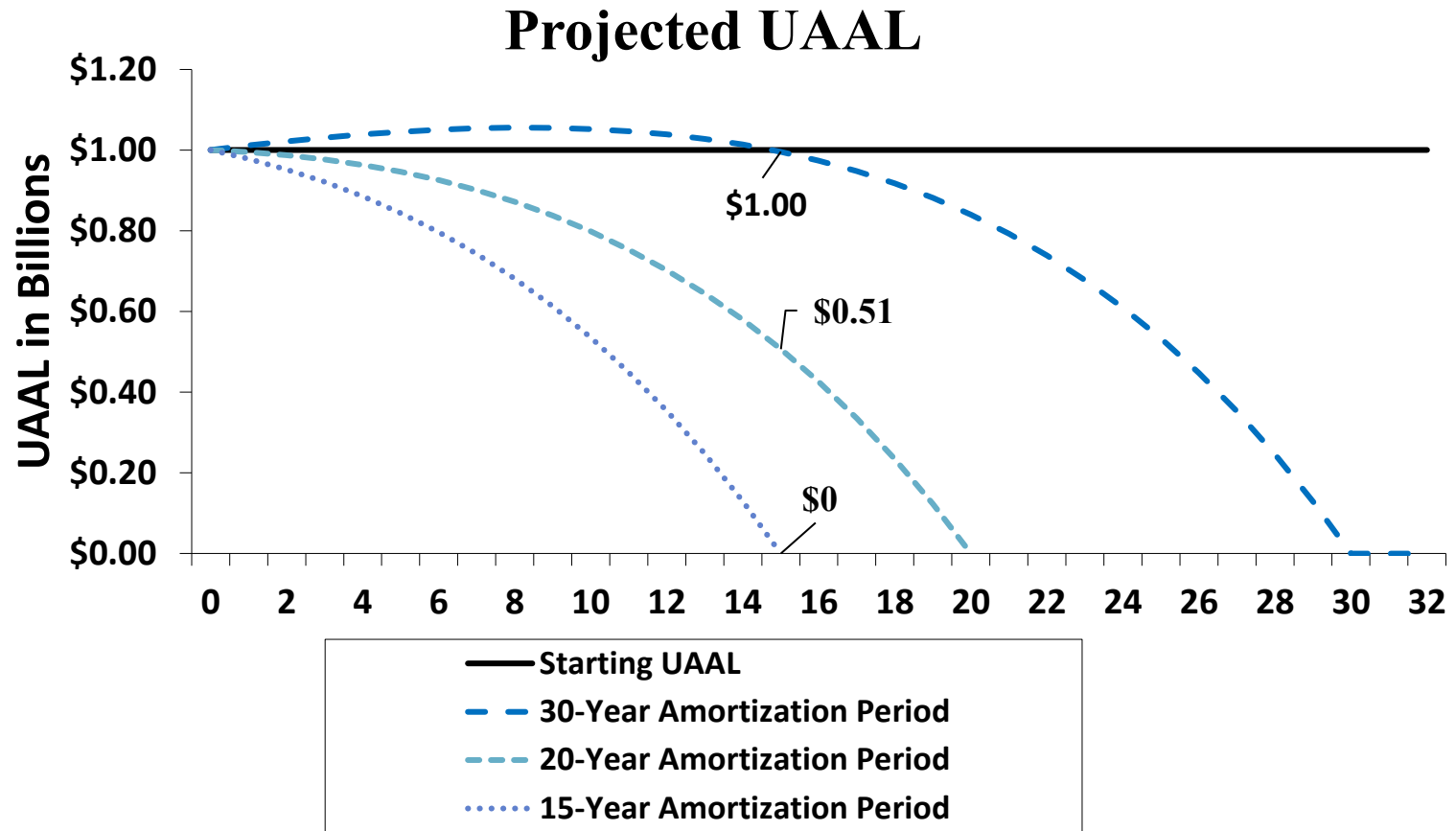
### Benefit Changes

- Affecting active employees: lesser of future service or up to 15 years
- Affecting retired employees (Long Term): lesser of life expectancy or 10 years
- Affecting retired employees (Short Term): 5 years or less

### Early Retirement Incentives

- 5 years or less

Another distinguishing factor is whether the policy incorporates Negative Amortization: When the contributions do not cover the interest accruals, the UAAL is expected to increase year over year



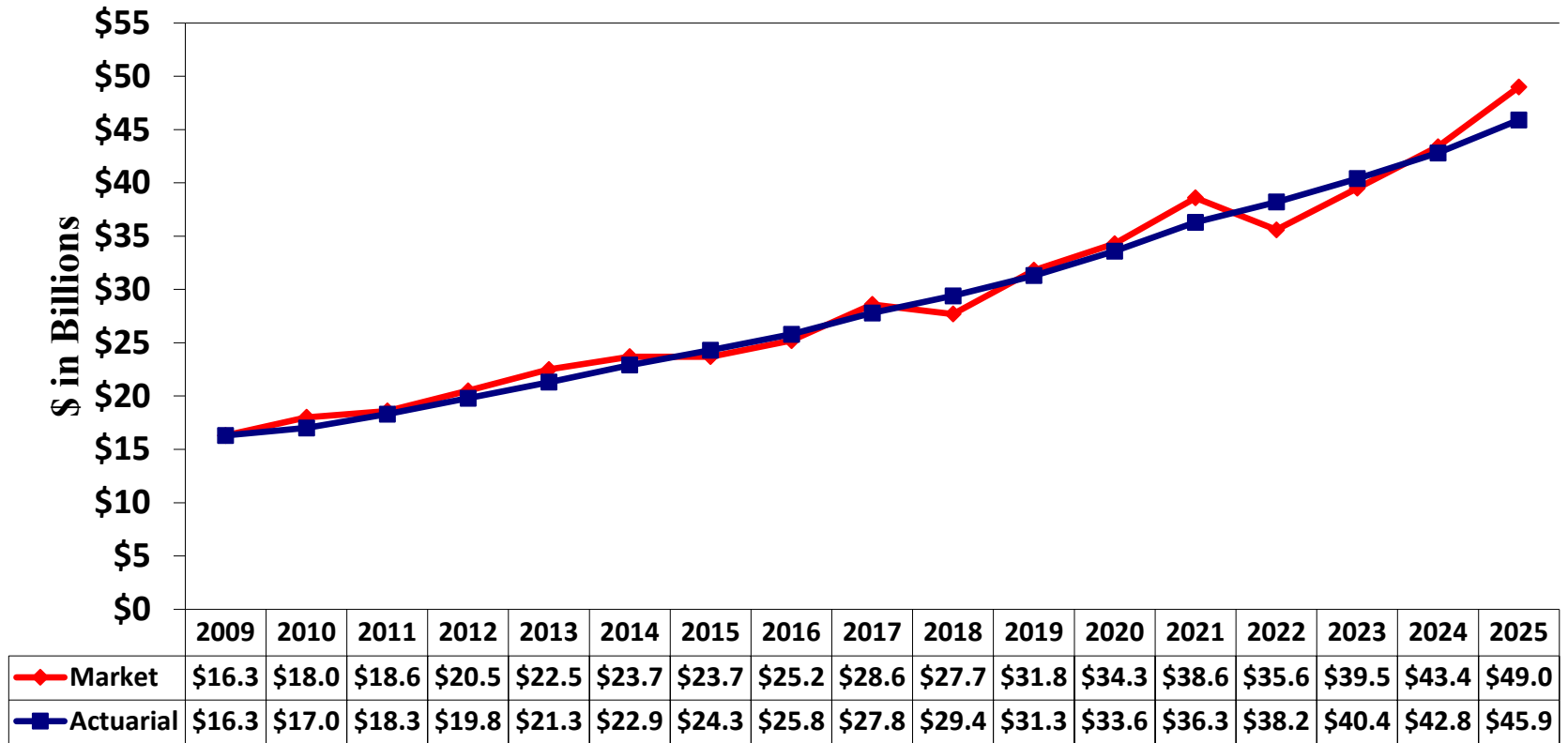
# Asset Smoothing

- We assume the plan's assets to follow a trend over the long-term
- But not necessarily in the short-term, we should anticipate market volatility
- Almost all public plans use asset smoothing
- Reduce volatility in actuarial valuation results for purposes of long-term decision making and funding
  - Focused on long-term outlook
  - No “knee jerk reactions”

# Asset Smoothing: TMRS

- Most public sector plans use a 5-year smoothing period, and then some will put a hard corridor 20% around the market value of assets, with no offsetting gains and losses
- TMRS uses a longer 10-year period most of the time, but an accelerated 3-year period if the market value gets more than 12% away from smoothed value (about 1 standard deviation away)
  - We also utilize offsetting similar to how the layered amortization works
- When modeled, and now used in real time for more than a decade, this combination produces much less annual volatility, eliminates artificial volatility, and provides better downside protection than the traditional 5-year approach
  - Also give a much more realistic budget pattern the employers can actually implement

# Historical Actuarial Value of Assets



# Decision to go to 20-year amortization in 2019

- The true financing period is the sum of the asset smoothing and the amortization periods
  - Before 2019, this was potentially  $25+10=35$
- The 35 combined was too long, and 25 years still utilized negative amortization
- Decreasing the amortization period to 20 years but keeping the 10/3 year smoothing:
  - Lowered the combined to 30 years
  - Eliminated negative amortization
  - Brought the amortization policy into model practices
  - Improved the downside protection
  - Modestly increased volatility
- 20/10 gives better downside protection with lower volatility when compared to 25/5

From 2019 ALM Study

	Probability Contribution Increase Greater than		Probability Less than 80% Funded
	0.50%	1.00%	In 2050
25/10 Layered	18%	7%	25%
25/5 Layered	28%	12%	23%
20/10 Layered	22%	9%	20%
20/5 Layered	32%	14%	20%

# NASRA Survey Data (Largest 116 plans) Grouped by Contribution Policy

	Actuarially Determined Contributions	Generally Fixed Contributions, Requirement for Change (Combination)	Statutorily Set Contributions, No Requirement for Change (Fixed Rate)
Currently Experiencing Negative Amortization	22 Plans Avg Fund Ratio: 62% Average Funding Period: 22	8 Plans Avg Fund Ratio: 71% Average Funding Period: 23	18 Plans Avg Fund Ratio: 68% Average Funding Period: 37
Currently Experiencing Positive Amortization	60 Plans Avg Fund Ratio: 81% Average Funding Period: 11	6 Plans Avg Fund Ratio: 79% Average Funding Period: 8	2 Plans Avg Fund Ratio: 59% Average Funding Period: 16

TMRS

# Summary

- TMRS' funding policy is based on industry model practices
- It has also been validated by stochastic modeling and real-time outcomes
- The full package minimizes volatility while protecting benefits and plan solvency



# THANK YOU

**QUESTIONS**



March 16, 2026

**To:** Board of Trustees

**From:** Leslee S. Hardy, Director of Actuarial Services *Leslee S. Hardy*

**Re:** **Agenda Item 13: Consider and Act on 2025 Interest Credit Allocation to the Benefit Accumulation Fund and Interest Reserve Account**

Each year effective December 31, the TMRS Act (Act) requires the Board to make annual interest allocations to four TMRS funds. Two of the allocations are set in the Act, and two are determined by the Board. Each allocation is recorded in TMRS' financial statements, but all allocated funds remain invested in the Trust Fund.

The first two allocations are made to the **Supplemental Disability Benefits Fund** and the **Supplemental Death Benefits Fund**. The Act guarantees a 5% interest credit to each fund based on the average amount in the funds during the year. For 2025, the statutory interest credits to these two funds totaled \$1,032,100.

The third allocation is to the **Interest Reserve Account**, which is the source for TMRS' administrative expenses and reflects the net investment income for the year available for interest credits. Under the Act, the Interest Reserve Account cannot have a final December 31 balance less than the required budget transfer for the following calendar year, or not less than \$44.1 million. In addition to providing for the budget transfer, the purpose of the reserve is to protect against decreases in private investment values between the estimates used for the interest credit to final valuation as presented in the annual financial statements.

Following staff's recommendation, the Board set the December 31, 2024 initial target interest reserve amount at \$340 million. For December 31, 2025, staff recommends a target interest reserve balance of \$340 million be maintained which will account for growth in our private market investment portfolio.

The fourth allocation is to the **Benefit Accumulation Fund (BAF)**, which is used to allocate the amount of interest to credit to TMRS participating cities. The BAF interest credit is allocated to the individual cities based on their beginning of year BAF balance. Staff calculates the amount of

income remaining to credit to the BAF after all other obligations have been fulfilled as described above.

For the year ending December 31, 2025, the estimated income available for distribution to the BAF is \$5,802,817,383. This represents an interest credit to the January 1, 2025 BAF balance for each city of approximately 13.54%, which will result in an estimated 7.60% smoothed (or actuarial) investment return for 2025. As a result of the investment performance, employer contribution rates will decrease on average by approximately 0.27%.

### **RECOMMENDATION:**

Staff and GRS recommend that effective December 31, 2025:

1. The Board allocate a credit of 5% interest to each of the Supplemental Disability Benefits Fund and the Supplemental Death Benefits Fund, and a credit of 13.54% interest to the Benefit Accumulation Fund, as well as target the initial Interest Reserve Account balance at \$340 million.
2. The Board approve that any differences in the final versus estimated fourth quarter private investment fund valuation adjustments, as well as any adjustments that may be necessary to finalize net investment income for the year, be reflected in the final Interest Reserve Account balance as of December 31, 2025 and considered in the 2026 BAF interest credit determination.

