



AGENDA

Meeting of the Board of Trustees

Thursday, March 28, 2024 – 9:00 a.m.

TMRS Office
2717 Perseverance Drive, Suite 300
Austin, Texas

Zoom Link for Public:

<https://tmrs.zoom.us/j/85789208968?pwd=aBQNRbLuHJnfJxKSJrHtp4TSegugIn.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.** *Johnny Huizar*
 - a. Approve Minutes from the December 14, 2023 Board of Trustees meeting
 - 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, 2023
 - i. Statements of Fiduciary Net Position
 - ii. Statements of Changes in Fiduciary Net Positions
 - iii. Expense Fund Balance Sheet
 - iv. Expense Fund Schedule of Operating and Capital Expenditures

Executive Director Reports

2. **Executive Director's Report.** *David Wescoe*
3. **Receive Senior Staff Reports.** Deputy Executive Director (*Debbie Munoz*), Chief Legal Officer (*Christine Sweeney*), Chief Service Officer (*Anali Alanis*), Chief Information Officer (*Jac Greene*), Chief Financial Officer (*Nick O'Keefe*), and Director of Governmental Relations (*Dan Wattles*)

Stakeholder Advisory Committee

4. **Report on Stakeholders Advisory Committee Meeting.** *Jesús Garza and Bob Scott*

Audit Committee Report

5. **Report on Audit Committee Meeting.** *David Landis*

Plan Design and Funding

6. **Consider and Act on Ratification of Ordinances Adopting Updated Service Credit and/or Annuity Increases Effective January 1, 2024 (Received after the December 2023 Board Meeting).** *Colin Davidson*
7. **Consider and Act on 2023 Interest Credit Allocation to the Benefit Accumulation Fund and Interest Reserve Account.** *Leslee Hardy*

Investments

8. **Investment Reports.** *Yup Kim*
 - a. Chief Investment Officer's Report
 - b. Trust Fund Report: Fourth Quarter 2023
 - c. Receive 2024 Completed Investments Report
 - d. Receive Fourth Quarter 2023 Investment Compliance Report
 - e. Receive 2023 Proxy Voting Summary
9. **General Investment Consultant Quarterly Report.** *Sam Austin, NEPC*
10. **Board Education: Global Equities Asset Class.** *Frank Atkins*

Executive Session

11. Executive Session. *Johnny Huizar*

- a. 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, and thereafter may consider appropriate action in open session; and
- b. 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.

Future Agenda Items

12. Call for Future Agenda Items. *Johnny Huizar*

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 19, 2024

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 December 14, 2023 Board meeting, quarterly Retirement and Supplemental Death Benefit Reports, and financial statements as of December 31, 2023. 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 December 14, 2023 Board 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
Meeting of the Board of Trustees**

December 14, 2023 – 9:00 a.m.

The Board of Trustees of the Texas Municipal Retirement System (TMRS) convened for a meeting at 9:00 a.m. at TMRS’ office, 2717 Perseverance, Suite 300 in Austin, Texas, with all Trustees present: Chair Bob Scott, Vice Chair Johnny Huizar, David Landis, Bill Philibert, and Jesús Garza.

Staff present included: Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, David Hunter, Kristyn Scoggins, Tom Masthay, Candace Nolte, Leslie Ritter, Darren Schlissel and Josh Garcia. Consultants present included: Robert Klausner and Sam Austin. Michelle Mellon-Werch served as Secretary of the meeting.

Mr. Scott called the meeting to order at 9:02 a.m.

Consent Agenda

1. Consider and Act on Consent Agenda.

Mr. Landis moved that the Board adopt the Consent Agenda. Mr. Philibert seconded the motion, which passed 5-0.

Staff Reports

2. Receive Executive Director and Senior Staff Reports.

Ms. Sweeney stated that the reports are in the Board’s materials.

Stakeholder Advisory Committee

3. Report on Stakeholder Advisory Committee Meeting.

Mr. Scott reported that the Stakeholder Advisory Committee held its first meeting on November 16, 2023. Ms. Muñoz stated that the Committee reviewed the potential topics provided by the Board. Mr. Scott discussed House Bill 2464 that added a new non-retroactive repeating cost of living (COLA) option to the TMRS Act. Ms. Muñoz stated that 28 cities have adopted the new COLA option. Mr. Scott then reviewed the topics the Committee discussed, including COLAs, the effective date of plan changes, “Stat Max,” city match options, and USC

and COLA provisions. Mr. Garza stated that he was pleased that the Committee discussed many of the variables related to the topics presented.

4. Consider and Act on Topics for Stakeholder Advisory Committee.

Mr. Garza asked why the System moved from 5% increments for COLAs to the current three options (i.e., 30%, 50% or 70% of CPI). The Board discussed the potential topics with staff. Mr. Landis expressed an interest in balancing the availability of options with the ability of staff, internal systems, and consultants to manage the variables. Mr. Garza recommended the Board have the Committee focus on the benefit options that currently exist and improving flexibility, but not expand benefits.

Mr. Landis moved that the Board approve and assign the following topics to the Committee: making plan changes effective January 1 and removal of Stat Max provisions. Mr. Huizar seconded the motion.

Mr. Garza moved to amend the motion on the table to include the topics of reviewing the COLA benefits and decoupling COLA and USC benefits. Mr. Landis seconded Mr. Garza's motion.

The motion, as amended, passed 5-0.

Board Organization

5. Consider and Act on 2024 Board Meeting Dates.

Ms. Sweeney stated that the TMRS Act only requires that the Board hold four meetings a year. In 2023, the Board held five meetings and a retreat. For 2024, staff proposed two different sets of meeting dates for the Board's consideration – one with five meeting dates and one with six.

Mr. Scott asked how TMRS would manage the actuarial valuation, ACFR and annual audit without a meeting in May. Ms. Sweeney stated that staff discussed this with GRS. The annual valuation and proposed city contribution rates would be included on the June agenda, along with the ACFR. Ms. Hardy stated that both she and GRS were comfortable with the proposed meeting dates and that city rate letters would not be delayed, they would just state they were contingent on the Board's approval of the valuation at the June meeting. Ms. Hardy said she could not recall a time since being at TMRS that the Board had not voted to approve the annual valuation and contribution rates presented by GRS. Mr. Scott stated he was uncomfortable with the idea of sending rate letters before the Board had approved the rates. The Board further discussed dates and timing of the meetings and the retreat.

Mr. Landis moved to approve the following schedule of Board meeting dates for calendar year 2024:

- March 28
- May 23
- June 27
- September 19
- October 24 – Retreat
- December 12

Mr. Huizar seconded the motion, which passed 5-0.

6. Consider and Act on Election of 2024 Board Officers.

Ms. Sweeney stated the Board’s Bylaws provide that the Board will annually elect a Chair and Vice Chair, to serve for a one-year term.

Mr. Philibert nominated Mr. Huizar for Board Chair. Mr. Landis seconded the nomination, which passed 5-0.

Mr. Landis nominated Mr. Philibert for Board Vice Chair. Mr. Garza seconded the nomination, which passed 5-0.

Ms. Alanis thanked Mr. Scott for his service as Board Chair and noted his accomplishments and leadership. She then presented Mr. Scott with an appreciation plaque.

7. Consider and Act on 2024 Board Committee Appointments.

After discussion, Mr. Landis moved that the Board keep the same assignments for the Committees as in 2023 but flip the Chair and Vice Chair of each Committee for 2024. Mr. Huizar seconded the motion, which passed 5-0.

Internal Audit

8. Report on Audit Committee Meeting.

Ms. Scoggins reported that the Audit Committee met on November 14. Mr. Landis reported that the Committee heard updates on the Quality Assurance and Improvement Program and the 2023-2024 Audit Plan, received the 2024 Risk Assessment, and approved forwarding the 2024 Internal Audit Budget to the Board for approval as part of the Operating Budget.

7. Consider and Act on 2024 Board Committee Appointments.

Mr. Garza asked that the Board return to Agenda Item 7. Mr. Scott agreed. Mr. Garza then stated that with the motion, as approved, he wanted to make sure the Board was aware he

would be Chairing both the Audit Committee and the Stakeholder Advisory Committee. The Board discussed the matter.

