

# Popular Annual Financial Report

For the year ending December 31, 2022



**TMRS**

***Celebrating 75 Years***

Texas Municipal Retirement System



## From the Executive Director

On behalf of the Texas Municipal Retirement System (TMRS) Board of Trustees and staff, I am pleased to present you with this Popular Annual Financial Report (PAFR) for the year ended December 31, 2022. The PAFR provides a summary of TMRS information taken from TMRS' 2022 Annual Comprehensive Financial Report (ACFR), which is available at [tmrs.com](https://tmrs.com).

TMRS is financially sound and well-funded. Trust Fund investments totaled \$35.5 billion as of December 31, 2022. Reflecting a difficult year for investment markets, the 2022 net investment return on Trust Fund assets was -7.35%, but that return exceeded our asset allocation benchmark. TMRS paid \$1.8 billion in benefits in 2022, 8.3% more than we paid in 2021.

2022 was a year of significant staff achievement, including implementing a new city portal contribution reporting system, retaining NEPC as the Board's General Investment Consultant, enhancing Member and city training and communications, and improving the website.

I want to thank 2022 Board Chair Jesús Garza, Vice Chair Bob Scott, and their Board Colleagues for their leadership and support, and TMRS' staff for their passion in serving TMRS' Members and participating cities.

Sincerely,

David B. Wescoe  
Executive Director

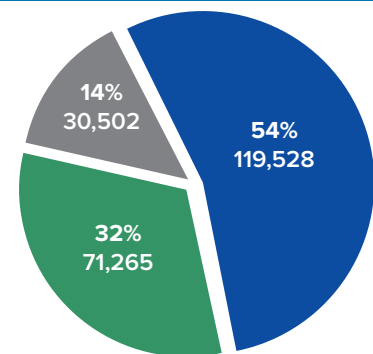
## Membership and Participating Cities

TMRS administers a cash-balance defined benefit retirement plan for eligible employees of participating cities. At December 31, 2022, we had 221,295 members and retirees from 919 participating cities.

Members are eligible to retire based on their city's vesting, age, and service requirements. Depending on the city's plan provisions, a member vests after either five or 10 years of service and is eligible to retire at age 60, or at any age with 20 or 25 years of service.

TMRS also administers a Supplemental Death Benefits Fund (SDBF) that provides a one-time death benefit for active members and retirees of participating cities that elect this benefit.

### 2022 MEMBERSHIP



- Active Members
- Inactive, Vested Members
- Retired Members

## Financial Information

The following table presents TMRS' assets and liabilities for the years ending December 31, 2022 and 2021. Fiduciary net position is the difference between assets and liabilities and represents the funds accumulated for the payment of future benefits.

### Fiduciary Net Position – Pension Trust Fund (dollars in millions)

As of December 31

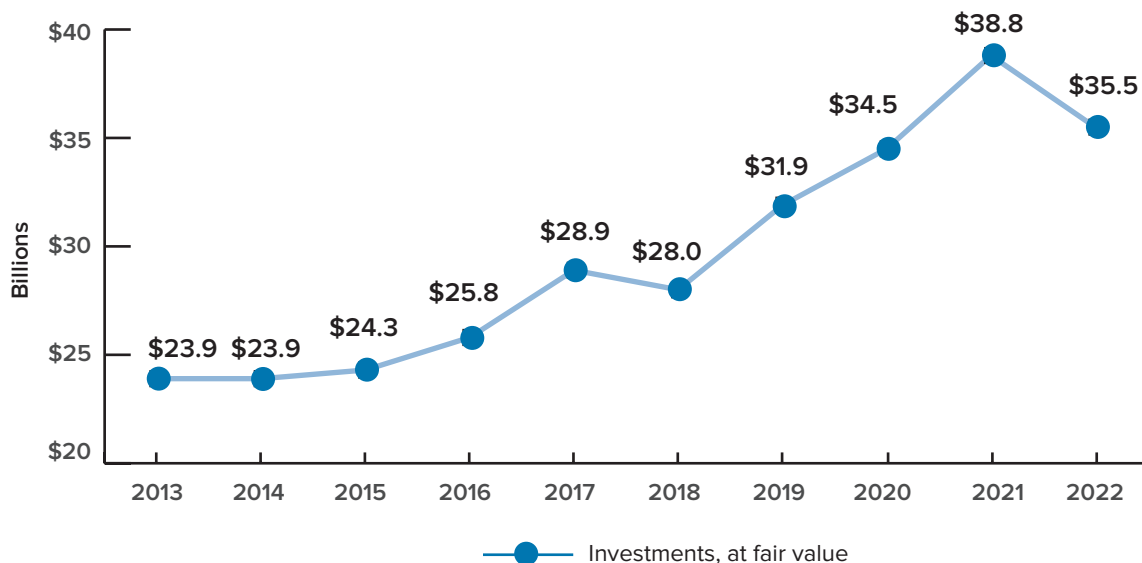
	2022	2021	Increase (Decrease)	% Change
<b>ASSETS</b>				
Investments, at fair value	\$ 35,497.4	\$ 38,790.2	\$ (3,292.8)	(8.5) %
Receivables	339.5	524.0	(184.5)	(35.2)
Cash and other assets	10.6	15.7	(5.1)	(32.5)
Capital assets, net	2.9	9.6	(6.7)	(69.8)
Total assets	35,850.5	39,339.5	(3,489.0)	(8.9)
<b>LIABILITIES</b>				
Payables and other liabilities	248.0	741.9	(493.9)	(66.6)
Funds held for SDBF	2.0	4.6	(2.6)	(56.5)
Total liabilities	250.0	746.5	(496.5)	(66.5)
<b>FIDUCIARY NET POSITION</b>	<b>\$ 35,600.5</b>	<b>\$ 38,593.0</b>	<b>\$ (2,992.5)</b>	<b>(7.8) %</b>