### **ATTACHMENTS:**

1. GRS Presentation

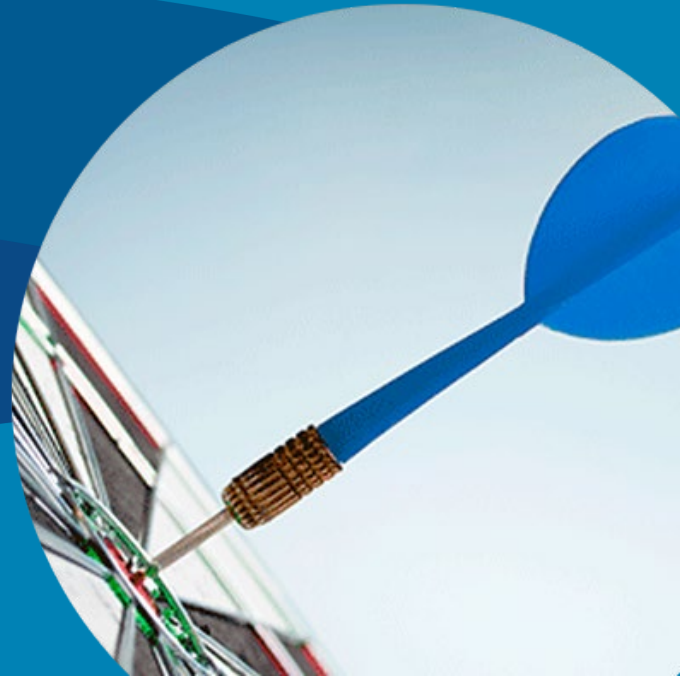


# Benefit Accumulation Fund Interest Rate Credit Recommendation for 2025

Joe Newton

Janie Shaw

March 26, 2026

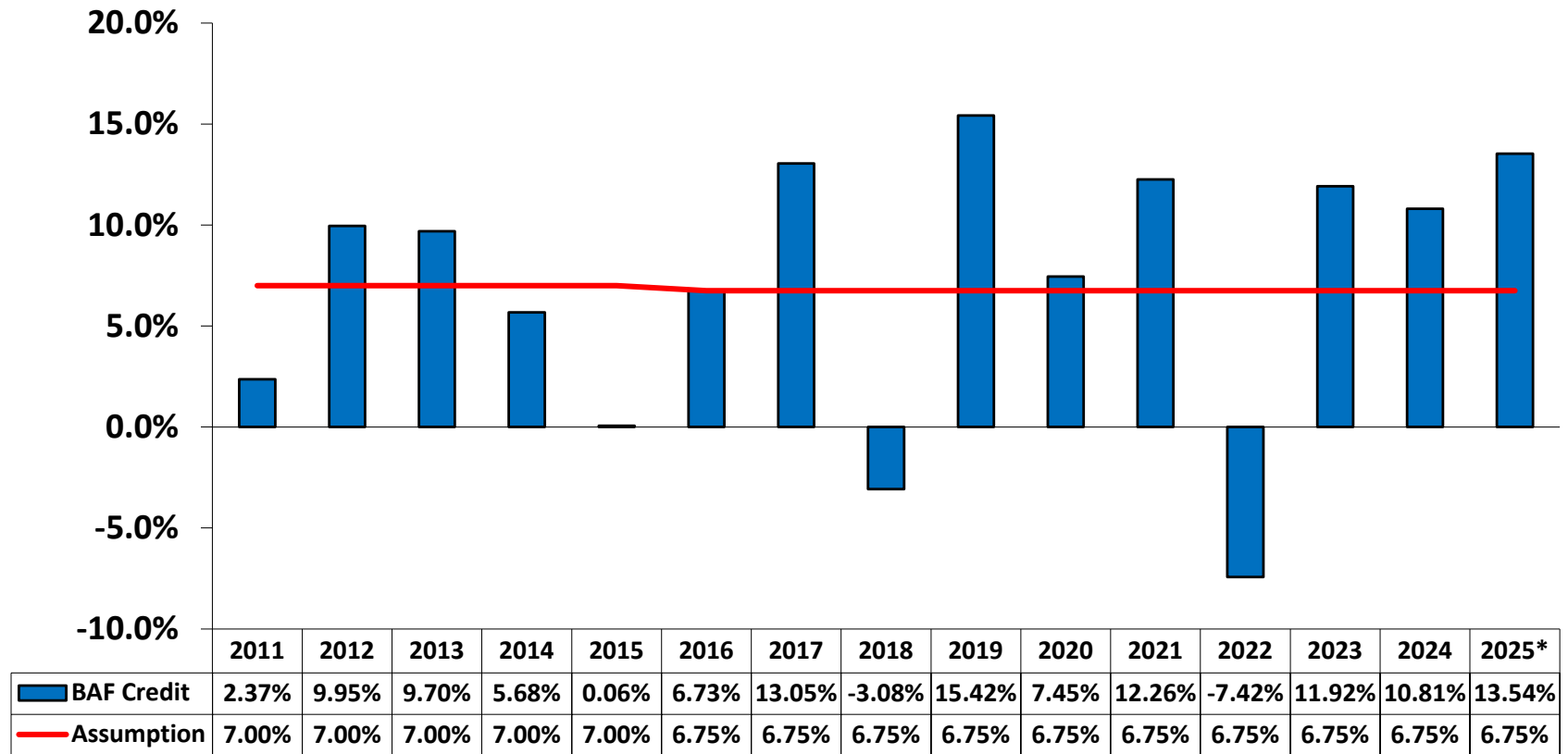


# 2025 BAF Interest Credit

---

- GRS recommends crediting the Benefit Accumulation Fund (BAF) interest approximately equal to 13.54%
  - This will be credited based on the beginning of year market value BAF balance for each city
  - This amount was determined after all administrative and investment expenses have been paid and the statutory requirements have been fulfilled
  - This will maintain the initial Interest Reserve Account at \$340M to allow for unanticipated changes in the market values as all investments are finalized

# Historical BAF Interest Credits



7.03% average compound credit over last 15 years

\* Proposed

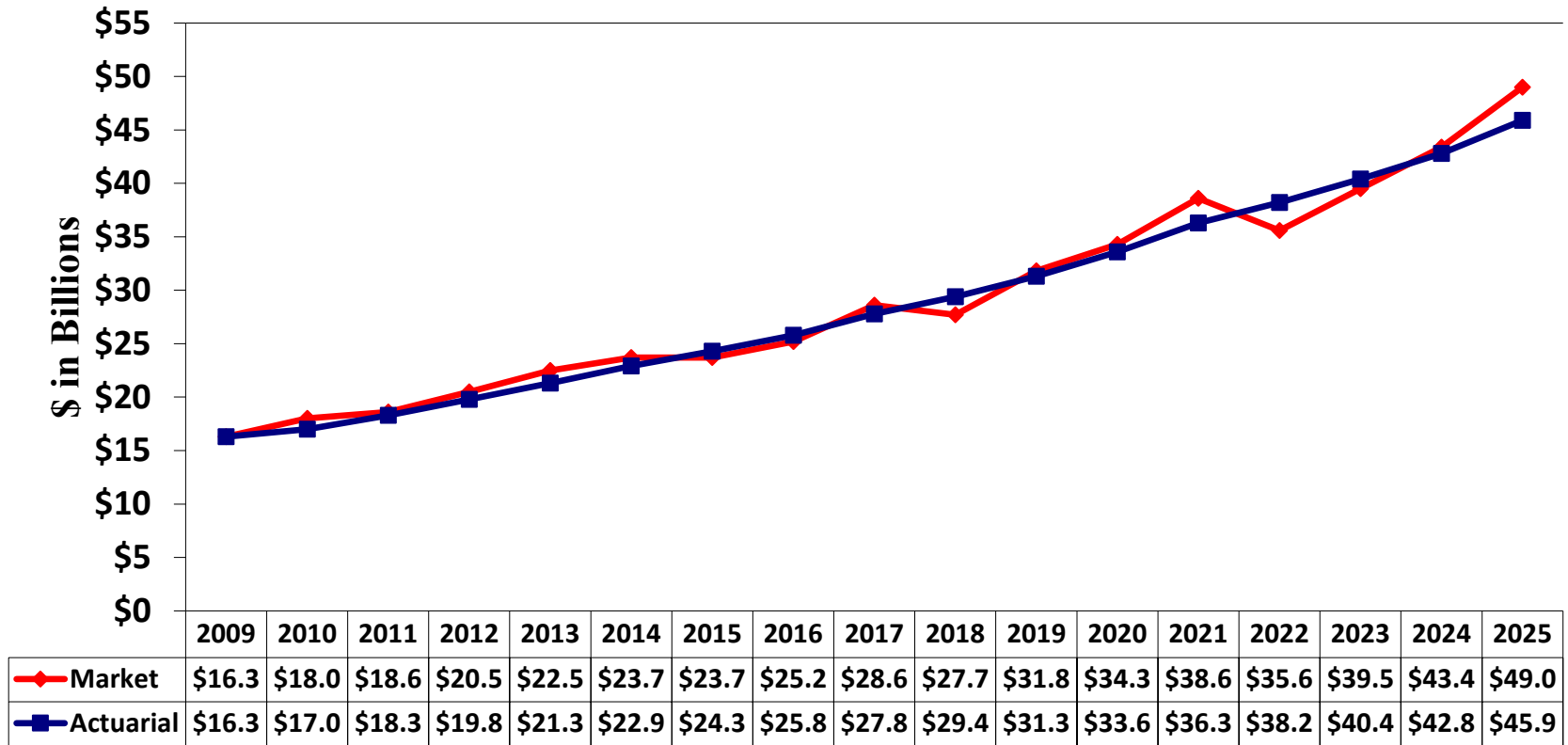


# Actuarial Value of Assets

---

- Difference between actual and expected interest credits is recognized over a 10-year period
  - Referred to as the Actuarial Value of Assets
  - Dampens year to year volatility and prevents overreacting to performance in any one year
- Actual BAF interest credit of 13.54% compared to investment return assumption of 6.75%

# Historical Actuarial Value of Assets



# Actuarial Value of Assets

---

- Excess BAF interest credits of \$3.5 billion as of December 31, 2025
  - Of this excess, \$359 million will be recognized in the upcoming valuation
  - Remaining \$3.2 billion will be deferred for future valuations, to be recognized as gains or to offset future losses
- The recognition of the \$359 million is estimated to decrease 2027 contribution rates on average by approximately 0.27% of pay (will vary by city)



March 16, 2026

**To: Board of Trustees**

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

**Re: Agenda Item No. 14: Review and Discuss Board's Bylaws**

The Board's Bylaws will be discussed to solicit Trustee input on potential updates.

**Attachment**

Bylaws of the Board of Trustees (amended as of September 17, 2020)

Bylaws of the  
Board of Trustees of the  
Texas Municipal Retirement System  
Amended As Of September 17, 2020

**CONTENTS**

<b>CHAPTER 1</b>	
Organization of the Board of Trustees _____	2
<b>CHAPTER 2</b>	
Meetings of the Board _____	12
<b>CHAPTER 3</b>	
Committees _____	15
<b>CHAPTER 4</b>	
Executive Director _____	17
<b>CHAPTER 5</b>	
Miscellaneous Organizational Provisions _____	19
<b>CHAPTER 6</b>	
Amendment of Bylaws _____	24

**APPENDICES (to be attached in Governance Manual):**

- 1 - TMRS Administrative Governance Policy
- 2 - TMRS Board of Trustees Strategic Planning Policy
- 3 - TMRS Board Orientation and Education Policy
- 4 - TMRS Communications Policy
- 5 - TMRS Ethics Policy
- 6 - TMRS Investment Policy Statement

**BYLAWS OF THE BOARD OF TRUSTEES**  
**OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**(As Amended Effective as of May 28, 2020)**

**CHAPTER 1**

**ORGANIZATION OF THE BOARD OF TRUSTEES**

**1.1. Authority and Fiduciary Standards.** The Texas Municipal Retirement System (“TMRS” or “System”) is a statewide public retirement system established pursuant to Article 16, Section 67 of the Texas Constitution, and is organized and existing pursuant to Texas Government Code, Title 8, Subtitle G, Chapters 851 - 855 (the “TMRS Act”). Article 16, Section 67 requires TMRS to have a board of trustees to administer TMRS and invest its funds. Section 855.101 of the TMRS Act provides that the Board of Trustees of TMRS (the “Board”) is responsible for the administration of the retirement system. The assets of the TMRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of its participants and beneficiaries.<sup>1</sup> The Board is the trustee of all assets of TMRS, is responsible for the general administration and operation of TMRS, and is authorized by law to adopt rules for the administration of TMRS and the transaction of the business of the Board.<sup>2</sup>

All powers of trusteeship are held in the Board’s fiduciary capacity. The exercise or non-exercise of the Board’s powers are subject to the fundamental duties of prudence, loyalty (sometimes also called the exclusive benefit rule), and impartiality; to a duty to respect the terms and purposes of the trust; and to other fiduciary duties of trusteeship. Although a trustee’s duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship.

**1.2. Composition.** The Board is composed of six members (each a “Trustee”), who serve staggered terms of six years each, two of which expire on February 1 of each odd-numbered year. Trustees are appointed by the Governor, with the advice and consent of the Senate. The TMRS Act provides that three Trustees are to be “executive trustees” (the chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality) and the other three Trustees are to be “employee trustees” (an employee of a participating

---

<sup>1</sup> See Texas Constitution Art. 16, Section 67(a); Texas Government Code, Sections 851.002 and 855.101; United States Internal Revenue Code, Section 401(a).

<sup>2</sup> See Texas Government Code, Chapter 855, including Sections 855.101, 855.102

municipality); two or more Trustees serving concurrently may not be employed by or serve the same municipality.<sup>3</sup>

A Trustee whose term expires shall continue to perform the duties of the office until his or her successor shall be duly qualified.<sup>4</sup> Similarly, in general, a Trustee who tenders his or her resignation nonetheless holds over until his or her successor is duly qualified for the office.<sup>5</sup> Although Section 855.003 of the TMRS Act provides that a Trustee is immediately disqualified from serving as a trustee if the Trustee ceases to satisfy the requirements of Section 855.003, it is possible that the constitutional holdover provision might allow a Trustee to continue to serve until a successor is appointed.