After discussion, Mr. Garza moved that the Board keep the same assignments for the Committees as in 2023 but flip Chair and Vice Chair of each Committee for 2024, except for the Audit Committee which will remain with the current Chair (Mr. Landis) and Vice Chair (Mr. Garza). Mr. Landis seconded the motion, which passed 5-0.

Finance and Human Resource Reports

9. Consider and Act on Proposed 2024 Operating and Capital Budgets.

Ms. Nolte presented the proposed 2024 Operating and Capital Budgets. She stated the 2024 Operating Budget is only 2% over 2023. Staff presented a preliminary Operating Budget in September, and the final budget is \$294,000 less due primarily to a decrease in investment-related information technology spending.

The Board asked about various added expenses and staff provided explanations. Ms. Nolte then stated that there were no changes in the Capital Budget from the preliminary budget presented in October.

Mr. Landis moved that the Board adopt the 2024 Operating and Capital Budgets. Mr. Garza seconded the motion, which passed 5-0.

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

Ms. Nolte presented the amount necessary to transfer from the Trust Fund to the Expense Fund to cover TMRS' budgeted expenses for 2024. She explained Board policy has been to maintain a reserve in the Expense Fund equal to 15% of the next year's budget. This reserve amount, combined with the amount required for the 2024 Operating and Capital Budgets, offset by the amount currently remaining in the Expense Fund, totals \$38.3 million.

Mr. Huizar moved that the Board transfer \$38.3 million from the Interest Reserve Account to the Expense Fund to cover 2024 budgeted expenses. Mr. Philibert seconded the motion, which passed 5-0.

Investments

11. Investment Reports.

Mr. Hunter reported that the TMRS Trust Fund's net returns exceeded its benchmark by at least 50 basis points on a rolling five-year basis and that the Trust Fund's risk and returns ranked in the first and second quartile for the one-year ending September 30, 2023. These met

the financial objectives set by the Board. He also reported that Trust Fund net returns exceeded the actuarial return assumption for the one-year ended September 30, 2023, at 10.2%. Staff remains focused on streamlining managers by expanding commitments with top performing managers and reducing commitments with below median firms or strategies that are no longer strategically aligned. Staff closed on more than \$4 billion new investments and the Staff Investment Committee has approved \$560 million new investments with four existing firms in Non-Core Fixed Income. Mr. Hunter next reviewed returns as compared to the benchmarks, noting that as of September 30, 2023, the actual returns exceeded the benchmarks for the one-year, three-year and five-year timeframes. He reviewed current asset allocation, which is within the Investment Policy Statement guidelines, and actual allocation risk, which is within expected assumptions.

In light of Mr. Hunter's upcoming retirement from TMRS, Mr. Scott stated how much he appreciated Mr. Hunter's contributions to TMRS and, on behalf of the Board, presented Mr. Hunter with a plaque to thank him for his service and wish him well.

12. Consider and Act on Amendments to the Investment Policy Statement.

Mr. Hunter presented an overview of the staff's recommendations for amendments to the Investment Policy Statement.

Mr. Philibert moved that the Board approve the amendments to the Investment Policy Statement. Mr. Landis seconded the motion, which passed 5-0.

13. Receive 2024 Investment Pacing Plan.

Mr. Masthay presented the 2024 Private Market Pacing Plan. He explained the mechanics behind the pacing model with respect to timing of investments, diversification of vintage years and discipline in deployment. The allocations are well positioned to be quickly aligned with the new 2024 private market allocations target of 48%. He reviewed the 2023 pacing budget for Private Equity, Private Debt, Real Estate and Other Public and Private Markets. In presenting the 2024 pacing budget, Mr. Masthay explained that staff had subdivided some asset classes into additional new categories, which include Private Equity, Private Debt, Real Estate, Infrastructure and Other Private Markets and reviewed the expected 2024 budget for each class.

Mr. Scott stated that he was impressed with the accomplishments of the Investment staff in 2023.

14. General Investment Consultant Quarterly Report.

Mr. Austin presented his 2023 Third Quarter Performance report. He reviewed the policy ranges for all the asset classes and confirmed that the portfolio is within all ranges. Mr. Austin

stated that TMRS' risk to return ratio is in the top 8% of its peer group public pension funds in the one-year period, which is much improved from the past five-year period.

The Board discussed the year-end expectations for the Fund with Mr. Austin and staff.

15. Board Education: Fixed Income Asset Class.

Darren Schlissel discussed the goal of the fixed income portfolio to diversify risk through capital preservation, income and capital appreciation. Fixed Income is currently divided into Core Fixed income, with a 6% target allocation, and Non-Core Fixed Income, with a 20% target allocation. Per the updated Strategic Asset Allocation effective beginning in 2024, the Non-Core Fixed Income asset class will be further subdivided into public Non-Core Fixed Income and Private Debt, with new reduced targets of 6% and 13% respectively. Mr. Schlissel reviewed the different strategies that extend from lower return and lower risk to higher return with higher risk. Mr. Schlissel reported that the asset class has met its 2023 goals and reviewed the goals for 2024. The Board asked several questions and staff responded.

16. Board Education: Private Equity Asset Class.

Josh Garcia reviewed the purpose of the Private Equity asset class to enhance total return and diversify the Trust Fund. He reminded the Board that Private Equity is generally expected to be an illiquid and long-term investment. He then reviewed the strategies used in Private Equity, including special situations, buyout/growth and venture capital. Mr. Garcia reviewed the asset class's performance in 2023 and the construction of the asset class. Mr. Garcia described TMRS' co-investment program, which reduces costs by investing more directly with managers TMRS has previously invested with. Mr. Garcia reported that the Private Equity asset class has met its 2023 goals and reviewed the goals for 2024.

Future Board Agenda Items

17. Call for Future Agenda Items.

Mr. Scott called for future agenda items. There being none, Mr. Scott adjourned the meeting at 11:27 a.m.

Christine Sweeney
Chief Legal Officer

Bob Scott
Chair, Board of Trustees



March 19, 2024

To: Board of Trustees

From: Andi Focht-Williams, Director of Quality Initiatives *Andi Focht-Williams*

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. Both have been reviewed and approved by Chief Service Officer Anali Alanis.

Board Retirement Report

Summary of Individual Member Retirements Processed from 10-2023 to 12-2023

Total Number of Retirements by Option	Service	Disability	Total
Retiree Life Only	285	3	288
Retiree Life -- 100% to Survivor	283	6	289
Retiree Life -- 75% to Survivor	55	1	56
Retiree Life -- 50% to Survivor	106	0	106
Retiree Life -- 5 Years Guaranteed	9	0	9
Retiree Life -- 10 Years Guaranteed	13	0	13
Retiree Life -- 15 Years Guaranteed	43	1	44
Cashout of Reserves	20	2	22
Total Number -- All Options	814	13	827

Total Monthly Benefits (Nearest Dollar)	\$1,540,738	\$10,558	\$1,551,297
Average Monthly Benefit (Nearest Dollar)	\$1,893	\$812	\$1,876
Average Age at Retirement	60	49	60
Average Years of Service at Retirement	19	12	19

Partial Lump Sum Distributions	
No. of Retirements Taking a PLSD	553
Total Amount Paid	\$33,694,319
% of PLSD Funds Rolled Over	56%
% of PLSD Funds Not Rolled Over	44%

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

**Summary of Supplemental Death Benefit Payments and Applications for Supplemental
Death Benefits Extended Coverage from October 1, 2023 to December 31, 2023**

Supplemental Death Benefit Payments	
By Beneficiaries of Active Members	23 payments totaling \$1,211,116.88
By Beneficiaries of Retired Members	189 payments totaling \$1,298,375.00
Applications for Supplemental Death Benefits Extended Coverage	
None	

TEXAS MUNICIPAL RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
For the Twelve Months Ending December 31, 2023 and 2022
Preliminary Unaudited