Columns may not total due to rounding.

Trust Fund investments have increased over the last 10 years from \$23.9 billion in 2013 to \$35.5 billion in 2022. Contributions from members and participating cities are invested in a diversified portfolio that includes equities, bonds and private investment funds.

### Trust Fund Investments

Last 10 Years (in billions)



The following table presents the changes in fiduciary net position for 2022 and 2021. Additions include contributions from members and participating cities and investment income. Deductions include benefit payments and administrative expenses.

### Changes in Fiduciary Net Position – Pension Trust Fund (dollars in millions) For the Years Ended December 31

	2022	2021	Increase (Decrease)	% Change
<b>ADDITIONS</b>				
City contributions	\$ 1,144.8	\$ 1,076.9	\$ 67.9	6.3 %
Member contributions	529.9	492.3	37.6	7.6
Net investment income/(loss)	(2,816.6)	4,469.1	(7,285.7)	(163.0)
Other	29.3	0.5	28.8	5,760.0
Total additions	(1,112.6)	6,038.8	(7,151.4)	(118.4)
<b>DEDUCTIONS</b>				
Retirement benefits	1,781.5	1,645.3	136.2	8.3
Member account refunds	73.8	62.3	11.5	18.5
Administrative expenses	24.4	20.7	3.7	17.9
Income allocated to SDBF	0.2	0.4	(0.2)	(50.0)
Total deductions	1,879.9	1,728.7	151.2	8.7
<b>CHANGE IN FIDUCIARY NET POSITION</b>	<b>(2,992.5)</b>	<b>4,310.1</b>	<b>(7,302.6)</b>	<b>(169.4)</b>
<b>FIDUCIARY NET POSITION</b>				
Beginning of year	38,593.0	34,282.9	4,310.1	12.6
<b>End of year</b>	<b>\$ 35,600.5</b>	<b>\$ 38,593.0</b>	<b>\$ (2,992.5)</b>	<b>(7.8)%</b>

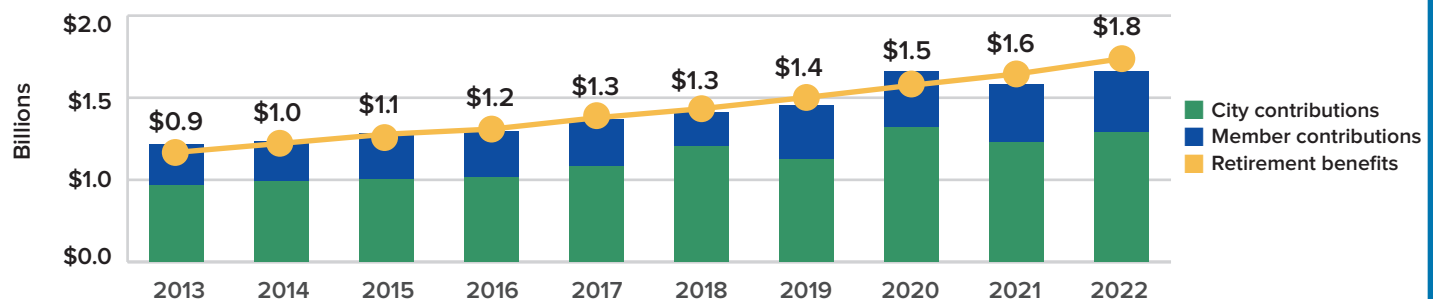
**City contributions.** A participating city's contribution rate is determined annually by TMRS' actuaries to fund future benefits. Cities may choose to contribute at a higher optional rate and/or make additional lump-sum contributions. Additional lump-sum contributions totaled \$76.8 million in 2022 and \$62.3 million in 2021.