### **1.3. Officers of the Board.**

**1.3.1. Chairman of the Board.** In addition to helping to fulfill the general Responsibilities of the Board set forth in Section 1.7, the Chairman of the Board shall:

- a) preside over meetings of the Board, and while presiding, direct the order of the meeting, recognize persons to be heard, limit time, and take action to clarify issues, and preserve order;
- b) work with the Board to guide management on the retirement system's mission and vision, strategic issues, and long-term planning;
- c) serve as an accountability partner, as well as a principal source of advice and counsel, to the Executive Director;
- d) facilitate effective communications between the Board and Executive Director, and serve as a liaison among the Board, the Executive Director, and senior management;
- e) jointly with the Executive Director, (i) develop and approve Board meeting agendas, in accordance with the Board's Administrative Governance Policy (a copy of which is attached as an Appendix), and (ii) discuss resources needed to attend/support the Board meetings, including members of management and outside advisers;
- f) perform the legislative responsibilities described in Section 1.3.3, and partner with the Executive Director, Government Relations staff, and the Vice Chairman in maintaining productive Legislative and Congressional relations;
- g) leads the Executive Director performance evaluation process, including mid-year performance alignment discussions with the Executive Director;
- h) presides over the annual self-evaluation of the Board and its committees;
- i) partner with the Executive Director, and, if desired, with the Board's governance consultant, to lead the performance evaluation process for the General Counsel, and coordinate with the chair of the Internal Audit

---

<sup>3</sup> See Texas Government Code, Sections 855.001 - .855.004

<sup>4</sup> Texas Constitution, Art. 16, Section 17; also see Government Code, Section 572.0211.

<sup>5</sup> Limited exceptions may arise, one of which is the removal of an office holder in a quo warranto proceeding (Civ. Prac. & Rem. Code Section 66.001).

- Committee with regard to the Committee's performance review of the Director of Internal Audit;
- j) coordinate with the chair and/or vice chair of each Board Committee to monitor the ongoing work of each Committee (it being the Board's intent that the chair and vice chair of any Board Committee are primarily responsible for conducting the work of the Committee);
  - k) lead the short- and long-term succession planning process for the Executive Director position;
  - l) receive and review periodic information on TMRS related travel by the Executive Director;
  - m) serve as the official spokesperson for the Board on such matters, if any, as the Board has expressly authorized the Chair to speak on behalf of TMRS pursuant to Bylaws Section 1.9.6;
  - n) serve as a point of Board contact for the General Counsel, the Board's fiduciary counsel, and the Board's governance consultant; and
  - o) perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.

**1.3.2. Vice-Chairman of the Board.** In addition to helping to fulfill the general Responsibilities of the Board set forth in Section 1.7, the Vice-Chairman of the Board shall:

- a) in the absence of the Chairman, preside over meetings of the Board;
- b) upon request, provide support and assistance to the Chairman in fulfilling the responsibilities of the Chairman;
- c) in absence of the Chairman, fulfill the roles, responsibilities and duties of the Chairman;
- d) perform the legislative responsibilities described in Section 1.3.3, and partner with the Executive Director, Government Relations staff, and the Chairman in maintaining productive Legislative and Congressional relations; and
- e) perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.

**1.3.3. Legislative Responsibilities of Chairman and Vice-Chairman.** With regard to Legislative and Congressional matters, the Chairman and Vice-Chairman will:

- a) Provide direction to Staff in implementing any applicable legislative agenda that has been adopted by the Board;
- b) Review, consider and recommend to the Board action, if any, to be taken regarding any draft legislation developed by Staff at the request of the Board;
- c) Be available to Staff to provide input on, and participate in when appropriate or desirable, legislative related communication issues. Such

participation in legislative related communications may occur at any time, whether during or outside of any legislative session, and with regard to any legislative related matter(s), whether initiated by TMRS or by any other person or entity, subject to the parameters set forth in the Board's bylaws and policies<sup>6</sup>.

For these purposes, if the Board adopts any resolution(s) relating to the Board's position(s) on any potential legislative topics that might affect TMRS (each "Legislative Resolution"), then the Board hereby authorizes the Board Chairman and Vice Chairman, and their respective designees, to communicate (orally and in writing) with members of any legislative body and their staff, on behalf of TMRS, for the purpose of advancing the Board's position(s) as reflected in the Legislative Resolution(s). Any designee of the Board Chairman or Vice-Chairman must be another member of the Board. The Board Chairman or Vice-Chairman will report to the Board regarding such communication at the next Board meeting. The Executive Director and Director of Governmental Relations may also provide more frequent reports to the Board on such communications. This limited authority given to the Board Chairman and Vice-Chairman, and their designees, is in addition to the authority previously given by the Board to the Executive Director and his designees to represent TMRS to legislative bodies and their staff.

- d) During any legislative session, review and recommend to the Board action, if any, to be taken regarding proposed legislation, the filing of which was initiated or requested by persons or entities other than TMRS, that may impact the System (collectively, "Other Legislation").
  - i. The Chairman and Vice-Chairman may consider how an item of Other Legislation may impact:
    - a. the sustainability of the System;
    - b. the actuarial or fiscal health or reputation of the System;
    - c. participating municipalities in TMRS;
    - d. TMRS members, retirees, and beneficiaries and/or their benefits;
    - e. the tax status of the System and its tax deferred treatment of contributions and related earnings;
    - f. the Board's investment structure or authority;
    - g. the Board's administrative structure or authority; and
    - h. any other aspect of the System and/or its operations.

---

<sup>6</sup> Section 1.9.6 of these Bylaws provides that no member of the Board of Trustees shall purport to speak or act as a representative of the retirement system on any matter unless expressly authorized to do so by the Board of Trustees. Further, Bylaws Section 1.7(h) provides that the Board may establish committees to make recommendations to the Board and help carry out responsibilities – however, committees may not speak or act for the Board except when formally given such authority.

- ii. The Chairman and Vice-Chairman may develop positions, on any TMRS initiated legislation and on any Other Legislation, that are consistent with the Board's Legislative Resolution(s) and communicate such positions with members of the legislature and their staff, subject to the provisions of Section c) above, and may also direct Staff to develop alternatives to any Other Legislation or to any amendments, modifications, or substitutes proposed for any TMRS initiated legislation for consideration and action by the Board.

e) Report to the Board on their legislative activities

**1.4. Absence of Chairman and Vice-Chairman.** If, for any reason(s), both the Chairman and Vice-Chairman are unable to fulfill the duties of their positions, the member of the Board with the longest service on the Board, as certified by the Executive Director, shall exercise the duties of the Chairman, as Acting Chairman, until the Chairman or Vice Chairman shall resume his or her office or until a successor Chairman or Vice Chairman has been elected. In the event there are two or more members with equal length of service, the Executive Director shall designate one of those members to serve as the Acting Chairman. If the absence or incapacity of the Chairman and the Vice-Chairman is likely to be permanent, the Acting Chairman shall cause a meeting of the Board to be called at the earliest practicable time for the purpose of electing a Chairman and Vice-Chairman.

**1.5. Elections.**

**1.5.1.** The members of the Board shall annually elect a Chairman and a Vice-Chairman to serve for a term of one (1) year. There is no limit on the number of times a Board member may be elected by the Board to serve as Chairman and/or Vice-Chairman. Despite the terms for which they are elected, the Chairman and the Vice-Chairman serve at the pleasure of the Board and may be removed at any time by a majority vote of the Board.

**1.5.2.** The Board's goal will be to conduct the annual elections before the terms of the Chairman and Vice Chairman expire, but, in the event that does not occur, then the Chairman and Vice Chairman will holdover and remain in those positions until the next meeting of the Board and the elections will be placed on the agenda for that meeting.

**1.5.3.** When a Chairman or Vice Chairman position becomes vacant, a special election for the position shall be held as soon thereafter as practicable.

**1.5.4.** Nominations for the Chairman and Vice Chairman will be made from the floor by Board members at a meeting of the Board. A Board member may self-nominate for any such position.

**1.5.5.** Elections conducted in Board meetings shall be conducted in an open meeting by a vote pursuant to a motion that has been seconded. A majority vote of the Board is required to elect a nominee for each election required by these Bylaws.

**1.6. Voting.** Each Trustee is entitled to one vote on all matters coming before the Board. At any meeting of the Board of Trustees, four or more concurring votes are necessary for a decision or action by the Board.<sup>7</sup>

**1.7. Responsibilities of the Board.** The Board responsibilities described below are set forth under the following major areas of oversight: (i) Governance, (ii) Funding and Actuarial Matters; (iii) Finance and Accounting; (iv) Investments, (v) Personnel, and (vi) Benefits Administration and Operations. The TMRS Board responsibilities include, but are not limited to, the following:

#### **Governance**

- a) establish and periodically review the System's mission in light of the Board's constitutional and statutory authority and adopt strategic plan goals and objectives for accomplishing the mission, in accordance with the TMRS Board of Trustees Strategic Planning Policy, a copy of which is attached as an Appendix;
- b) adopt rules, regulations, and bylaws as deemed appropriate;
- c) adopt and periodically review policies for sound Board governance and the operation of the System;
- d) engage in healthy and respectful debates of issues brought before the Board;
- e) act as a cohesive decision-making body, following the rule of the majority;
- f) monitor and evaluate the effectiveness of the System;
- g) Monitor and evaluate federal and state legislative and regulatory issues and legislation of potential impact to TMRS;
- h) establish committees to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not speak or act for the Board except when formally given such authority;
- i) delegate authority to the staff through the Executive Director;
- j) select, review, and terminate (if necessary) investment consultants, governance consultants, governmental relations consultants, and other consultants or service providers to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
- k) ensure that legal and ethical standards are adhered to;
- l) see that new Board members are provided a prompt and thorough orientation;
- m) assess the Board's performance annually;
- n) protect the System's reputation with the membership and the general public;
- o) select and evaluate fiduciary legal counsel to the Board<sup>8</sup>;

#### **Funding and Actuarial Matters**

---

<sup>7</sup> See Texas Government Code, Section 855.009

<sup>8</sup> See Texas Government Code, Section 855.202

- p) select and evaluate the System's external consulting actuary<sup>9</sup>;
- q) adopt and periodically review a written actuarial funding policy, and ensure the policy and any amendments to it are timely filed with the Pension Review Board and provided to participating cities in accordance with applicable statutory requirements<sup>10</sup>;
- r) annually certify the cities' normal contribution rates and prior service contribution rates, as determined by the System's actuary;
- s) adopt mortality tables and other actuarial tables, based on actuary recommendations;

### **Finance and Accounting**

- t) approve and monitor an annual operating budget, in consultation with the Budget and Compensation Committee and the Executive Director;
- u) select and evaluate the System's external auditor to conduct the annual audit of the System's accounts pursuant to Texas Government Code, Section 855.107;

### **Investments**

- v) adopt and periodically review an investment policy regarding the System's investment portfolio (a current copy of the Board's Investment Policy Statement as attached as an Appendix);
- w) review investment performance, asset mix, portfolio characteristics, cash flow, and receive reports from the Executive Director, staff, investment consultants, and others regarding the System's assets, and monitor compliance with investment policies and guidelines;
- x) select custodian(s) of the investment portfolio, provided that, for avoidance of doubt, this requirement does not apply to regulated brokerage, clearing, exchange, or similar accounts into which TMRS is required to deposit assets or collateral;
- y) select an independent consulting firm to perform the evaluation of and reporting on the System's investment practices and performance in accordance with applicable the requirements of Texas Government Code, Section 802.109, and ensure that such reports received by the Board are timely submitted to the Pension Review Board<sup>11</sup>;
- z) select a securities lending agent for the System, if the Board, in its discretion, determines it wants to lend System securities as provided in Section 855.3011 of the Act;

### **Personnel**

- aa) be responsible for the search process, selection, assignment of duties, annual performance and compensation reviews, and discipline, including dismissal, of the Executive Director<sup>12</sup>;

---

<sup>9</sup> See Texas Government Code, Section 855.205

<sup>10</sup> See Texas Government Code, Section 802.2011

<sup>11</sup> See Texas Government Code, Section 802.109

<sup>12</sup> See Texas Government Code, Sections 855.201

- bb) provide oversight, support, and direction to the Executive Director to ensure that effective management practices are followed in the organization;
- cc) ensure the establishment of a program for equitable and effective hiring, evaluation, compensation, and termination of System employees;
- dd) ensure an adequate working environment for staff members;
- ee) select and evaluate the System's internal General Counsel, in consultation with the Executive Director;
- ff) select and evaluate the System's internal Director of Internal Audit, in consultation with the Board's Internal Audit Committee and the Executive Director;
- gg) set "not-to-exceed" or "range max" amounts in the System's salary schedules in consultation with the Budget and Compensation Committee and the Executive Director;

**Benefits Administration and Operations**

- hh) approve, or confirm the director's approval of, applications for benefits;
- ii) consider appeals of benefit determinations as provided in Board rules;
- jj) appoint members of the TMRS Medical Board<sup>13</sup>;
- kk) determine, monitor, evaluate and strengthen the System's services to members and participating cities;
- ll) verify that procedures are in place to ensure the security of member specific information and other confidential information;
- mm) verify that a disaster recovery plan is in place in order to help protect the beneficiaries of the System;
- nn) monitor external factors that impact the System and take action on legislation, as deemed appropriate; and
- oo) ensure that appropriate internal controls are in place.

Beyond the responsibilities listed above, all other responsibilities related to the daily management of the System are delegated to the Executive Director, subject to the policies of the Board.

**1.8. Board Compensation and Travel.**

**1.8.1. Reimbursement.** Each Trustee serves without compensation, but is entitled to reimbursement for reasonable, actual expenses<sup>14</sup> in accordance with the Board's Administrative Governance Policy while on official TMRS business as defined in this Section 1.7.