	2023	2022
ADDITIONS		
Contributions:		
Pension plan - cities	\$ 1,183,358,707	\$ 1,142,761,203
Pension plan - Member	582,825,289	529,914,380
Supplemental death benefits plan - cities	19,233,365	11,218,958
Total contributions	1,785,417,361	1,683,894,541
Net investment income/(loss):		
Net appreciation/(depreciation) in fair value of investments	3,397,351,759	(3,256,856,767)
Interest and dividends	547,749,400	469,062,852
Total investment income/(loss)	3,945,101,159	(2,787,793,915)
Less: investment manager fees/transaction costs	(19,439,986)	(18,797,733)
Net investment income/(loss)	3,925,661,173	(2,806,591,648)
Other miscellaneous	25,033	36,204
Total additions	5,711,103,567	(1,122,660,903)
DEDUCTIONS		
Benefit payments:		
Service retirement	1,674,512,218	1,531,801,133
Disability retirement	17,727,662	17,206,656
Supplemental death benefits	14,617,888	14,064,423
Partial lump-sum distributions	210,262,547	230,427,012
Total benefit payments	1,917,120,315	1,793,499,224
Member account refunds	70,645,435	73,846,188
Budget transfer and other	34,798,793	(2,927,404)
Total deductions	2,022,564,543	1,864,418,008
CHANGE IN FIDUCIARY NET POSITION	3,688,539,024	(2,987,078,911)
FIDUCIARY NET POSITION		
Restricted for pensions:		
Beginning of year	35,593,714,895	38,578,132,313
End of year	\$39,277,638,442	\$35,593,898,867
Held in trust for other benefits:		
Beginning of year	3,153,989	5,815,483
End of year	\$ 7,769,466	\$ 2,970,018

**TEXAS MUNICIPAL RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION**

As of December 31, 2023 and 2022

Preliminary Unaudited

	12/31/2023	12/31/2022
ASSETS		
Cash	\$ 44,018,072	\$ 5,785,347
Receivables:		
Contributions	172,904,340	153,802,803
Interest and dividends	40,298,174	29,374,524
Investment trades	7,384,699	157,101,737
Total receivables	220,587,213	340,279,064
Investments, at fair value:		
Short-term investments	372,311,930	442,247,883
Derivative contracts	(3,062,970)	551,442
Fixed income securities	3,846,670,672	3,216,585,509
Global public equities	14,186,849,918	11,630,339,362
REITs	44,226,663	37,123,086
Non-core fixed income funds	5,893,503,238	5,237,413,983
Other public & private markets funds	3,482,283,943	4,216,426,092
Hedge funds	2,041,867,496	2,228,970,128
Private equity funds	4,387,122,294	3,701,420,555
Real estate funds	4,811,887,825	4,786,880,450
Total investments	39,063,661,009	35,497,958,490
Total assets	39,328,266,294	35,844,022,901
LIABILITIES		
Investment trades payable	22,959,585	225,669,987
Accrued investment management fees	5,556,478	4,430,396
Accounts payable and other accrued liabilities	14,342,323	17,053,633
Total liabilities	42,858,386	247,154,016
FIDUCIARY NET POSITION		
Restricted for pensions	39,277,638,442	35,593,898,867
Held in trust for other benefits	7,769,466	2,970,018
Total fiduciary net position	\$39,285,407,908	\$35,596,868,885

TEXAS MUNICIPAL RETIREMENT SYSTEM
EXPENSE FUND
Balance Sheet
As of December 31, 2023
Preliminary Unaudited

ASSETS

Due from Pension Trust Fund	\$ 11,575,199
Accounts receivable and other assets	949,967
Leasehold improvements, net	1,291,145
Furniture and equipment, net	<u>1,610,619</u>
Total assets	15,426,930

LIABILITIES

Accounts payable & accrued expenses	1,281,885
GASB pension liability and deferrals	4,145,286
Accrued leave liability	<u>4,977,635</u>
Total liabilities	10,404,806

NET POSITION


Net position, beginning of year	6,775,892
Net receipts over disbursements:	
Revenue and net fund transfers	34,800,000
Operating expenses	(35,979,730)
PASMod expenses	<u>(574,038)</u>
Net position, end of period	<u><u>\$ 5,022,124</u></u>

TEXAS MUNICIPAL RETIREMENT SYSTEM
EXPENSE FUND
Schedule of 2023 Operating Expenses
For the Twelve Months Ending December 31, 2023
Preliminary Unaudited

	Budget	Actual	Budget (\$) Remaining	Budget (%) Remaining
Personnel services:				
Salaries and payroll taxes	\$ 17,693,469	\$ 17,161,549	\$ 531,920	3.0
Employee benefits	4,274,795	4,622,463	(347,668)	(8.1)
Contract labor/temporary staffing	100,000	4,668	95,332	95.3
Total personnel services	22,068,264	21,788,680	279,584	1.3
Professional services:				
Actuarial	823,700	775,700	48,000	5.8
Audit	189,225	165,245	23,980	12.7
Custodial and banking	1,573,000	1,524,818	48,182	3.1
Information services consultants	492,900	335,706	157,194	31.9
Investment consultants	1,806,000	1,786,400	19,600	1.1
Legal	1,161,500	612,380	549,120	47.3
Other services	452,700	631,289	(178,589)	(39.4)
Total professional services	6,499,025	5,831,538	667,487	10.3
Facilities	2,854,889	2,763,946	90,943	3.2
Information technology:				
Cloud-hosted services	2,483,761	2,467,389	16,372	0.7
Hardware/software and support	999,780	1,315,796	(316,016)	(31.6)
Total information technology	3,483,541	3,783,185	(299,644)	(8.6)
Other administrative:				
Board of Trustees/Advisory Committee	132,540	73,403	59,137	44.6
City and member outreach	786,090	649,989	136,101	17.3
Professional development	503,871	274,066	229,805	45.6
Supplies/document storage/misc.	656,513	505,305	151,208	23.0
Travel	635,293	309,618	325,675	51.3
Total other administrative	2,714,307	1,812,381	901,926	33.2
Total operating expenses	\$ 37,620,026	\$ 35,979,730	\$ 1,640,296	4.4



March 19, 2024

To: Board of Trustees
From: David Wescoe, Executive Director 
Re: Agenda Item 2: Executive Director's Report

Welcome back. There have been a lot of great staff accomplishments already this year.

Management Promotions. Last week, I announced some important staff promotions:

Debbie Muñoz is now our Deputy Executive Director. With 26 years of TMRS service, Debbie understands every aspect of the organization and its activities. No one knows the Plan or its implementation better, has provided superior service to our Members longer, or has better relationships with TMRS stakeholders. In her new role, Debbie will report to me and be responsible for Human Resources, Finance, Quality Initiatives, Project Management, and the Services group.

Anali Alanis replaced Debbie as Chief Service Officer. As a former city manager and TMRS Trustee, Anali joined us with exceptional experience, and she has accomplished a great deal here in a very short time. She has submitted two excellent applications to the Quality Texas Foundation months ahead of schedule, driven a quality focus throughout the organization, added depth to the HR group, and established strong working relationships with her staff colleagues. Her new position will leverage her strong start and utilize her impressive skillset in a broader role.

Andi Focht-Williams is now our Director of Quality Initiatives. Andi has utilized her audit and management experience to improve benefit administration, adding talent and improving processes and efficiency. In this critical role, Andi will lead all organization-wide quality initiatives and spearhead our efforts to become a Malcom Baldrige Award recipient.

April Hernandez replaced Andi as Director of Benefit Administration. April has done a fantastic job leading the Member Service Center, improving every aspect of its operations. (The MSC's median call wait time averages less than 10 seconds.) Building on Andi's benefit administration successes, April will continue the department's efforts to document processes, improve training, and prepare for the upcoming quality submissions to the Quality Texas Foundation.

Colin Davidson, Director of City Services, has taken on the additional role of leading the Member Service Center, replacing April. Colin is a great asset to TMRS, and he will be a great leader for City and Member services.

Nick O'Keefe is now our Chief Financial Officer. As Deputy Chief Investment Officer, Nick has done a great job rationalizing our investment-related operations and accounting functions during the last year, improving reconciliations, management fee payments, and confirming compliance with investment firms' contract terms. This move consolidates all our accounting and finance functions in one group and allows the investment team to focus solely on investing Trust Fund assets.

A New Chief Investment Officer is in the Building. Yup Kim started on January 16. Just before he arrived, I received an email from one of our investment managers saying, "I wanted to reach out because I read your press release about the exciting news that Yup Kim will be joining your team! He has an exceptional background, and I am sure will be a wonderful addition to your already impressive team. When I read the news, I just had to reach out to say congrats!"