**Member contributions.** Active member contribution rates are either 5%, 6% or 7% of a member's compensation, based on their city's plan provisions.

**Net investment income/(loss).** Net investment income/(loss) includes investment earnings reduced by the expenses directly associated with managing the investment portfolio. The change in net investment income/(loss) from 2021 to 2022 is due to market volatility experienced over the period.

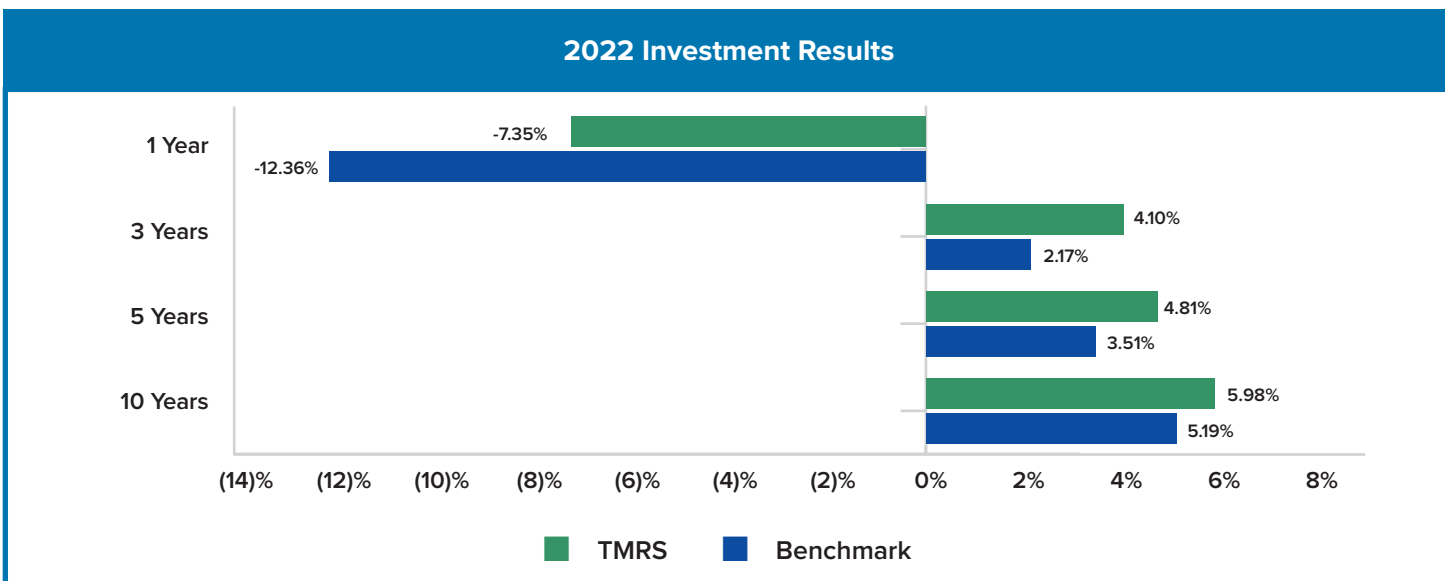
**Retirement benefits.** The increase in retirement benefit payments is due to growth in the number of retirees from 68,092 in 2021 to 71,265 in 2022, and the increase in partial lump sum distributions paid, \$194.7 million in 2021 compared with \$230.4 million in 2022.