**1.8.2. Official Business.** Official TMRS business is defined as travel while acting as a designated representative of the Board (such as meeting with elected officials or Board consultants and advisors on behalf of the Board whether within or outside the state) and travel to and from meetings of the Board, meetings

---

<sup>13</sup> See Texas Government Code, Section 855.203

<sup>14</sup> See Texas Government Code, Section 855.008

of Board committees, System orientation meetings, or other travel in the capacity of a member of the Board.

**1.8.3. Other Travel.** In addition to travel on official TMRS business as defined in subsection 1.8.2 of this Section, it is anticipated that each Board member will receive reimbursement established through the budget process of allowable Board travel expenses to attend professional and educational conferences and other activities meeting the following criteria:

- a) the purpose of the expense is related to the business of TMRS and the Board;  
and
- b) attendance at the function will benefit the Board or a Board member in the exercise of TMRS responsibilities.

**1.8.4. Not Compensation.** Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred.

**1.8.5. Procedures.** The Executive Director shall be responsible for developing and administering procedures for travel under sections 1.8.2 and 1.8.3.

## **1.9. Service as a Trustee.**

**1.9.1. Oath.** Before taking office as a Trustee, a person appointed to the position shall present to the Board a certified copy of an oath of office subscribed before the clerk of the municipality that the person serves.<sup>15</sup>

**1.9.2. Orientation.** As soon as practicable after having first been appointed to the Board (and, if possible, prior to attending the first meeting of the Board), a person shall attend an orientation and training session at the System's offices in Austin, Texas. The Executive Director should contact a newly-appointed Trustee as soon as possible after being appointed in order that arrangements for the session can be made. The orientation and training of new Trustees will be conducted in accordance with the TMRS Board Orientation and Education Policy, a copy of which is attached as an Appendix, and the Pension Review Board's minimum educational training requirements.<sup>16</sup>

**1.9.3. Trustee Education.** The Board recognizes the need for individual Trustees to receive proper training to assist them in carrying out their duties. The Board strongly encourages each Trustee to engage in educational activities, such as self-study, meetings with TMRS staff and Board consultants, online education events, and attendance at professional development conferences, workshops, and training seminars, in accordance with the Board's Administrative Governance Policy and the Board's Orientation and Education Policy.

---

<sup>15</sup> See Texas Government Code, Section 855.005

<sup>16</sup> See Texas Government Code, Section 801.211 and 40 Texas Administrative Code, Chapter 607

**1.9.4. TMRS Training Events.** Attendance by Board members at the System's annual training seminar and at other System sponsored training seminars is encouraged.

**1.9.5. Attendance at Meetings.** The members of the Board serve an important function, and it therefore is important that they prepare for and attend all meetings of the Board except when it is impossible for them to do so.

**1.9.6. Representing the Board.** No member of the Board shall purport to speak or act as a representative of the System on any matter unless expressly authorized to do so by these Bylaws or otherwise by the Board. The TMRS Communications Policy, a copy of which is attached as an Appendix, sets forth some of the Board's communication policies.

**1.9.7. Responsibilities of Individual Board Members.** Each Trustee has the responsibility to:

- a) be informed about the System's mission, duties, authority, and policies;
- b) work constructively with other Board members to set the strategic direction and oversee TMRS activities;
- c) interact appropriately with TMRS staff, outside service providers, employers, members, retirees, beneficiaries, and others;
- d) be prepared and attend Board meetings and Committee meetings, when a member of the Committee;
- e) review agendas and supporting materials prior to Board and Committee meetings;
- f) share personal experiences and expertise with other Board members during discussions and decision-making;
- g) respect open meetings laws by not convening meetings with fellow Board members to discuss TMRS business outside the properly noticed meetings;
- h) follow conflict of interest, disclosure, and confidentiality rules and policies, including, without limitation, the TMRS Ethics Policy, a copy of which is attached as an Appendix;
- i) discharge duties solely in the interest of the members and beneficiaries for their exclusive benefit;
- j) incur only reasonable expenses in carrying out duties as a Board member;
- k) be mindful of co-fiduciary responsibility;
- l) live up to high ethical standards and avoid the appearance of impropriety;
- m) become educated and maintain a level of knowledge in the areas necessary to fulfill fiduciary duties;
- n) keep up-to-date on developments in the retirement and institutional investor industry;
- o) be a sounding board and provide advice to the Executive Director, as appropriate; and
- p) refrain from making individual time consuming requests to staff without a directive of the full Board.

## CHAPTER 2

### MEETINGS OF THE BOARD

#### 2.1. Meetings of the Board.

**2.1.1. Regularly Scheduled Meetings.** The Board of Trustees shall hold at least four meetings each year and additional meetings when called by the Executive Director.<sup>17</sup> The dates for regular meetings will be approved annually in advance by the Board.

**2.1.2. Additional Meetings.** The Executive Director shall call an additional meeting whenever the Chairman or a majority of the members of the Board of Trustees request such a meeting or when the Executive Director deems an additional meeting to be in the best interest of the System.

**2.1.3. Notice to Trustees.** Before the fifth day preceding the day of a meeting, the Executive Director shall give written notice of the meeting to each Trustee unless notice is waived (see Texas Government Code, Section 855.007).

**2.1.4. Open Meetings.** Except as otherwise provided by the TMRS Act, the Texas Open Meetings Act<sup>18</sup> (“TOMA” or “Open Meetings Act”), or other law, all meetings of the Board must be open to the public.<sup>19</sup>

**2.1.5. Location.** The Board shall hold its meetings in the TMRS offices in Austin, Texas, or in a place specified by the notice of the meeting.<sup>20</sup>

**2.1.6. Meetings by Telephone Conference Call and Videoconference.** Meetings (open or closed) may be held by telephone conference call, videoconference call, or other similar telecommunication method in accordance with the requirements of the TMRS Act<sup>21</sup> or TOMA, as applicable. In general, it is the Board’s preference that Board members attend meetings in person, but if it is necessary or desirable to conduct a meeting by telephone conference call or videoconference, then the following guidelines be observed when conducting such meeting:

---

<sup>17</sup> See Texas Government Code, Section 855.007

<sup>18</sup> Texas Government Code, Chapter 551

<sup>19</sup> See Texas Government Code, Section 855.007

<sup>20</sup> See Texas Government Code, Section 855.007

<sup>21</sup> Meetings by telephone conference call under the TMRS Act first became available effective January 1, 2020, as a result of statutory changes made by Senate Bill 1337 in 2019. See Texas Government Code, Section 855.007

- If the Board Chairman attends the meeting remotely, then the Vice Chairman will preside over the meeting; provided, however, that if the Vice Chairman is unable to attend the meeting in person, then the Chairman may appoint another Trustee who will be present at the meeting location that is open to the public to preside over the meeting;
- Any votes taken at the meeting will be done by roll call of the Trustees; and
- The minutes of the meeting should note which, if any, Trustee(s) participated remotely.

**2.1.7. Time of Meetings.** Meetings shall begin at a time designated by the Chairman or other presiding officer.

**2.1.8. Emergency Meetings.** Emergency meetings may be called in the same manner as additional meetings. The Trustee(s) responsible for calling an emergency meeting shall provide to the Executive Director with an explanation of the reason for the emergency or urgent public necessity. An emergency meeting is one which cannot be posted with the advance notice normally required by the Open Meetings Act, but which is needed because of “imminent threats to public health and safety or reasonably unforeseeable situations requiring immediate action by the government body”<sup>22</sup> or as otherwise defined by the Open Meetings Act, court decision, or other applicable law. Emergency meetings shall be posted in accordance with applicable law, including TOMA Section 551.045 (or its successor statute) requiring posting for at least one hour before the meeting is convened.

**2.1.9. Cancellation or Rescheduling.** Any previously scheduled meeting may be rescheduled or canceled by the Chairman, except that meetings called at the request of a majority of the Board may be rescheduled or canceled only by the consent of a majority of the members of the Board.

## **2.2. Public Comment at Meetings.**

**2.2.1. Comments Allowed.** The Board will allow reasonable time for public comment to the Board regarding items included on the agenda for the meeting and ensure that consideration is shown to all members of the public attending any public meeting of the Board.

**2.2.2. Requirements.** Persons wishing to offer comments at a Board meeting in reference to a specific agenda item or on other matters under the jurisdiction of the Board of Trustees must notify the Executive Director on or before the day of the Board meeting. The person chairing the meeting of the Board will specify the length of time for individual comments. Persons wishing to appear before the Board shall provide the following information:

---

<sup>22</sup> See Texas Government Code, Section 551.045

- a) Name and address of the person wishing to appear;
- b) The name of the person or group, if any, the person appearing is representing;
- c) The agenda item upon which the person wishes to speak; and
- d) Other matters to be discussed by the speaker, which fall under the jurisdiction of the Board of Trustees.

### **2.3. Meeting Agendas.**

**2.3.1. Setting Agenda.** Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the Executive Director prior to posting. Development and distribution of each meeting's agenda is the joint responsibility of the Executive Director and the Chairman. The Executive Director shall advise the Chairman as to the necessary or desired timing of regularly occurring agenda items that are needed for the administration and operations of the System. The Executive Director shall prepare and distribute to the Board the agenda and relevant written materials.

**2.3.2. Adding Items.** Items may be added to the agenda of any meeting by any Trustee or by the Executive Director, provided that the proposed addition is submitted to the Executive Director in time to post the amendment to the agenda in compliance with the TOMA requirements. Board members desiring to add an agenda item should normally submit it to the Executive Director three weeks prior to the meeting.

**2.3.3. Emergency Items.** Emergency agenda items may be added by the Chairman, Executive Director, or by the written request of any three Board members, provided a reason for the emergency is submitted in time to post the amendment to the agenda in compliance with the Open Meetings Act.

**2.4. Notice to Public.** The Executive Director will cause meeting notices to be posted in compliance with these Bylaws and the Open Meetings Act. The Executive Director shall transmit to the Board, in the manner the Executive Director deems most effective, copies of all notices of meetings, agendas, and changes thereto when such notices are delivered to the Secretary of State.

**2.5. Auxiliary Aids or Assistance at Meetings.** Persons who do not speak English or persons with disabilities who plan to attend a meeting of the Board and who may need auxiliary aids or services such as language interpreters or interpreters for persons who are deaf or hearing impaired, readers, large print or Braille, are requested to contact the System's staff at least two working days or more prior to the meeting so that appropriate arrangements can be made. If the request is made to the System with adequate advance notice to allow for the arrangement of reasonable accommodations before the meeting, the Executive Director shall cause reasonable accommodations to

be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

## **2.6. Procedure.**

**2.6.1. Quorum.** Under the TMRS Act, a quorum of the Board is a majority of the number of members; therefore, four (4) Board members are required for a quorum.

**2.6.2. Voting.** As described in Section 1.6, at any meeting of the Board, four or more concurring votes are necessary for a decision or action by the Board.<sup>23</sup>

**2.6.3. Procedural Rules.** The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with Board-adopted rules or rules of procedure, these Bylaws, or applicable law, shall be the rules of parliamentary procedure for the Board and its committees.

**2.6.4. Minutes.** The minutes of the Board shall contain each subject of deliberation, all motions, and the vote, if any, on such motions. Each Board member shall be given an opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote on a motion.

## **CHAPTER 3**

### **COMMITTEES**

**3.1. Committees of the Board.** Committees may be created by action of the Board, which shall establish the purpose, membership, and responsibilities of the committee and may establish the term for which it shall exist. The responsibilities and structure of each committee will be in accordance with the 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. Section 3.3 sets forth existing standing committees of the Board. The Board may establish ad hoc committees and additional standing committees pursuant to these Bylaws.

**3.2. Composition of Committees.** Any committees created by the Board shall consist of two members, unless the Board otherwise provides by Board action or these Bylaws. The Chairman of the Board shall annually appoint committee members subject to the approval of the Board. The Chairman of the Board shall designate the chairman of each committee. Committee chairmen serve as chairmen at the pleasure of the Chairman of the Board. The terms of committee members expire as of the end

---

<sup>23</sup> See Texas Government Code, Section 855.009

of December of each year unless otherwise provided by Board action. In the event that the annual appointment of committee members does not occur before the members' terms expire, then the then-current committee members will holdover and remain in those positions until the next meeting of the Board and the appointment of committee members will be placed on the agenda for that meeting. The Chairman of the Board may appoint an interim successor to the committee for a member whose has resigned or created a vacancy in his or her committee position. Any such interim successor member of a committee may serve until the meeting of the Board at which the Board votes to consent to the appointment of committee members.

**3.3. Standing Committees.** Standing committees of the Board are set forth below. Each 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 its committee charter as approved by the Board.

**3.3.1. Advisory Committee on Benefit Design.** The Advisory Committee on Benefit Design ("Advisory Committee") is to provide input to the Board on benefit design issues and other matters determined by the Board relating to the System and to provide an additional conduit for communication between the System and its members, member cities, retirees, and elected officials. As noted in the Advisory Committee's charter, the Trustees appointed to this committee will be ex-officio, non-voting members of the Advisory Committee. The Advisory Committee is otherwise composed of two classes of members, Individual Class members and Group Class members, who are selected or approved by the Board. The Advisory Committee shall be entitled to have its members reimbursed for travel expenses incurred in attending meetings of the Advisory Committee (if those expenses are not paid by the city or organization they represent) on the same basis that members of the Board are reimbursed under these Bylaws.

**3.3.2. Budget and Compensation Committee.** The Budget and Compensation Committee ("Budget 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 ("Compensation Guidelines") approved by the Board; and (v) any special assignments relating to TMRS compensation matters.

**3.3.3. Internal Audit Committee.** The Internal Audit Committee (or successor committee, the "Audit Committee") is to advise and assist the Board in fulfilling its fiduciary responsibilities with respect to the adequacy of TMRS initiatives for fraud prevention and ethics, risk management, internal control

framework, oversight of the internal audit activity, external auditors, and other providers of assurance, and audit-related investigations.