Yup has been a wonderful addition to the investment team, and the positive energy is palpable.

GFOA Award. In January, the Government Finance Officers Association of the United States and Canada (GFOA) awarded TMRS its Certificate of Achievement for Excellence in Financial Reporting for our annual comprehensive financial report for the fiscal year ended December 31, 2022. The report was judged by an impartial panel to meet the high standards of the program, "which includes demonstrating a constructive 'spirit of full disclosure' to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government organization and its management." This is the 36th consecutive year that TMRS has received this award.

Senior Staff Action Plan Meeting. Also in January, the Senior Staff met to review the 2023 Action Plan results and operational highlights, share their departmental 2024 action items, and agree on our 2024 Senior Staff Action Plan. It was a great meeting; there is a lot of talent on the team. The 2023 Action Plan was completed, and the 2024 Action Plan is ambitious and aggressive. When we complete it, TMRS will be an even stronger organization.

Another Quality Texas Foundation (QTF) Submission. In February, TMRS submitted our Engagement Level Recognition application to QTF, the second of five QTF recognition application levels. (The first, the Pioneer Level Recognition application, was submitted in December.) Next up is the QTF's Commitment Level Recognition level application, which we will submit in August. We are well ahead of schedule and on pace to complete all five QTF Recognition Levels in 2025. Then, it's on to the Baldrige Award.

Year in Review Video. Natalie Garza and Jack Austin produced an impressive 2023 Year in Review video. Watch it here: <https://youtu.be/eOnsUKTHfrU>

A Revised Refund Application Is Online. In February, the Benefit Administration department rolled out a vastly improved refund application (three forms were consolidated into one two-page document). The refund application is now online, and Members can now refund their account through MyTMRS without staff involvement.

TCMA Clinic. Debbie Muñoz and Anali Alanis attended the Courtney Sharp TCMA City Manager Clinic in Granbury where Debbie presented a TMRS Update.

TCMA Region 5 Presentation. TCMA Region 5 President Leslie Black of Whitehouse invited Anthony Mills to address city managers at the East Texas TCMA luncheon. Anthony discussed TMRS' recent accomplishments, service innovations, and the non-retroactive COLA option.

TMRS City Reference Guide. Staff has published an impressive City Reference Guide. This is a companion piece to the new Member Benefit Guide staff published earlier this year. The Guide will provide cities with a valuable tool to educate their administrative staff and all city employees.

Leadership Academy. The final class of TMRS' first-time Leadership Academy was held on March 4. This first-time Academy was a big success, another in our efforts to create robust staff training opportunities.

Stakeholder Advisory Committee (SAC). The SAC met on February 29. The conversation was robust. Four assigned topics continue to be the focus: making the effective date of plan changes January 1; repealing the stat max; uncoupling the COLA and USC; and COLA changes. The next Committee meeting will be in April.

936. The City of China Grove will join TMRS on April 1 (no fooling!), which will bring our total participating city count to 936.

Mobile App. We continue to receive compliments about the TMRS mobile app. The most recent is from the TMHRA President and the City of Frisco HR Director: "I love how easy it is to access information about TMRS."

Dan Wattles Retires. Dan Wattles retires on March 31. Dan joined TMRS in 2010 and has been a key member of the Senior Staff ever since. Dan is a consummate professional. He has established close relationships with members of the Executive and Legislative branches of the Texas government and is recognized as one of the best government affairs professionals in the state. His contributions to TMRS' success have been many, shepherding many important pieces of TMRS legislation through the legislature. During my tenure, Dan was instrumental in passing our return-to-work bill and last year's COLA bill. Dan also knows how to celebrate an anniversary with style; he spearheaded TMRS' 75th anniversary celebration activities throughout 2023. In addition to his professional accomplishments, Dan is a great colleague and friend. He made the office a better place to be and TMRS a better organization.



March 19, 2024

To: Board of Trustees

From: Debbie Muñoz, Deputy Executive Director 

Re: Agenda Item 3: Deputy Executive Director First Quarter Report

I'm pleased to provide you with my first Board report as TMRS' Deputy Executive Director. My groups include Quality Initiatives, Human Resources, and Project Management and each had a great quarter.

Quality Initiatives

Quality Texas Foundation. The Pioneer Level Application (Organizational Profile) was submitted on December 14, 2023, and the Engagement Level Application was submitted on January 31, 2024. The applications are in the Diligent Resource Center. TMRS will be recognized at the QTF annual conference in June 2024 for both submissions.

The Commitment Level Application will be submitted in August 2024.

Human Resources

Personnel. HR onboarded our new CIO, Yup Kim, along with three additional staff during the quarter.

Turnover remains low, with only five separations, which is comparable to 2023 for the same period. HR staffing metrics are included in the Board Dashboard located in Diligent's Resource Center.

Leadership Academy. TMRS' first-ever 2023 Leadership Academy held its final class for the 12 member cohort in March. They began the program in 2023 and have attended five classes presented quarterly by The UT Center for Professional Education. Classes included: *Making the Transition from Employee to Manager*, *Managing and Supervising People*, *Strategic Team Management and Critical Problem Solving and Decision Making*.

Project Management

MyTMRS Refund Application. The online refund application was released on February 21. To date, 450 refund applications have been submitted through the portal.



March 19, 2024

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, 2023 → March 14, 2024
 - 2 investment allocation transactions
 - 24 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, 2023 → March 14, 2024
 - 19 contracts (non-investment related) submitted for signature
 - 0 other benefits administration and non-investment related items submitted for signature or approval
 - 19 city ordinances reviewed or generated for City Services
- **Public Information Requests.** Since December 1, 2023, Legal staff have worked on 12 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 19, 2024

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

I'm pleased to report on the first quarter activities of the Benefit Administration, City Services, Communications, Education Services, Member Service Center, and Plan Design and Funding departments.

Benefit Administration

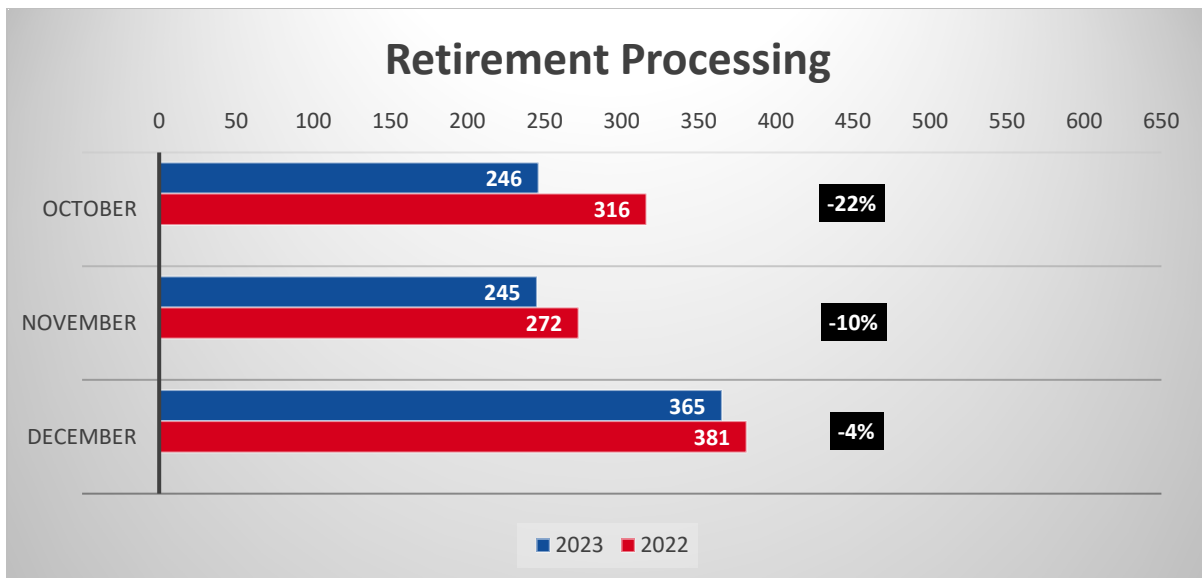
Personnel Update. TMRS welcomed Karina Lujan to the Benefit Administration team. Karina comes from a nursing background and is meticulous about her work. She has already hit the ground running and we're excited to have her.