### Contributions and Retirement Benefits — Last 10 Years

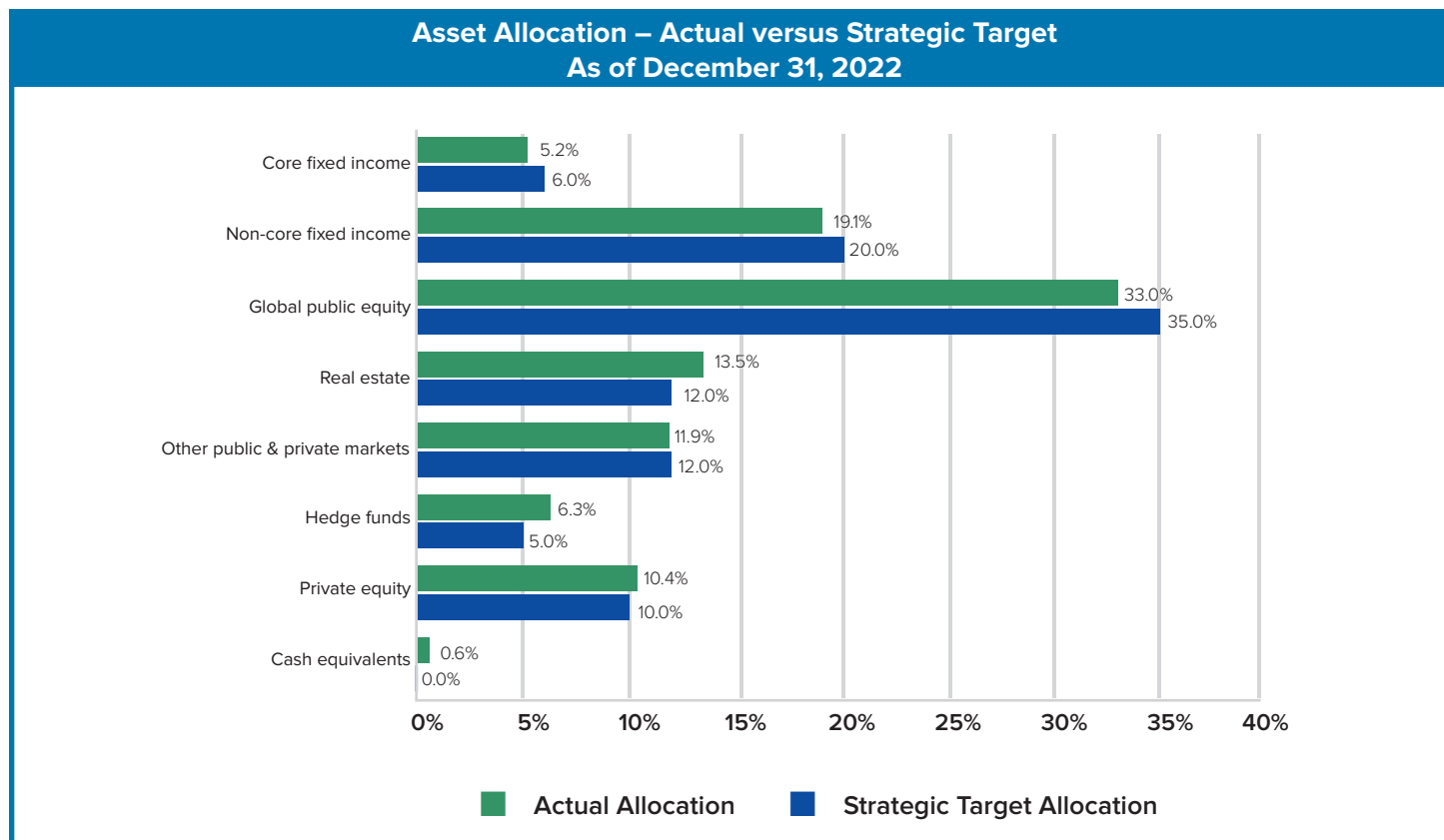


## Investments

Trust Fund investments totaled \$35.5 billion at December 31, 2022. TMRS' investment portfolio was impacted by the challenging global and economic conditions of 2022. TMRS' 2022 net investment return was -7.35%, which exceeded our benchmark return of -12.36%. The five-year return was 4.81%.



The Board approves strategic target allocations for the various asset classes, with the objective of meeting or exceeding TMRS' 6.75% actuarial return assumption. TMRS' actual asset allocation as of December 31, 2022 compared with the strategic targets, is presented below.



## Actuarial

GRS, the Board's independent actuary, performs an annual actuarial valuation for each TMRS participating city and calculates the city's annual contribution rate required to fund benefits. These contribution rates go into effect January 1 of the year following the date of the valuation. Participating city rate letters are available at [tmrs.com](https://tmrs.com).