**3.4. Committee Agendas.** The agenda for each committee meeting shall be set by the committee chairman.

## CHAPTER 4

### EXECUTIVE DIRECTOR

**4.1. Responsibilities of the Executive Director.** The Board shall employ an Executive Director pursuant to Texas Government Code, Section 855.201, with such duties as may be required by law and with such other duties as may be established by the Board in its policies, resolutions and other actions.

**4.1.1. Operations of the Board.** With respect to the operations of the Board itself, the Executive Director shall:

- a) make preparations, including Trustee travel arrangements for all meetings of the Board and its committees;
- b) under the direction of the Chairman of the Board or of a relevant committee, prepare and distribute the agenda and appropriate documentation for all meetings of the Board and its committees;
- c) under the direction of the Chairman of the Board or of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
- d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
- e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;
- f) ensure proper custody of the TMRS official seal, affixing it to, and attesting it to, and attesting when necessary or desirable, all documents executed by or on behalf of the System, the Board and its committees;
- g) maintain the official copy of these Bylaws;
- h) as directed by the Board, establish routine reporting mechanisms and procedures to the Board and prepare special reports to the Board; and
- i) carry out other policies adopted by the Board.

**4.1.2. Operations of the System.** The Executive Director is the chief executive officer of the System and is responsible to the Board of Trustees for the general administration of TMRS in accordance with applicable state laws and policies adopted by the Board. The Executive Director shall:

- a) manage the daily operations of TMRS as its chief executive officer, in accordance with the System's mission, vision and core values, and applicable state and federal laws;
- b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;

- c) assume authority and responsibility for the selection, performance evaluation, compensation, succession planning, and discipline, including dismissal, of all TMRS personnel except for :
  - (1) the Director of Internal Audit as provided in subsections 1.7 (ff) and 5.2 of these Bylaws; and
  - (2) the General Counsel as provided in subsections 1.7(ee) and 5.2 of these Bylaws;
- d) prepare and submit an annual operating and capital outlay budget for consideration by the Board;
- e) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;
- f) make transfers between line items in the annual budget (excluding personnel) not to exceed 10% of the total budget. The Executive Director shall seek Board approval for transfers involving personnel, new programs not anticipated in the budget or transfers exceeding 10% of the total budget;
- g) recommend to the Board the selection of the actuary, custodian for securities, securities lending agent (if desired), investment consultants, governance consultant, and governmental relations consultant to the Board, and fiduciary counsel to the Board;
- h) Work closely with the Board to ensure the financial stability and long-term viability of the System; monitor the performance of the investment portfolio, ensure assets are invested in accordance with established policies, and that proposer controls are in place to safeguard assets;
- i) Advise and confer with the Board on financial, economic and political trends and developments affecting the System;
- j) Ensure sufficient resources are requested through the budget process and that resources are properly aligned to execute and accomplish the System's strategic plan and goals;
- k) Maintain effective relationships with participating cities, member groups, key political leaders, media, and other stakeholders;
- l) Represent TMRS as a subject matter expert on System programs and activities and, as necessary, interact with legislators and testify as a resource on proposed legislation affecting TMRS; and
- m) annually brief the Board on the completion of the Executive Director's goals for the past year and the setting of his or her goals for the coming year.

**4.2. Absence of Executive Director.** If the Executive Director will be away from the TMRS headquarters for a brief period, then as contemplated by Section 4.3 of these Bylaws, the Executive Director may designate one or more senior level staff member(s) act in his or her stead generally or for a particular purpose. In the absence of the Executive Director due to incapacity or otherwise when the Executive Director has not previously designated a person(s) to fulfill his duties and the duration of the absence is unknown and the absence may be extended or permanent, the Deputy Executive Director shall perform such duties as are necessary to the administration of the

System and shall have the responsibility and authority of the Executive Director until the Board designates the person succeeding to the responsibilities and authority of the Executive Director. In an emergency situation in the absence or incapacity of the both the Executive Director and the Deputy Executive Director, the Chairman of the Board shall designate the person succeeding to the responsibilities and authority of the Executive Director pending approval by the Board of Trustees. The Chairman of the Board or the Deputy Executive Director shall notify the Texas Ethics Commission whenever there is a change in the person named to the position of Executive Director.

**4.3. Delegating Responsibilities.** The Executive Director shall designate an employee of TMRS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 and may assign other employees of TMRS as necessary to assist in carrying out these and other duties.

## CHAPTER 5

### MISCELLANEOUS ORGANIZATIONAL PROVISIONS

**5.1. Administration of TMRS.** The administration of TMRS is governed by these Bylaws, Board policies, and applicable state law. In the event of a conflict between these Bylaws and applicable state law, the applicable state law shall govern to the extent necessary to resolve the conflict.

**5.2. Employees.** All employees of the System serve on an 'at will' basis and may be hired or terminated by the Executive Director, except for the Director of Internal Audit and General Counsel, who may be hired or terminated by the Board. Employees' positions and responsibilities are governed by the Employee Policies and Benefits Manual and the Salary Schedules adopted by the Board, and by applicable state law.

**5.3. Investments.** The investments of the System are authorized to be made only in accordance with investment goals, objectives, and policies adopted by the Board of Trustees and authorized by applicable state, federal, and foreign law. The Executive Director, or his/her designee, may, from time to time, approve and adopt procedures for implementing such investment goals, objectives, and policies adopted by the Board; provided, however, that the Board, in its sole discretion and by Board vote or resolution, may revoke all or any part of such authority delegated to the Executive Director, or his/her designee, and retain the authority to approve and adopt some or all such investment procedures from time to time.

**5.4. Custody of TMRS Assets.** TMRS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold TMRS assets.

**5.5. Budget and Fiscal Year.** The budget of the System shall be adopted by the Board and may be amended by the Board at any subsequent meeting(s). The System's fiscal year shall begin January 1 and shall end the following December 31.

**5.6. Title to and Ownership of Assets.** Accounts or assets of the System may be held in the name of TMRS, a nominee, or other agent in accordance with Texas Government Code, Section 855.301. The assets of the System shall not be considered at any time to be assets of the State of Texas or of any participating municipality or of the System's members, annuitants, and beneficiaries; but are to be held in trust for the exclusive benefit of TMRS members, annuitants and beneficiaries.

**5.7. Authority to Act.** The Board delegates authority for the following matters to the Executive Director or such person as the Executive Director may designate, subject to applicable law, and actions and policies of the Board:

- a) certain investment decisions;
- b) contracts for the purchase of goods and services, in accordance with the budget;
- c) release of assets held in the name of the System, its nominees, or other agents;
- d) signing checks and authorizing fund transfers for payments from the assets of the System;
- e) initiation, defense, and settlement of lawsuits and other claims subject to applicable actions of the Board. The Executive Director, after consultation with legal counsel, is authorized to settle benefit or employment related lawsuits and other claims without Board approval. The Executive Director, after consultation with legal counsel, is authorized to settle non-benefit and non-employment related lawsuits and other claims without Board approval for amounts not exceeding \$100,000;
- f) the development and approval of policies and procedures concerning the day-to-day operations of the System; and
- g) Beyond the responsibilities listed in Section 1.7, all other responsibilities related to the daily management of the System are delegated to the Executive Director.

**5.8. TMRS Rules.** The Executive Director is authorized to draft and submit proposed rules for the System to the Secretary of State to be considered by the Board for adoption in accordance with state law.

**5.9. Protection of Trustees and Others.** System will indemnify, defend, and hold harmless its current and former Trustees, officers, employees, and members of the TMRS medical board in accordance with the following provisions.

**5.9.1. Permissive Indemnification.** The System shall indemnify any person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a trustee, officer, employee, or member of the medical board of the System or is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity, as follows:

5.9.1.1. Such person shall be indemnified against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but, if the person is found liable to the System or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding excluding a judgment, penalty, fine, or excise or similar tax and (2) shall not be made (even as to expenses) in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the System, for breach of his duty of loyalty owed to the System, or for an act or omission not committed in good faith that constitutes a breach of a duty owed by him to the System.

5.9.1.2. Such a person shall be indemnified under this Section 5.9 if it is determined that such person conducted himself or herself in good faith and reasonably believed, in the case of conduct in his or her official capacity, that his or her conduct was in the System's best interest, and in all other cases that his or her conduct was at least not opposed to the System's best interests. In the case of any criminal proceeding, an additional determination must be made that such person had no reasonable cause to believe his or her conduct was unlawful.

5.9.1.3. The determinations regarding conduct required under Section 5.9.1.2 shall be made by:

(1) a majority vote of the Trustees who at the time of the vote are disinterested and independent, regardless of whether the Trustees who are disinterested and independent constitute a quorum;

(2) a majority vote of a committee of the Board if the committee:

(A) is designated by a majority vote of the Trustees who at the time of the vote are disinterested and independent, regardless of whether the governing persons who are disinterested and independent constitute a quorum; and

(B) is composed solely of one or more Trustees who are disinterested and independent;

(3) special legal counsel selected by the Board, or selected by a committee of the Board, by vote in accordance with Subdivision (1) or (2);

If special legal counsel determines under Subsection 5.9.1.3(3) that a person meets the standard under Section 5.9.1.2, the special legal counsel shall determine whether the amount of expenses other than a

judgment is reasonable but may not determine whether indemnification should be paid. The provisions of Section 5.9.1.2 requires the indemnification of a person who meets the standard under Section 5.9.1.2.

**5.9.2. Mandatory Indemnification for Reasonable Expenses.** The System shall indemnify a person who is or was trustee, officer, employee, or member of the medical board of the System or a person who is or was serving at the request of the System as a trustee, director, officer, employee or agent of any other entity against reasonable expenses incurred by such person in connection with a proceeding in which such person is a party as a result of his or her position as such a person, if such person has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

**5.9.3. Expenses Advanced.** The System may pay or reimburse, in advance of the final disposition of a proceeding without making the determinations required under Section 5.9.1.2, any reasonable expenses incurred by a person is or was a trustee, officer, employee, or member of the medical board of the System, or by a person who is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity who was, is, or is threatened to be, made a named defendant or respondent in such a proceeding after the System receives (i) a written affirmation by such person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article 5.9 and (ii) a written undertaking by or on behalf of such person, to repay the amount paid or reimbursed if it is ultimately determined that he or she has not met those requirements.

**5.9.4. Expenses as a Witness.** The System may pay or advance or reimburse as set forth in Sections 5.9.2 and 5.9.3 of these Bylaws reasonable expenses incurred by a trustee, officer, employee, or member of the medical board of the System, or by a person serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity in connection with the appearance of such person as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

**5.9.5. No Presumption.** The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the person did not meet the requirements set forth in this Article 5.9. A person shall be deemed to have been found liable in respect of any claim, issue, or matter only after the person shall have been so adjudged by a court of competent jurisdiction and after exhaustion of all appeals therefrom.

**5.9.6. Insurance.** The System may purchase and maintain insurance or another arrangement on behalf of any person who is or was a trustee, officer, employee, or member of the medical board of the System or who is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his status as such a person, whether or not the System would have the power to indemnify him or her against that liability under these Bylaws. Without limiting the power of the System to procure or maintain any kind of insurance or other arrangement, the System may, for the benefit of persons indemnified by the System establish any form of self-insurance. In the absence of fraud, the judgment of the Board and/or the Executive Director as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the Trustees or Executive Director approving the insurance or arrangement to liability, on any ground, regardless of whether Trustees and/or the Executive Director participating in the approval are beneficiaries of the insurance or arrangement.

**5.9.7. Other Protection.** The protection and indemnification provided hereunder (i) shall not be deemed exclusive of any other rights to which such person may be entitled under law, any agreement, any insurance policy, or otherwise; (ii) shall continue as to any person who has ceased to serve in the capacity which initially entitled such person to indemnity and advancement of expenses; and (iii) shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of such person. The rights granted by this Article 5.9 shall be deemed to be contract rights, and no amendment, modification, or repeal of any provision of this Article 5.9 shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification, or repeal.

**5.9.8. Notice of Indemnification of or Advance of Expenses.** Any indemnification of or advance of expenses to a Trustee in accordance with this Article 5.9 shall be reported in writing to the Board with or before the next Board meeting.

**5.10. Insurance.** The System may at the discretion of the Board purchase and maintain insurance on behalf of the System and its current and former Trustees, officers, employees, and members of the TMRS medical board.

**5.11. Official Seal of TMRS.** The form of the official seal of TMRS shall consist of a five-point star surrounded by a pair of branches and two concentric circles with the name "Texas Municipal Retirement System" and the word "Austin" displayed in the space between the two circles. The seal may be either embossed or stamped. Affixing the TMRS seal is not necessary to authenticate or attest a TMRS document unless the seal is required by applicable law.

## CHAPTER 6

### AMENDMENT OF BYLAWS

#### Section 6.1 Amendment of Bylaws.

These Bylaws may be amended by majority vote of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act.

#### **Bylaws Review and History.**

Effective beginning May 28, 2020, these Bylaws will be reviewed at least every four years.

The Board adopted these Bylaws of the Board of Trustees of the Texas Municipal Retirement System on September 16, 1995.

The Board subsequently amended these Bylaws by vote of the Board on:

- March 19, 2004
- September 18, 2004
- September 7, 2007
- December 4, 2014
- December 5, 2019,
- May 28, 2020, and
- September 17, 2020

  
\_\_\_\_\_  
Chairman, Board of Trustees

ATTEST:

  
\_\_\_\_\_  
Executive Director



March 16, 2026

**To: Board of Trustees**

**From: Tom Masthay, Chief Investment Officer** *TM*

**Re: Agenda Item 15: Report on Investment Committee Meeting**

Trustee Bryan Langley and Tom Masthay will report on the Investment Committee meeting.