Service Enhancements. The Retirement and Refund Application packets previously consisted of multiple forms and was 17 pages long. Both applications have been condensed into a one-form format, making it easier for Members to complete and improving the overall benefit application process.

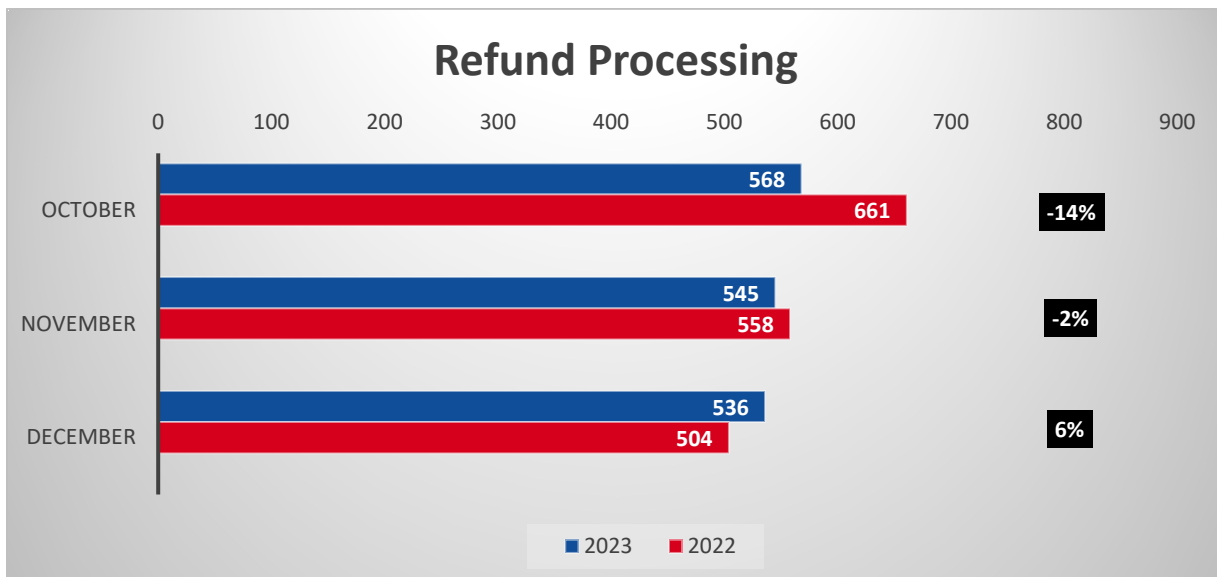
The MyTMRS online Refund Application went live on February 21. Members have submitted over 450 applications online.

Benefit Administration started using DocuSign to resolve incomplete requests from Members. DocuSign provides Members a secure and efficient way to provide TMRS with missing documentation, resulting in improved levels of service.

Retirements. In the fourth quarter of 2023, TMRS processed 856 retirements, a 12% decrease from the same quarter in 2022 and a 4% decrease from the 894 retirements processed in the previous quarter of 2023.



Refunds. TMRS issued 1,649 refunds in the fourth quarter of 2023, which was a 4% decrease from the same quarter in 2022, and a 22% decrease from the 2,112 refunds processed in the previous quarter.



City Services

Plan Changes. Year-to-date, 47 plan change studies have been prepared, 5 cities have made changes to their TMRS plan, and 9 cities have requested model ordinances.

City Consultations. City Services, Education Services, and the Plan Design and Funding teams have met with and provided consultation for 15 cities.

New Cities. So far in 2024, two cities have joined TMRS. Point Comfort began participating on February 1 and China Grove will begin participation on April 1. This brings the total number of participating cities in TMRS to 936.

City Reference Guide. The new TMRS City Reference Guide provides an overview of TMRS and covers common questions employees ask about their benefits. From enrollment to retirement, the Guide should be the city's go-to for administering their TMRS plan.

Communications

Organizational Support. Communications continues to collaborate with other departments to complete various projects. This quarter, Communications assisted with the following:

- Implemented the rollout and advertisement of the MyTMRS Refund Application and City Portal Certification function
- Created and distributed 181,500 Member Account Statements and 73,200 Retirement Benefit Statements. 65% of the statements were sent electronically, resulting in approximately \$96,000 in printing and postage savings.
- Produced a new video entitled "2023: Year in Review". The video highlighted the 2023 achievements of the Member and City Services departments and has more than 9,400 views.
- Produced and distributed the Q1 MainStreet for City Services
- Revised the Supplemental Death Benefit Beneficiary Designation, Retirement Lump Sum Payment by Beneficiary, Refund Application, Beneficiary Designation, and Beneficiary Designation After Retirement forms for Benefit Administration
- Transitioned 75th Anniversary branding back to the star logo on the website, stationery, letters, and promotional items
- Updated the employee testimonial carousel on the Careers page of the website
- Designed and produced a Welcome card for new TMRS employees
- Hosted the Texas Police Chiefs Association's Board of Trustees luncheon
- Increased the TMRS Google ranking to 4.4 stars and 47 reviews, the highest of any Texas public pension plan
- Created and distributed new city welcome packets
- Provided more than 30 website changes across departments
- Provided branded graphic needs for QTF applications

Communication Numbers. Since January 1, Communications has sent 13 mass emails to 360,300 recipients, hosted 79,000 website page views, and increased mobile app downloads to a total of 37,653.

Education Services

Member Education. Education representatives have educated more than 4,100 Members, participated in 45 city events, and conducted 373 counseling sessions during the first quarter.

Webinars. The Education team has hosted 13 webinars this year with 1,777 attendees. Members and cities can register to attend these educational webinars on tmrs.com. In addition to the regularly

scheduled webinars, Education representatives conducted an additional four webinars to train city staff about the February 21 online refund and certification process.

New City Outreach. Two cities joined TMRS this year, bringing the total number of participating cities to 936. The City of Point Comfort began participation on February 1 and China Grove will begin on April 1. Cities continue to be very receptive to TMRS' proactive recruiting efforts.

Member Service Center

Call Volume. This year, the Member Service Center has answered 23,673 incoming calls with a median wait time of 9 seconds.

Call Topics. The Member Service Center's commitment to weekly training has resulted in excellent member service and feedback. The team has received an increased volume of calls related to MyTMRS, followed by Refunds then Retirement.

Plan Design and Funding (PDF)

City Plan Change Studies and Meetings. Leslee Hardy and Kenneth Oliver continue working with cities who are considering plan changes. Since January 1, they have attended 15 meetings either in person or virtually. In addition, 62 cities have requested plan design studies for next June when the cost tool becomes available after completion of the valuation.

Actuarial Valuation. Work on the 2023 actuarial valuation has begun. The active and retired lives data, city data and valuation payroll files have been submitted to GRS. The PDF team will continue working with GRS to complete the valuation, which will be presented by GRS at the May Board meeting.

Benefit Accumulation Fund (BAF) Interest Credit. PDF worked with the Finance and Investment departments to recommend the BAF interest credit for 2023. Leslee Hardy will present this recommendation to the Board at the March meeting.

Interim Legislative Activities. PDF is working with other TMRS staff and GRS in preparing materials for discussion with the Stakeholder Advisory Committee (SAC) on potential legislative topics.



March 19, 2024

To: Board of Trustees

From: Jac Greene, Chief Information Officer 

Re: Agenda Item 3: First Quarter Information Services Report

The IS department completed a significant milestone with the launch of the online refund application in February. We continued project successes by deploying the investment survey system to aid Investment staff in annual reporting and implemented the new WebCMS system; we onboarded our new Data Architect, Nish Garg, to help build our future reporting platform; we initiated the MyTMRS rebuild project and began software development of the online retirement application. Finally, we are continuing to improve security and operational tools like DocuSign and Perceptive document management.