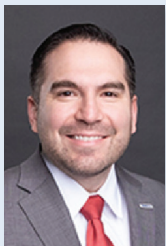
TMRS is one of the best-funded public pension plans in the U.S. and is well positioned to meet its commitments to current and future retirees. While every participating city has its own funded ratio, TMRS' system funded ratio was 89.7% as of December 31, 2022. The funded ratio compares a plan's assets to its accrued benefits.

Funded Ratio — Last 10 Years									
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
84.1%	85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%	90.5%	89.7%

## 2022 Board of Trustees

TMRS is governed by a six-member Board of Trustees who are appointed by the Governor of Texas and confirmed by the Texas Senate. Board members serve six-year terms and have fiduciary oversight of TMRS.

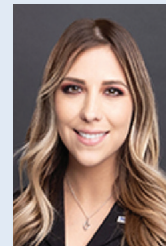
In March 2023, the Texas Senate unanimously confirmed the reappointment of Trustee Landis for a six-year term.



**Jesús Garza**  
**2022 Chair**  
City Manager  
City of Victoria



**Bob Scott**  
**2022 Vice Chair**  
Executive Director of  
Administration  
Town of Prosper



**Anali Alanis**  
Interim City Manager  
City of Pharr



**Johnny Huizar**  
City Manager  
City of Pleasanton



**David Landis**  
City Manager  
City of Perryton



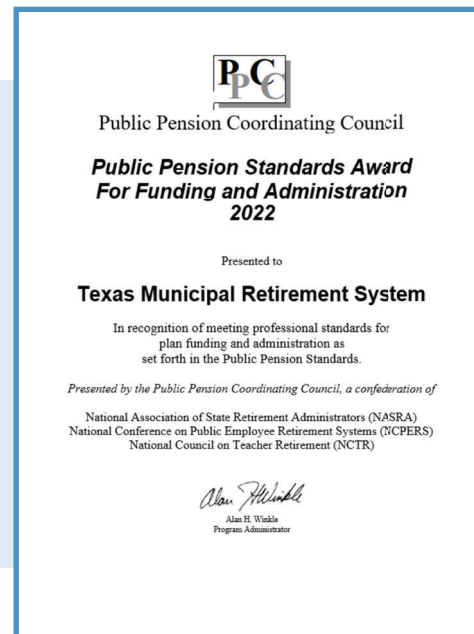
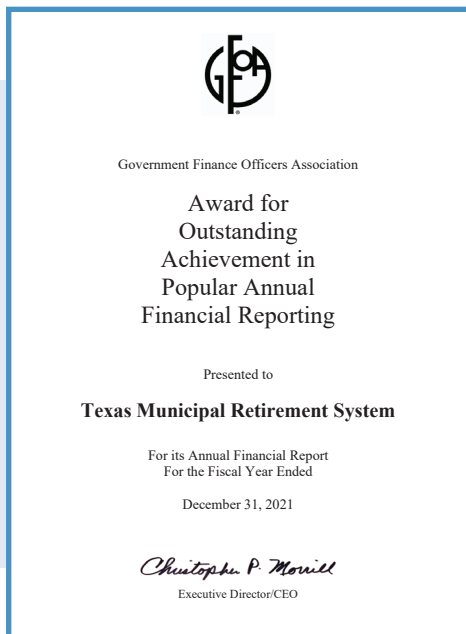
**Bill Philibert**  
Director of Human Resources  
and Risk Management  
City of Deer Park

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) to TMRS for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2021. This award recognizes conformance with the highest standards for preparation of state and local government popular reports. TMRS has received this award for the last 17 consecutive years.

In order to receive a PAFR Award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal. A PAFR Award is valid for a period of one year only.

TMRS also received the 2022 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.



## For More Information

The PAFR is intended to provide you with an overview of TMRS' financial performance during the past year. Unlike the financial data in the ACFR, the data in this PAFR is unaudited and does not include all of the financial statements and note disclosures required by generally accepted accounting principles. In addition, while TMRS also administers the Supplemental Death Benefits Fund, the PAFR includes only the financial information of the Pension Trust Fund. For more detailed financial information, please refer to the ACFR at [tmrs.com](http://tmrs.com).

Texas Municipal Retirement System, © 2023.  
P.O. Box 149153  
Austin, TX 78714-9153  
800-924-8677  
tmrs.com

TMRS and MyTMRS are registered trademarks of the Texas Municipal Retirement System.