March 16, 2026

**To: Board of Trustees**

**From: Tom Masthay, Chief Investment Officer** *TM*

**Re: Agenda Item 16: Consider and Act on Possible Amendments to the Investment Policy Statement**

Tom Masthay will present proposed amendments to the Investment Policy Statement for the Board's consideration.

**ATTACHMENTS:**

1 – Investment Policy Statement (red-lined)



# INVESTMENT POLICY STATEMENT

Effective ~~January~~ April 1, 2026

## TABLE OF CONTENTS

	<b>PAGE</b>
Section I	INTRODUCTION ..... 1
Section II	STANDARD OF CARE ..... 1
Section III	INVESTMENT MANAGEMENT ..... 2
Section IV	DELEGATED AUTHORITY AND REPORTING REQUIREMENTS .. 6
Exhibit A	ASSET ALLOCATION ..... A-1
Exhibit B	INVESTMENT FEE POLICY ..... B-1
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 and staff 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. To advise and assist the Board in fulfilling its fiduciary oversight responsibilities, the Board has established an Investment Committee operating under the Charter for the Board's Investment Committee. The Board, Investment Committee, 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 Investment Legal and Compliance Officer.** The Chief Investment Legal and Compliance Officer (CILCO) is the System's chief investment legal advisor. ~~With respect to the investment program, the CLO or their designees coordinate~~ The CICLO is responsible for coordinating all legal services relevant to the administration of the investment program and 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.

**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, CILCO and CIO ~~CLO~~ on investment-related legal matters.

~~**Chief Compliance Officer.** The Chief Compliance Officer (CCO) 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 October 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:

<b>Asset Class</b>	<b>Target %</b>	<b>Range</b>	<b>Benchmark</b>
Public Equity	35%	25% - 45%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Private Equity	20%	12% - 28%	Cambridge Global Private Equity & Venture Capital
Tactical Opportunities	6%	0% - 11%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Credit	21%	13% - 29%	40% ICE BofA 1-3 yr. A-BBB US Corporate Index 60% CS Leverage Loans Index + 100 bps
Real Assets	18%	10% - 26%	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.



March 16, 2026

**To: Board of Trustees**

**From: Tom Masthay, Chief Investment Officer** *TM*

**Re: Agenda Item 17: Board Education: Public Equity Asset Class**

Frank Atkins, Senior Director of Public Markets, will present a review of the Public Equity asset class.



# Board Education: Public Equity

Frank Atkins, Senior Director, Public Equity

Board of Trustees Meeting

March 26, 2026

# Public Equity – Agenda

- ❖ Overview of Public Equity
- ❖ TMRS's Public Equity Portfolio - Current Exposures, History, Approach
- ❖ Keys to Managing a Large Institutional Equity Portfolio – Beta, Alpha, Risk Management
- ❖ Performance Overview
- ❖ Approach: Active/Passive, Liquidity, Fees, Risk Control
- ❖ Areas of Focus and Goals going forward

# Public Equity Executive Summary

1

**Compound Returns.** The Public Equity asset class is intended to enhance total fund performance through investment in publicly traded equity securities. This is done through a broadly diversified portfolio which drives value creation through capital appreciation and dividends.

2

**Liquid, transparent, low-fee portfolio.** The Public Equity market is an established asset class with significant liquidity, transparency and low fees relative to alternative/private asset classes.

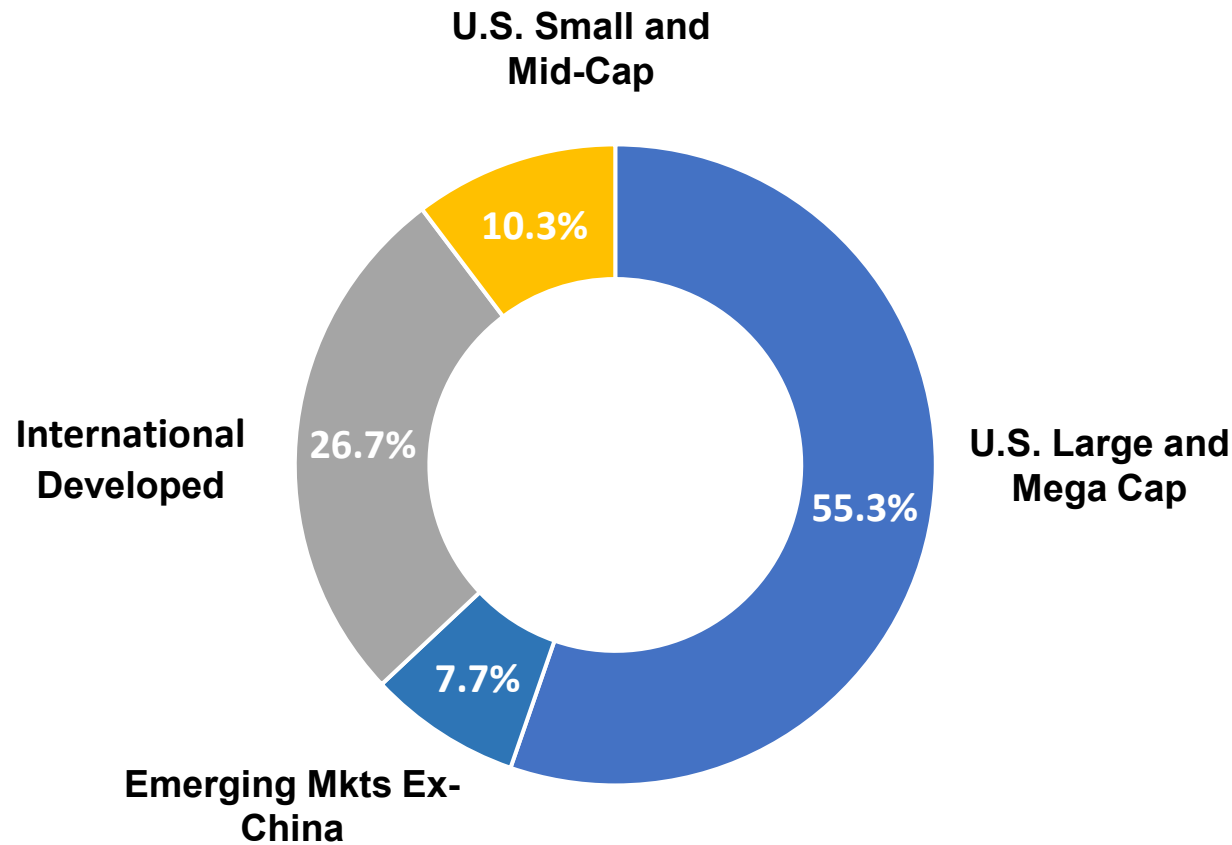
3

**Risk Management.** The TMRS public equity portfolio is designed to manage risk by being benchmark aware relative to geographic, sector, market capitalization and style factors.

# Key Performance Indicator Dashboard (December 31, 2025)

	Key Performance Indicator (KPI) Description	Grade	Progress	
Portfolio Pacing and Construction	Maintain allocation within target range (35%-45%)	On-track	4Q allocation was 38%, within asset class guidelines	
	Strategically increase active management	On-track	Approximately 27% active management as of 12/31/25	
Maintain Liquidity and Low Fees	Fees remain low and portfolio continues to supply significant liquidity to the Trust	On-track	Weighted average fees of ~12 bps with strong liquidity	
Maintain Benchmark Alignment	Maintain benchmark alignment	On-track	Aligned with benchmark with respect to geography, market capitalization and style factors	
Sustainable Performance	Portfolio performance relative to benchmark	On-track	1 Year	5 Year
	Asset class ranking vs. peers	On-track	+84 bps	-1 bps
			2nd Quartile	1st Quartile

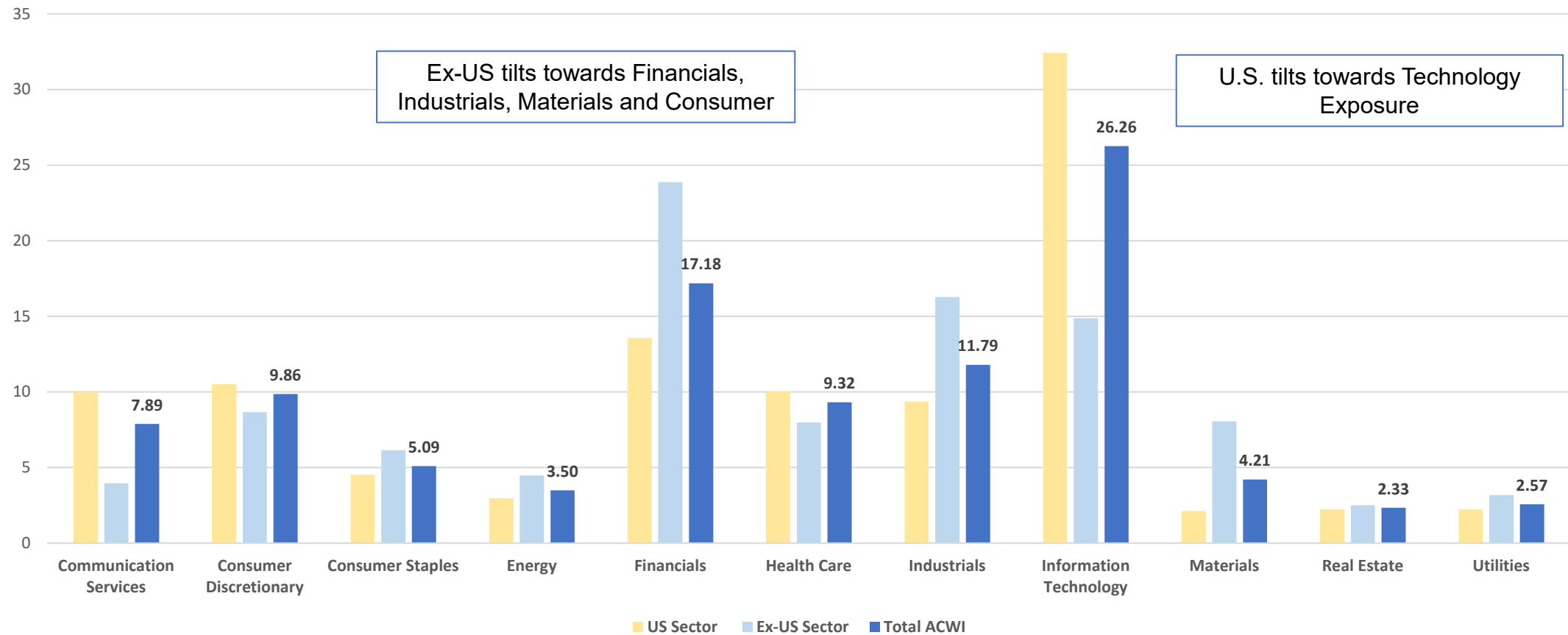
# Public Equity – Opportunity Set



- The Public Equity Market is a **large opportunity set of approximately \$100 Trillion USD market capitalization.**
- This includes **many of the largest, most successful companies around the world.**
- The public equity market has a **long history and established legal backdrop**, regulated by country-specific authorities and exchanges.
- Public Equities as an asset class allows for **daily liquidity, transparency and real time pricing.**
- The Portfolio is broadly **diversified by country and sector.** For example, the MSCI AWCI benchmark represents share ownership in 7,338 names (as of December 2025).

# Public Equity – Exposure by Sector

Percent of Total By Sector (%)



Source: MSCI ACWI Ex-China, Ex-Hong Kong Index, TMRS



# Public Equity – Characteristics of a Benchmark

- ❖ Is **Measurable**, quantifiable and well-defined, aiding in deep analytics.
- ❖ **Represents the opportunity set** or asset class well, similar characteristics and behaviors.
- ❖ We can understand the **identity and weight of constituents**, we can parse subcomponents.
- ❖ Is largely **stable and trackable**, and relevant over time with a long history.
- ❖ TMRS's Public Equity is benchmarked to the **MSCI ACWI IMI Ex-China Ex-Hong Kong** (All Country World Index). This is a benchmark comprised of 7,338 securities and provides global diversification.

# Global Public Markets – Portfolio Construction

TMRS Public Equity is invested in a manner closely aligned with its benchmark. The current investment approach focuses on isolating security selection as a driver of value in lieu of pursuing large factor/risk mismatches relative to the benchmark.

**Portfolio Construction In public markets focuses on three key areas:**

## Benchmark Alignment

Investments in public markets should be aligned with the Board approved benchmarks. The portfolio should have a balanced approach to geography, sector, and market capitalization that doesn't lead to outsized factor bets.

## Active vs. Passive

Active management is pursued in areas of the benchmark with the highest probability of producing excess returns versus passive market equivalents.