The IS department activities this quarter included:

1. IS Security. The team successfully deployed and onboarded Arctic Wolf for managed detection and response services; successfully formed an Enterprise Risk Management (ERM) Committee to guide and oversee the implementation of an ERM program; continued to expand Single Sign-on (SSO) implementations with 3rd party vendors to increase security hosted cloud applications; and drove remediation of identified security vulnerabilities through ongoing interaction with responsible stakeholders.
2. IS Software. The team launched the online refund application and investment survey application; continued to provide input into the online plan changes and City Portal integration project; and maintained application and data integrity through support tickets. The team is making progress on the MyTMRS rebuild project and online retirement application annual action plan projects to be delivered in 2024.
3. Data Management. The Data team onboarded our new Data Architect, Nish Garg to help establish plans for the annual action plan item Enhance Data Access and Analytics; the team is collecting an inventory of data assets, prototyping options for a secure cloud-based Data Store and designing self-service interactive reports focusing on membership data and KPI's. The team provided support for several key end of year processes including generating 1099-R statements, retirement benefits statements, member annual statements, and applying annual interest and USC.

4. IS Infrastructure & Customer Support. The Infrastructure and Customer Support teams processed more than 1,625 helpdesk tickets; supported the WebCMS, DocuSign, and ArcticWolf deployments; expanded Microsoft Azure cloud services and licensing to support the Data Team; rearchitected the internet connection at TMRS' datacenter facility; implemented and improved Benefit Administration workflows in Perceptive document management system; supported the Benefit Administration print outsourcing project; supported and provided evidence for the annual SOC audit; and mitigated major security vulnerabilities through the timely application of patches to servers, computers, and network devices.

The Records department activities this period included:

1. Staff Development. Lynette Ragbeer and Chyrlyne Crocket continue participation in the Institute for Certified Records Managers (ICRM) Certification program.
2. Operations. During the fourth quarter, staff processed 4,482 faxes and 17,405 pieces of incoming and outgoing mail. In addition, staff scanned 52,365 pages and indexed, verified and loaded 14,895 documents into our document management system. In February, Records started processing incoming DocuSign records as new batch class and transitioned on-site shredding services to a new vendor with an estimated yearly cost saving of \$2,136. Finally, staff worked with Finance and IS teams to establish a process for loading vendor tax documents into Perceptive starting March.
3. Annual City Payroll Record Review. Staff completed the annual project to review all City Payroll records that have met their retention period.
4. Data Cleaning. Staff continued to clean up old data records in Perceptive that were originally misidentified or were incomplete. During the fourth quarter, staff corrected 30,147 records.
5. Records Retention Certification. The TMRS Records Retention Schedule amendment, to establish a one-year retention for Member Estimates category, was submitted in February and approved by TSLAC on March 15th. This amendment will allow staff to purge additional records to save space and improve operational efficiencies. Staff continued to review TMRS' records retention schedule as part of the Texas State Library Archives Commission recertification process. The process is 97% complete and is on track to be submitted to TSLAC by August 2024.



March 19, 2024

To: Board of Trustees

From: Nick O'Keefe, Chief Financial Officer

A handwritten signature in black ink, appearing to be "Nick O'Keefe", is written over the name in the "From:" line.

Re: Agenda Item 3: First Quarter Report

- **Accounting.**

- 2023 Financial Audit. The Accounting team has begun working with CLA, TMRS' external auditor, to complete the 2023 financial audit.
- Interest Credit Calculation. The Accounting team worked with the TMRS staff to help determine the interest credit recommendation.

- **Internal Audit**

- The Audit Committee met on March 7th to receive the following reports:
 - An Audit of Investment Compliance Activities Confidential Report. This audit evaluated TMRS' investment compliance processes to ensure that investment transactions comply with relevant requirements and Board policy.
 - Status of Prior Audit Recommendations Confidential Report. This audit summarized TMRS' implementation status of outstanding audit recommendations.
 - Audit Coordination. Internal Audit is coordinating external audit activities for the annual SOC engagement between staff and external auditors CLA. CLA is conducting fieldwork and will issue the final report at the end of May.



March 19, 2024

To: Board of Trustees

From: Dan Wattles, Director Governmental Relations *Dan Wattles*

Re: Agenda Item 3: First Quarter Governmental Relations Report

88th Legislative Interim. The Speaker of the House of Representatives and the Lt. Governor have not yet released interim committee charges.

Stakeholder Advisory Committee. I provided staff support at the February 29 Committee meeting.

Pension Review Board. TMRS is currently in compliance with all PRB reporting requirements.

Final Report. I am retiring from TMRS on March 31, making this my final report to the Board. I want to thank you for supporting me and our Governmental Relations efforts during my time at TMRS. During this period, we proposed and the Legislature passed critical legislation affecting TMRS' funding, operations and member benefits. We also worked on countless bills that would have negatively affected TMRS such as converting TMRS to a defined contribution plan, a two-tiered plan proposal, and changes to our governing structure. Through it all, TMRS endured and is considered, as our vision states, the model public pension plan. Importantly, we are very highly regarded by State leadership and the Texas Legislature. I feel fortunate to have been a part of the TMRS story. As I tell people all the time, TMRS is the "sweet spot" in Texas State government.



March 19, 2024

To: Board of Trustees
From: Debbie Muñoz, Deputy Executive Director *Debbie J. Muñoz*
Re: Agenda Item 4: Report on Stakeholder Advisory Committee Meeting

The Stakeholder Advisory Committee met on February 29, 2024.

After introductory remarks, Chair Garza led the Committee discussion on the following topics:

- Making all city plan changes effective January 1
- Removing the statutory maximum contribution rate limit
- Decoupling the updated service credit (USC) and Cost-of-living adjustment (COLA) benefits
- COLA options

A short recap will be presented at the Board meeting.



March 19, 2024

To: Board of Trustees
From: Kristyn Scoggins, Director of Internal Audit *Kristyn Scoggins*
Re: Agenda Item No. 5: Report on Audit Committee Meeting

The Audit Committee met on March 7, 2024 with Committee Chair David Landis and Committee Vice Chair Jesús Garza present via Zoom. Staff present included David Wescoe, Christine Sweeney, Kristyn Scoggins, Nick O'Keefe, Debbie Muñoz, Michelle Mellon-Werch and Anali Alanis (via Zoom).

An Update on the Audit of Investment Compliance Activities. The Committee reviewed the confidential audit report on investment compliance activities. I presented the audit results that included testing controls over Investment Policy Statement and Investment Guidelines compliance. The Committee unanimously approved distribution of the Report to the Board, which has been uploaded to Diligent.

An Update on the Status of Prior Audit Recommendation. The Audit Committee reviewed the confidential audit report on prior audit recommendations. I discussed the implementation status of the recommendations. The Committee unanimously approved distribution of the Report to the Board, which has been uploaded to Diligent.

An Update on the 2023-2024 Audit Plan. I discussed progress on the 2023-2024 Audit Plan and other internal audit activities.

All items presented at the meeting are available in the Audit Committee section in Diligent.



March 19, 2024

To: Board of Trustees

From: Colin Davidson, Director of City and Member Services

A handwritten signature in black ink, appearing to be "Colin Davidson", is written to the right of the name.

Re: Agenda Item 6: Consider and Act on Ratification of Ordinances Adopting Updated Service Credit and/or Annuity Increases Effective January 1, 2024 (Received after the December 2023 Board Meeting)

The TMRS Act requires the Board to approve ordinances adopted by participating cities that relate to Updated Service Credit and/or annuity increases and meet certain criteria of the Act. These two types of ordinances have a specified statutory effective date of January 1, so each December staff presents to the Board the Updated Service Credit and annuity increase ordinances that have been adopted during the calendar year. The ordinances that were presented at the December 2023 meeting were adopted to be effective January 1, 2024.

Additional ordinances were received after the December 2023 meeting, but on or before December 31, 2023, and meet the qualifications for Board approval. The Board's action at the December 2023 meeting was to approve those ordinances presented and such other qualified ordinances as may be received by TMRS prior to January 1, 2024. Highlighted on the attached list are those ordinances received after the December 2023 Board meeting, but before January 1, 2024.

RECOMMENDATIONS:

Staff requests that the Board ratify the approval of Updated Service Credit and/or annuity increase ordinances highlighted on the attached list, which were received by TMRS after the December 2023 Board meeting, but before the January 1, 2024, effective date.

ATTACHMENTS

- Attachment 1 – List of Cities Adopting Updated Service Credits and/or annuity increases effective January 1, 2024, to be ratified.