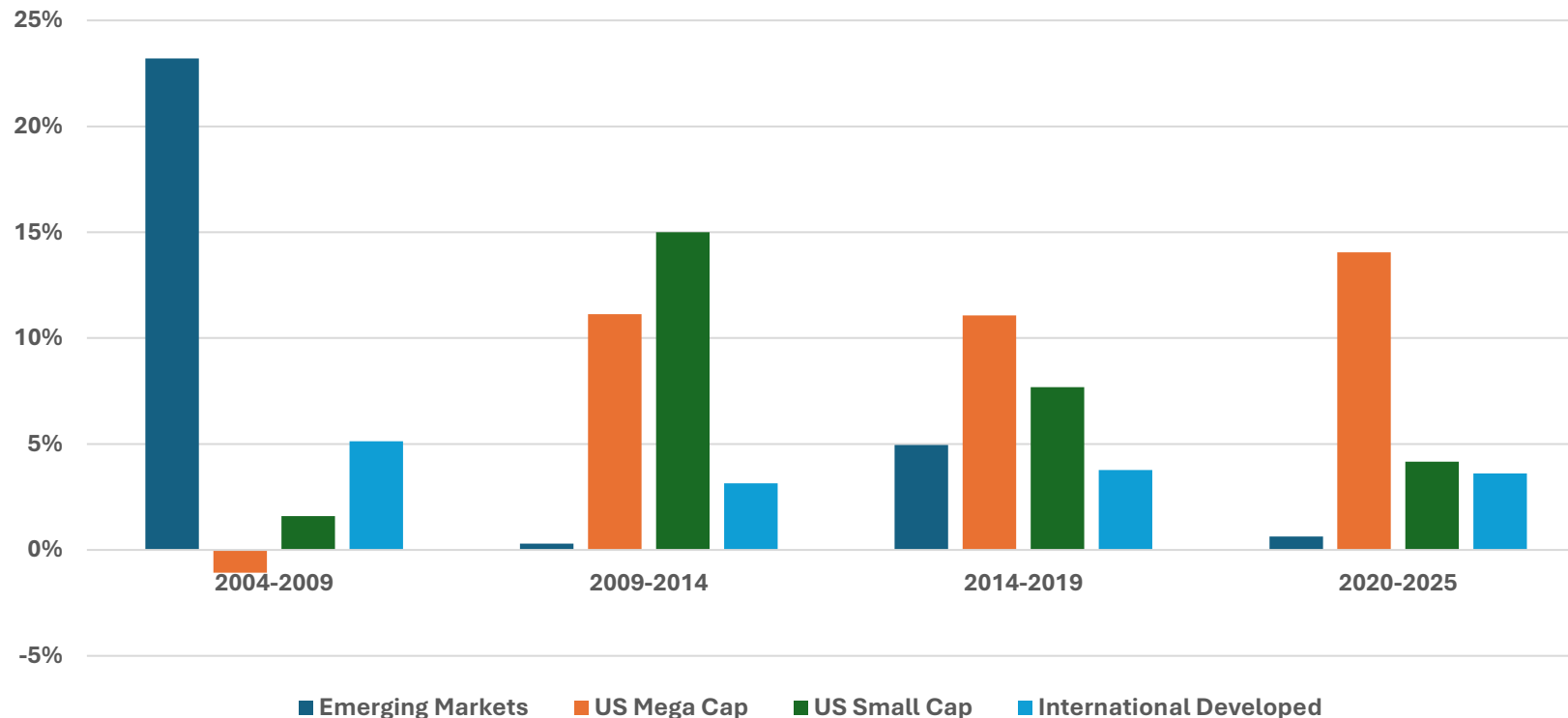
## Controlling Style Risks

TMRS partners with long-tenured organizations with a proven ability to manage market risk in different environments and market cycles, while reducing operational risk, and organizational risk to insulate the portfolio.

# Public Equity – Benchmark Risk

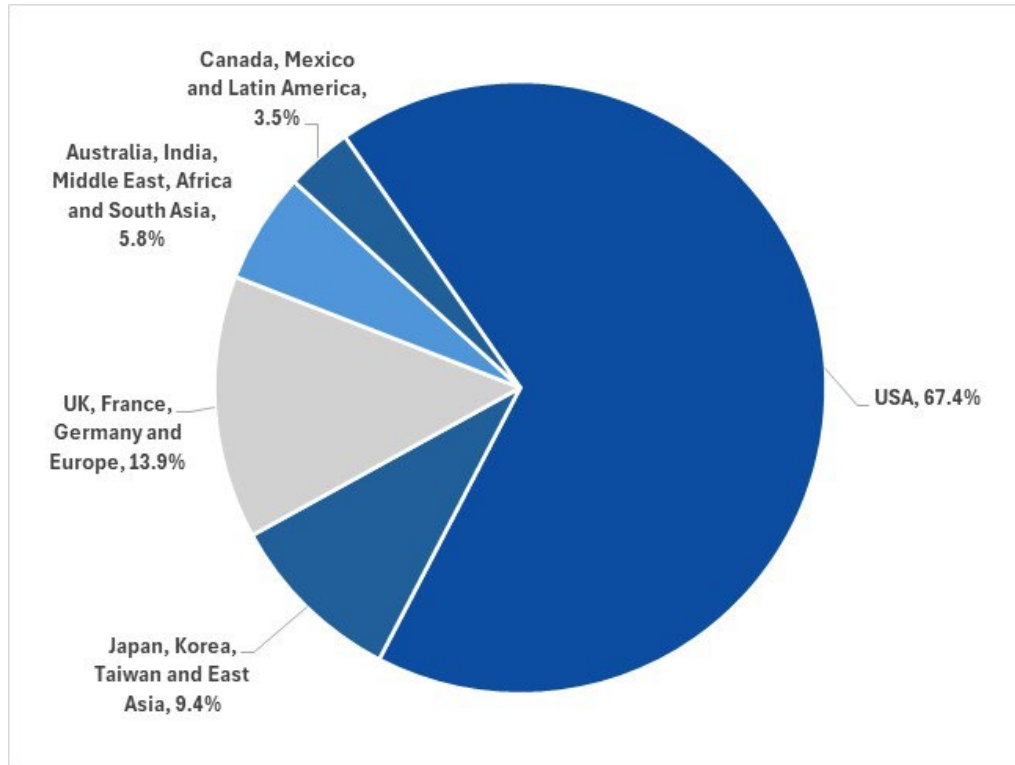
Sectors and geographies in TMRS' global equity portfolio behave differently across different time periods. A small overweight or underweight can lead to large differences in performance.

Average Yearly Performance of MSCI ACWI Subcomponents



# Public Equity – Exposure By Geography

Public Equity Geographical Exposure

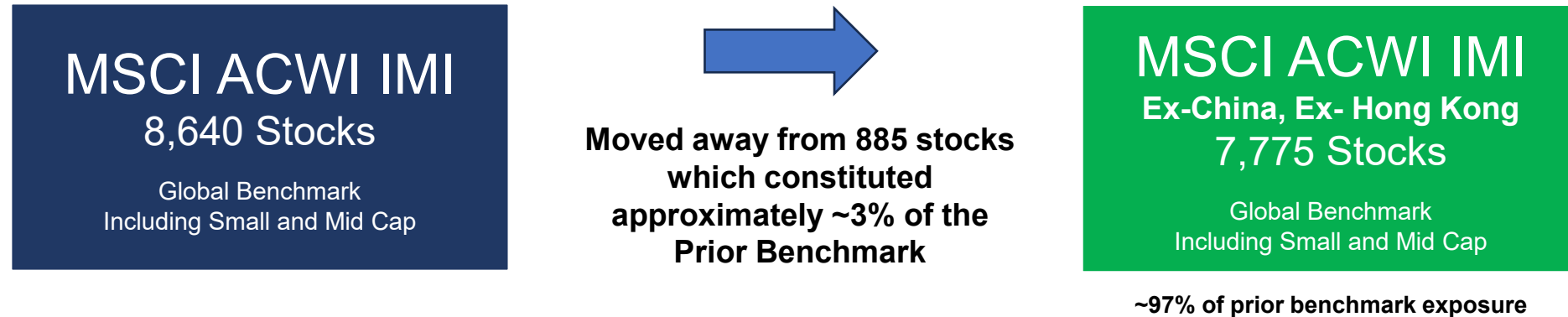


Code	Country Name	Weight	Code	Country Name	Weight
US	USA	67.359%	FI	FINLAND	0.224%
JP	JAPAN	5.595%	MY	MALAYSIA	0.187%
GB	UNITED KINGDOM	3.298%	MX	MEXICO	0.182%
CA	CANADA	2.840%	TH	THAILAND	0.179%
IN	INDIA	2.234%	NO	NORWAY	0.179%
FR	FRANCE	2.228%	ID	INDONESIA	0.164%
TW	TAIWAN	2.122%	AE	UNITED ARAB EMIRATES	0.142%
CH	SWITZERLAND	1.963%	PL	POLAND	0.095%
DE	GERMANY	1.882%	TR	TURKEY	0.094%
AU	AUSTRALIA	1.712%	QA	QATAR	0.087%
KR	KOREA	0.978%	KW	KUWAIT	0.086%
NL	NETHERLANDS	0.925%	AT	AUSTRIA	0.069%
SE	SWEDEN	0.847%	IE	IRELAND	0.063%
IT	ITALY	0.632%	NZ	NEW ZEALAND	0.060%
DK	DENMARK	0.612%	PH	PHILIPPINES	0.059%
ES	SPAIN	0.578%	GR	GREECE	0.054%
SA	SAUDI ARABIA	0.442%	CL	CHILE	0.049%
BR	BRAZIL	0.415%	PT	PORTUGAL	0.041%
SG	SINGAPORE	0.391%	PE	PERU	0.028%
ZA	SOUTH AFRICA	0.324%	HU	HUNGARY	0.024%
IL	ISRAEL	0.293%	CZ	CZECH REPUBLIC	0.013%
BE	BELGIUM	0.233%	CO	COLOMBIA	0.010%
			EG	EGYPT	0.009%

Source: MSCI ACWI Ex-China, Ex-Hong Kong Index, TMRS

# Quick Note on Benchmark Adjustments 2024

In December 2024, the Board adopted a Public Equity benchmark which excluded China and Hong Kong.



TMRS divested of China and Hong Kong securities. This effort required the transition from index funds to separately managed accounts (SMAs). The distinction between funds and SMAs is that TMRS shareholder of record in the latter case. Being the shareholder of record involves more operational attention (e.g., proxy voting, reconciliation, etc.) than do index funds.

# Public Equity – History

Active Management -  
Core Satellite Approach  
2013-2022

Active management was built across many strategies. Portfolio did not closely resemble the benchmark.

**-\$332M**

Est. 10-year value-add vs.  
benchmark

(-0.33% per annum on \$10B avg. portfolio size)

Portfolio Rebuild, Benchmark  
Aware Active/Passive Blend  
2022

Portfolio was re-anchored to the benchmark, eliminating significant factor mismatches.

- *Two active managers terminated and two managers re-sized.*
- *Broke apart passive exposure into sleeves for risk control and funded up US Mega Cap/Large cap account.*

Portfolio Refinement,  
Selective Active Mgt. Addition  
2023-2025

Selective pursuit of alpha where there is high probability of achieving success.

**+\$224M**

Est. 3-year value-add vs.  
benchmark

(+0.47% per annum on \$15B avg. portfolio size)

# Public Markets – Portfolio and Manager Risk Control

Portfolio Construction In Public Markets Focuses on managing three key risks:

## Macroeconomic Risks

The portfolio should be resilient across changing market cycles. Managers should have a track record of downside protection during economic dislocations.

## Benchmark Risks

Investments in public markets should be aligned with the Board's approved benchmarks and illustrate a consistent path of excess returns in changing market cycles.

## Manager Specific Risks

TMRS partners with long-tenured stable organizations with a proven ability to manage market risk, operational risk, and organizational risk.

# Public Equity – Active vs. Passive

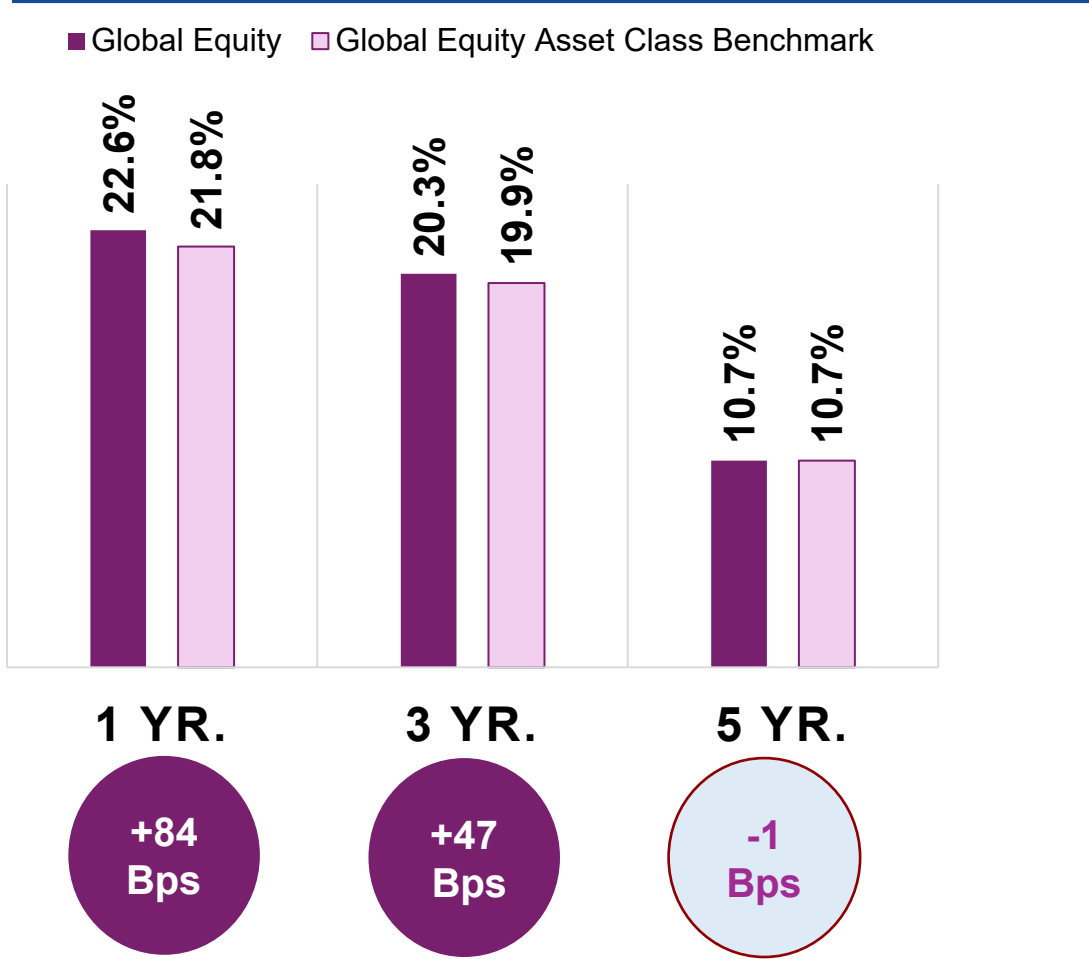
- ❖ **Investors tend to use both Active and Passive mandates. TMRS' portfolio is currently 27% actively managed and 73% passively managed.**
- ❖ In Public Equities passive is an inexpensive option which enables portfolio management flexibility.
- ❖ In select areas – Emerging Markets, International, Small Cap, Global – there is a better track record for active management, and higher probability for outperforming passive.
- ❖ Active management is generally a zero-sum game – after fees. Outperformance requires partnering with managers that provide durable, above average performance.
- ❖ TMRS employs passive strategies in two ways: i) in markets where there is low probability/reward for outperformance; and ii) to ensure TMRS' total public equity portfolio (i.e., active and passive combined) reflects the overall factor exposures of the benchmark (this is an active portfolio management exercise).
- ❖ The goal of an active/passive combination approach is to avoid large negative performance deviations from the benchmark and ensure the portfolio benefits from good security selection when achieved.
- ❖ **TMRS rebuilt its public equity portfolio beginning in 2022 to reflect the above stated approach. Significant improvement in performance has been achieved since.**