Agenda Item 6 - 03/28/2024

CITIES THAT ADOPTED OR READOPTED UPDATED SERVICE CREDIT AND/OR ANNUITY INCREASES
EFFECTIVE JANUARY 1, 2024

(Ordinances received after December 2023 Board Meeting)

City Number	Participating Municipality	Updated Service Credit		Cost of Living Adjustment Increase to Annuity	
		Rate (%)	Year Effective	Rate (%)	Year Effective
00007	Addison	100 T	2024R	30 NR	2024R
00024	Alvarado	100	2024R	30 NR	2024R
00030	Amarillo	100	2024R	30 NR	2024R
00036	Andrews	100 T	2024R	70 NR	2024R
00054	Arp	100	2024R	30	2024R
00062	Athens	100 T	2024R	30 NR	2024R
00075	Azle	100 T	2024R	70 NR	2024R
00090	Bartlett	100 T	2024R	70	2024R
00092	Bastrop	100 T	2024R	70	2024R
00094	Bay City	100 T	2024R	70 NR	2024R
00109	Bellmead	100 T	2024R	70	2024R
00174	Bremont	50	2024R	30 NR	2024R
00182	Brookshire	100	2024R	50 NR	2024R
00198	Bullard	100	2024R	30 NR	2024R
00199	Bunker Hill Village	100 T	2024R	50 NR	2024R
00231	Castle Hills	75 T	2024R	70	2024R
00242	Celina	100 T	2024R	30 NR	2024R
00250	Childress	100 T	2024R	70 NR	2024R
00263	Clear Lake Shores	100 T	2024R	70	2024R
00290	Commerce	100 T	2024R	70 NR	2024R
00302	Corpus Christi	100	2024R	30 NR	2024R
00307	Cottonwood Shores	100 T	2024R	70	2024R
00312	Crane	100 T	2024R	50 NR	2024R
00339	Dalworthington Gardens	100 T	2024R	70 NR	2024R
00354	Del Rio	50	2024R	30 NR	2024R
00388	Duncanville	100	2024	30	2024
00396	Eagle Pass	100 T	2024R	70 NR	2024R
00397	Early	100 T	2024R		
00445	Fairview	100 T	2024R	50 NR	2024R
00483	Friendswood	100 T	2024R	50 NR	2024R
00492	Gainesville	100	2024R	70	2024R
00524	Gonzales	100	2024R	70 NR	2024R
00548	Grapeland	100 T	2024R	70	2024R
00595	Hedwig Village	50	2024R		
00615	Holland	100 T	2024R		
00637	Hurst	100	2024R	30	2024

City Number	Participating Municipality	Updated Service Credit		Cost of Living Adjustment Increase to Annuitants	
		Rate (%)	Year Effective	Rate (%)	Year Effective
00641	Huxley	50	2024	50	2024
00646	Ingram	100 T	2024R		
00677	Josephine	100 T	2024R		
00672	Jourdanton	100	2024R	70	2024R
00699	Krugerville	50 T	2024		
00728	La Porte	100 T	2024R	70 NR	2024R
00800	Marble Falls	100 T	2024R	50	2024R
00814	Mason	100 T	2024R	70	2024R
00835	Meadows Place	100	2024	70	2024
01501	Memorial Villages P.D.	100	2024R	50 NR	2024R
00854	Mesquite	100 T	2024R	50	2024
00858	Miami	50	2024R	30	2024R
00863	Milano	50	2024R	50	2024R
00875	Missouri City	100 T	2024	70	2024
00912	Needville	100 T	2024R		
00918	New London	50 T	2024R	70	2024R
00936	Oak Point	100 T	2024R	70 NR	2024R
00954	Onalaska	100 T	2024R		
00977	Parker	100 T	2024R		
00978	Pasadena	100 T	2024R	70 NR	2024R
01000	Pflugerville	100 T	2024R	70 NR	2024R
01002	Pharr	100 T	2024R		
01001	Piney Point Village	50 T	2024R	30 NR	2024R
01022	Port Neches	100 T	2024R	30	2024
01051	Rancho Viejo	100	2024R		
01133	Salado	100 T	2024R		
21136	San Antonio	100 T	2024R	70	2024
01198	South Houston	100 T	2024R	70 NR	2024R
01224	Sudan	100 T	2024R	70	2024
01226	Sulphur Springs	100 T	2024		
01229	Sunnyvale	100 T	2024R	50 NR	2024R
01297	Troy	100	2024R	30	2024R
31263	TX Health Benefits Pool	100	2024R	30	2024R
01327	Village of the Hills	100	2024R		
01330	Waco	100 T	2024R	30 NR	2024R
01354	Weslaco	50 T	2024	30	2024
01358	West Columbia	100 T	2024R	30 NR	2024R
01386	Willis	100 T	2024R	50	2024
01387	Willow Park	100 T	2024R	70 NR	2024R
01390	Wilmer	50	2024R	30	2024R
01393	Windcrest	100 T	2024R	70	2024R

City Number	Participating Municipality	Updated Service Credit		Cost of Living Adjustment Increase to Annuitants	
		Rate (%)	Year Effective	Rate (%)	Year Effective
01398	Winnsboro	100 T	2024R	70 NR	2024R
01410	Wylie	100 T	2024R	70 NR	2024R

T- Transfer Credits Included

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

NR - Non-retroactive

Highlighted Cities -Ordinances received after December Board Meeting



March 19, 2024

To: Board of Trustees

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

A handwritten signature in blue ink that reads "Leslee S. Hardy".

Re: Agenda Item 7: Consider and Act on 2023 Interest Credit Allocation to the Benefit Accumulation Fund and Interest Reserve Account

Each year effective December 31, the TMRS Act requires the Board to make annual interest allocations to four TMRS funds. Two of the allocations are set in the TMRS 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 TMRS Act guarantees a 5% interest credit to each fund based on the average amount in the funds during the year. For 2023, the statutory interest credits to these two funds totaled \$220,807.

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 TMRS 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 \$38.3 million (the 2024 budget). 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.

The Board set the target interest reserve amount at \$310 million for December 31, 2019 and has continued to maintain that target for 2020-2022. Maintaining the initial reserve balance at \$310 million for December 31, 2023 will allow for the \$38.3 million budget transfer. TMRS staff has confirmed that, based on the information currently available, maintaining the Interest Reserve Account balance at \$310 million is a sufficient level of target reserves as of December 31, 2023.

The fourth allocation is to the **Benefit Accumulation Fund (BAF)**, which is used to allocate the amount of interest to credit (or debit) to TMRS participating cities. The BAF interest credit (debit) is allocated to the individual cities based on their beginning of year BAF balance. TMRS staff calculates the amount of income (loss) remaining to credit (debit) to the BAF after all other obligations have been fulfilled as described above.

For the year ending December 31, 2023, estimated net investment income was \$3,822,754,961. After adjusting for the statutory interest credits and the 2023 budget transfer, as well as targeting an initial \$310 million balance in the Interest Reserve Account, the estimated income available for distribution to the BAF is \$4,157,500,301. This represents an interest credit to the January 1, 2023 BAF balance for each city of approximately 11.92%, which will result in an estimated 6.46% smoothed (or actuarial) investment return for 2023. As a result of the investment performance, employer contribution rates will increase on average by approximately 0.10%.

RECOMMENDATION:

Staff and GRS recommend that effective as of December 31, 2023:

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 approximately 11.92% interest to the Benefit Accumulation Fund, as well as maintain the initial Interest Reserve Account balance at \$310 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, 2023 and considered in the 2024 BAF interest credit determination.



March 19, 2024

To: Board of Trustees

From: Yup Kim, Chief Investment Officer

A handwritten signature in black ink, appearing to read "Yup Kim", is placed to the right of the "From:" line.

Re: Agenda Item 8a: Chief Investment Officer Report

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

Portfolio pacing and construction: Staff has in process 31% of the 2024 private markets commitment target of \$3.05 billion and is on plan to complete its portfolio pacing for CY2024. The Trust Fund asset allocations remain within Board-approved ranges.

Reduce costs: Co-investments are investments made alongside our investment managers which have the benefit of having reduced to no management or carried interest fees. Today, total co-investments in private markets represent 5% of total net asset value, and it is a priority for staff to continue growing co-investment share of total investment.