# Global Public Equity – Performance 12/31/2025

## Topic | Q4 Commentary (October 1, 2025 – December 31, 2025)

<p><b>Market activity</b></p>	<ul style="list-style-type: none"> <li>Global Public Equities posted another year of <b>strong performance in 2025, up 22.6%</b>. USA Public Equities rallied 16.8%, while Ex-USA public equities were up 33.3%.</li> <li>Large Cap names, specifically related to Artificial Intelligence initiatives such as Nvidia, Microsoft, Taiwan Semiconductor, ASML performed strongly. We also note that outside the USA, healthcare, industrials and financials have done well. Emerging Markets excluding China were up 31.4%.</li> </ul>
<p><b>Portfolio activity</b></p>	<ul style="list-style-type: none"> <li>Portfolio activity in the year included the <b>addition of \$200M to an existing manager and adding \$500M to a global quantitative strategy</b>. We also <b>funded up a new international manager (\$250M)</b> and exited a US Mid Cap relationship. On a \$15B base at the end of 2024, the public equity portfolio added ~\$3.4B to the Trust in 2025 and relative to benchmark added ~\$141M.</li> </ul>
<p><b>Performance</b></p>	<ul style="list-style-type: none"> <li>Net returns were <b>+22.6% and +10.7% for the 1-year and 5-year periods</b> ended December 31, 2025. The Public Equity portfolio <b>outperformed</b> its benchmark by <b>84 bps on a trailing 1-year basis</b> and underperformed its benchmark by 1 bps on a trailing 5-year basis. Three-year results are now positive.</li> <li>Outperformance in 2025 was driven by <b>strong returns from new managers</b> including <b>Arrowstreet and Marshall Wace</b>.</li> </ul>

## TMRS Net Performance vs. Benchmark



# Public Markets – Selecting Active Managers

The blended approach of using both passive and active public equity portfolios drives outperformance, reduces fees and serves as a source of liquidity to fund benefit payments and meet other cash needs.

## Manager Selection

### Consistent

*Invest in managers with a proven track record of success in changing market environments.*

### Innovative

*Invest in managers with a focus on quantitative methods and new technologies.*

### Institutional

*Invest in managers who can attract and retain the best industry talent.*

# Public Markets – Manager Specific Risks

## Size

TMRS partners with large institutional managers that have a long track record of outperformance. Managers who are can operate at scale have a proven ability to manage public market volatility.

## Capacity

Top managers can choose who they partner with. Over 75% of our public managers are capacity constrained and will only selectively allow for additional investments.

## Market Risk

Top managers have a codified risk management process including limits on sector, style, and geography exposures. Managers have formal risk management guardrails to control portfolio drawdowns.

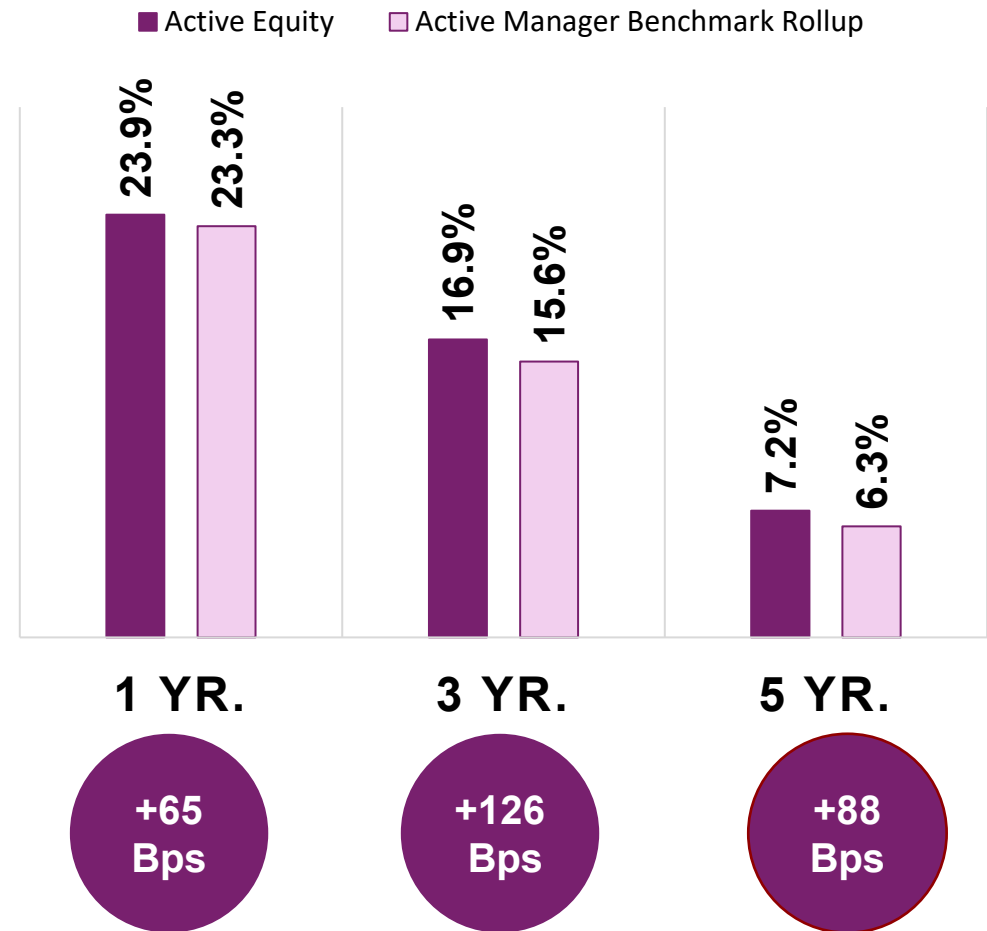
## Operational Risk

Managers in the TMRS portfolio are independently rated ‘above average’ or ‘amongst the best in class’ for operational and investment risk by Albourne. Securities in separately managed accounts are held at TMRS’ custodian bank State Street to mitigate operational risk.

# Active Managers - Performance 12/31/2025

Topic	2025 Commentary
Market activity	<ul style="list-style-type: none"> <li>The Public Equity book has <b>13 total investment strategies, 10 of which are considered active managers</b> (whose role is to outperform their benchmarks).</li> <li>The <b>TMRS Active book is tilted towards International, Emerging Markets and US Small Cap</b>, as much of our U.S. Large cap exposure is passively managed. In 2025, this positioning helped drive performance as International outperformed the U.S. <b>The active book was up 23.9% y/y and has outperformed on the 1-, 3-and 5-year periods.</b></li> </ul>
Portfolio activity	<ul style="list-style-type: none"> <li><b>TMRS's Active portfolio was in the 2<sup>nd</sup> and 1<sup>st</sup> quartile relative to Institutional peers over the 1- and 3-year period respectively</b>, and above median in the 5-year period according to NEPC's universe of Peer Defined Benefit programs over \$1B.</li> <li>Staff terminated one active manager in 2025 and completed three new investments. All active managers are positive versus their respective benchmarks over the 5-year period.</li> </ul>
Performance	<ul style="list-style-type: none"> <li>A significant amount of outperformance in 2025 was driven by : strong returns from <b>Arrowstreet's International Strategy, Jacobs Levy's US Small Cap, Marshall Wace's Global, Wellington's International Strategy</b> and a <b>DFA Developed International Strategy</b>.</li> </ul>

## TMRS Net Performance vs. Benchmark



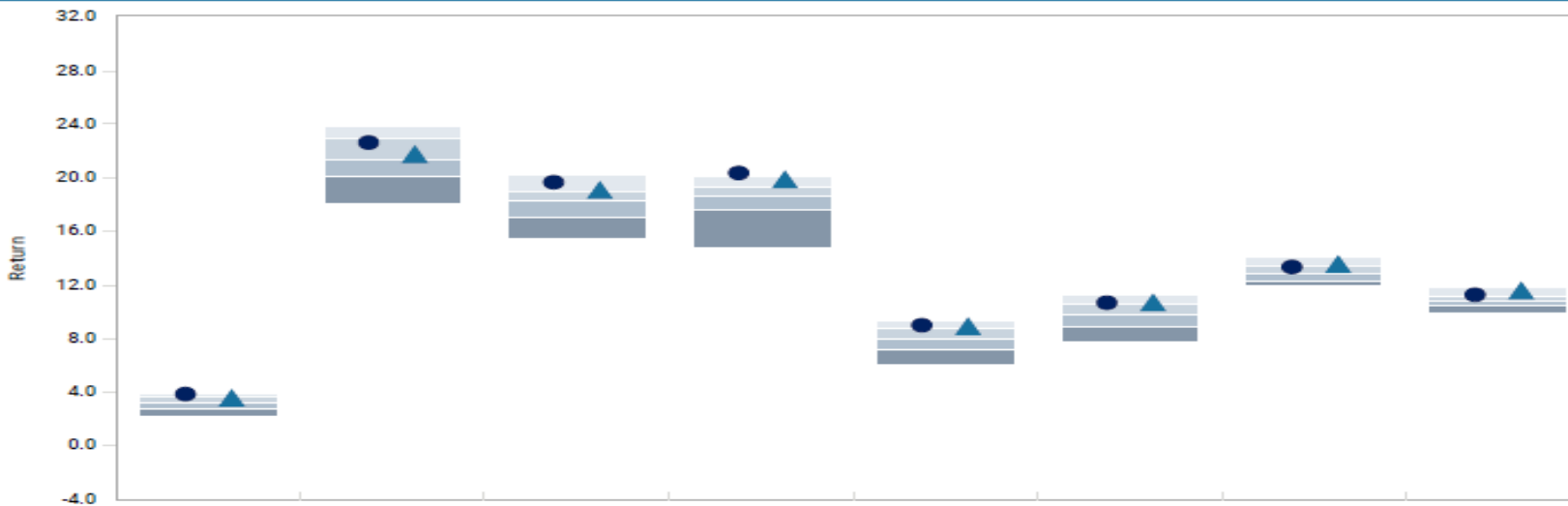
# Performance Relative to Peer Universe

Texas Municipal Retirement System

December 31, 2025

## RETURN SUMMARY VS. PEER UNIVERSE

Global Equity vs. InvMetrics Public DB > \$1 Billion Total Equity



	3 Mo	1 Year	2 Years	3 Years	4 Years	5 Years	7 Years	10 Years
● Global Equity	3.9 (5)	22.6 (33)	19.7 (13)	20.4 (3)	9.0 (21)	10.7 (24)	13.3 (30)	11.3 (13)
▲ Total Equity Index	3.6 (28)	21.8 (37)	19.0 (21)	19.9 (14)	8.9 (24)	10.7 (24)	13.6 (13)	11.6 (8)
5th Percentile	3.9	23.8	20.2	20.1	9.4	11.3	14.1	11.7
1st Quartile	3.7	22.9	19.0	19.3	8.9	10.6	13.4	11.2
Median	3.2	21.3	18.3	18.7	8.1	9.8	12.9	10.8
3rd Quartile	2.8	20.1	17.0	17.6	7.3	8.9	12.3	10.5
95th Percentile	2.2	18.1	15.4	14.7	6.1	7.7	11.9	9.9
Population	20	20	20	19	18	17	15	11

# Progress vs. Communicated Goals

**Drive Strong Returns** – In 2025, we added two manager relationships and scaled up an existing relationship, while redeeming from one manager. We currently have 10 manager relationships across 12 total strategies.

**Risk Controlled Benchmark Aligned Framework** – Our benchmark aware public equity portfolio saw tight tracking error in passive strategies and outperformance in active strategies. We increased our percentage of active management from 22% to 27% in 2025.

**Low fees, high transparency and high liquidity** – Total portfolio fees were approximately 12 basis points on an aggregated basis. 94% of the portfolio has daily liquidity.

## 2025 Goals

*Communicated at the March 2025 Board Meeting*



**Build on recent success.** Continue to implement successful strategy of maintaining geographic, size, sector and style exposures in-line with that of the benchmark.



**Selectively increase active management.** Scale best of existing manager relationships and add new relationships where there is high probability for durable success.



**Enhance portfolio integration.** Continue to develop tools and perspectives on risk and return analysis, liquidity, and interaction with other asset classes in the portfolio.

# Looking Forward

**1**

**Selectively add active management.**

Identify and pursue additional markets and strategies which provide high probabilities of achieving outperformance.

**2**

**Scale with the best existing and new partners.**

Deepen ties with a select set of strategic fund partners and establish new exceptional partnerships.

**3**

**Risk management, liquidity, transparency and low fees.**

Continue to align portfolio with benchmark risk profile, while keeping the portfolio liquid, transparent, and low-cost.