Sustainable performance: Net returns exceeded actual allocation benchmark for the one and five-year periods by 70 basis points and 170 basis points, respectively. Trust Fund returns sit above peer median at 2nd quartile for the one-year period but at 4th quartile for the five-year period. Trust Fund net returns exceeded the actuarial rate assumption of 6.75% for the one and five-year period by 460 basis points and 95 basis points, respectively. Trust Fund risk was below peer median for both the one and five-year periods.

Staff Investment Committee (SIC). Since January, the SIC approved \$170 million of new commitments across one fund and two co-investment vehicles. The near-term investment opportunities to be considered by the SIC totals \$1.2 billion.

Staff Recruitment. Staff will fill four open positions in the Investment department that will be critical to the portfolio’s long-term success: (1) Head of Private Markets, (2) Portfolio Director – Buyouts, (3) Portfolio Manager – Credit and, (4) Portfolio Manager – Co-Investments.

Board Education. Frank Atkins, Portfolio Director of Public Equity, will present the annual review of the asset class.



Chief Investment Officer Report

Yup Kim, Chief Investment Officer
Board of Trustees Meeting
March 28, 2024

CIO Key Performance Indicator Dashboard

	Key Performance Indicator (KPI) description	Grade	Progress	
Portfolio pacing and construction	Fully commit private market target allocation	On-track	~31% of commitment target in process	
	Trust fund asset allocation in compliance	On-track	In compliance	
Reduce cost	Increase co-investment share of private markets for improved returns and cost savings	Transitioning	5% of private markets in co-investments and SMAs	
			<i>One-year</i>	<i>Five-year</i>
Sustainable performance	Net returns exceed benchmark	On-track	+70 bps	+170 bps
	Trust fund returns above peer median	Transitioning	2nd	4th
	Trust fund risk below peer median	On-track	1st	1st
	Trust fund net returns exceeds the actuarial rate assumption of 6.75%	On-track	+460 bps	+95 bps



Q4 2023 Trust Fund Report

Yup Kim, Chief Investment Officer

Board of Trustees Meeting

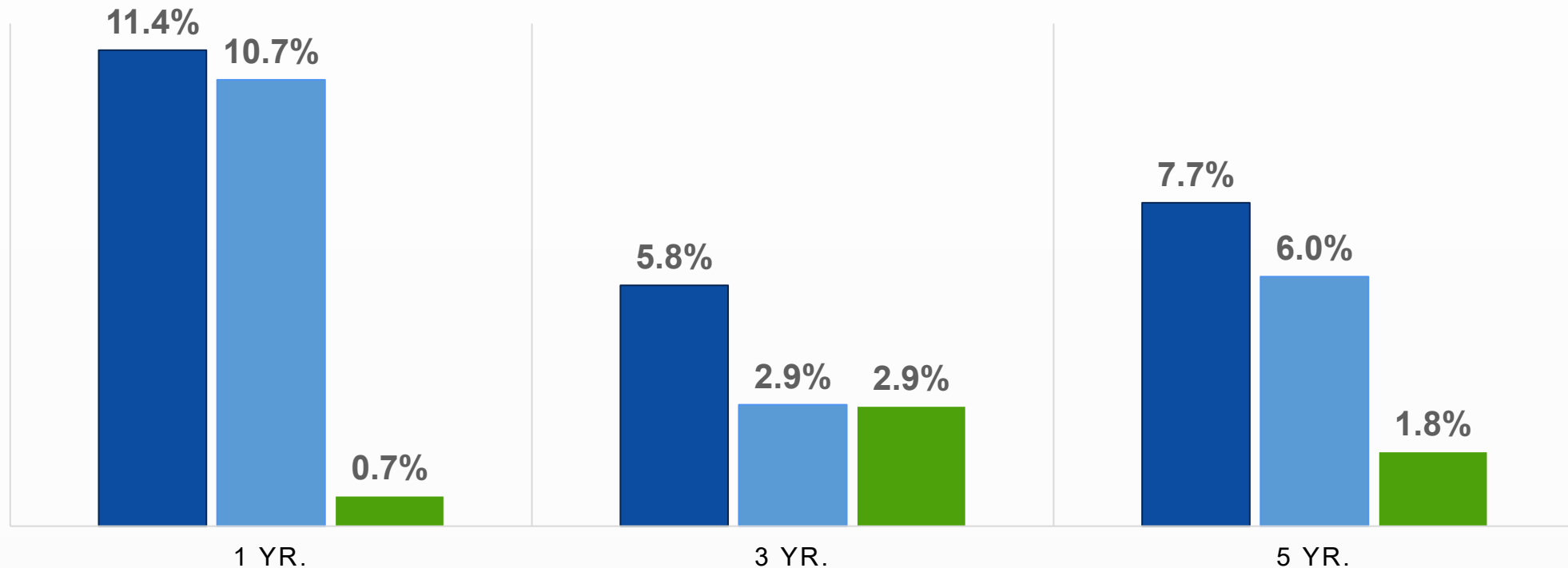
March 28, 2024

Trust Fund Net Returns Exceed Benchmarks

Net Returns exceed Actual Allocation Benchmarks (AAB) over the 1, 3 and 5 year periods

Net Performance as of December 31, 2023

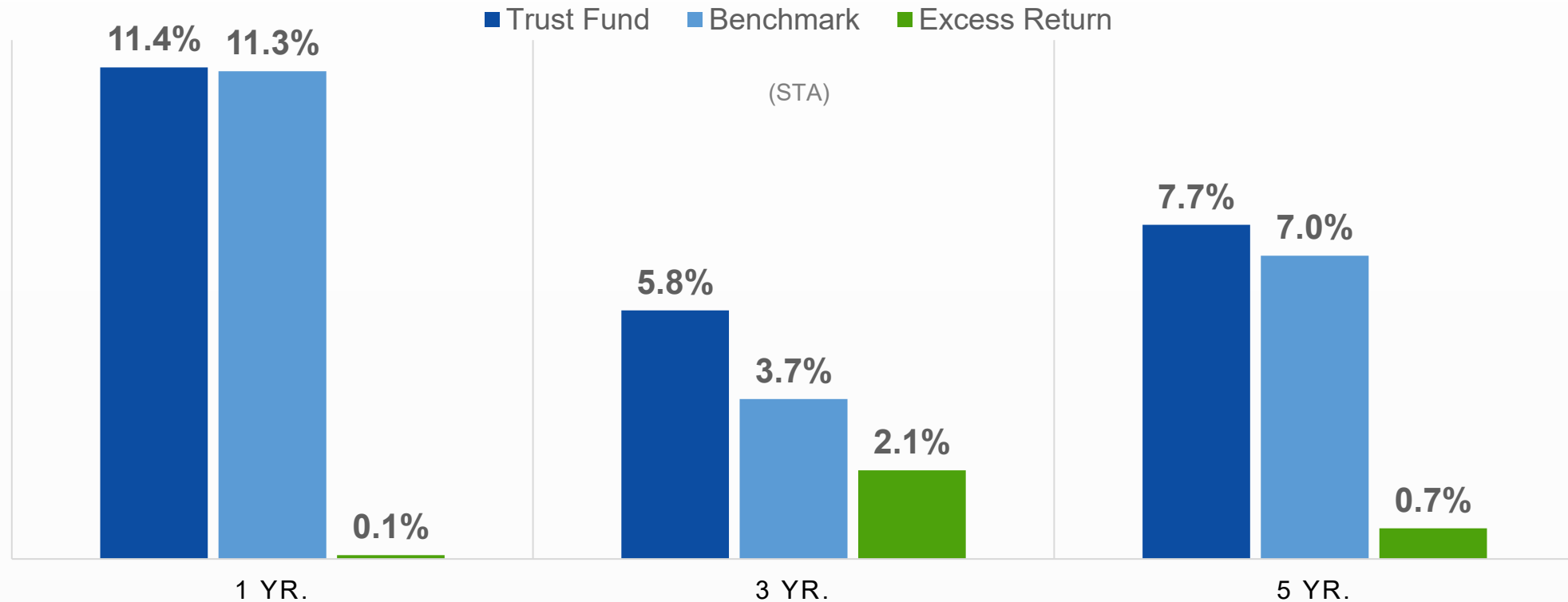
Trust Fund Benchmark Excess Return



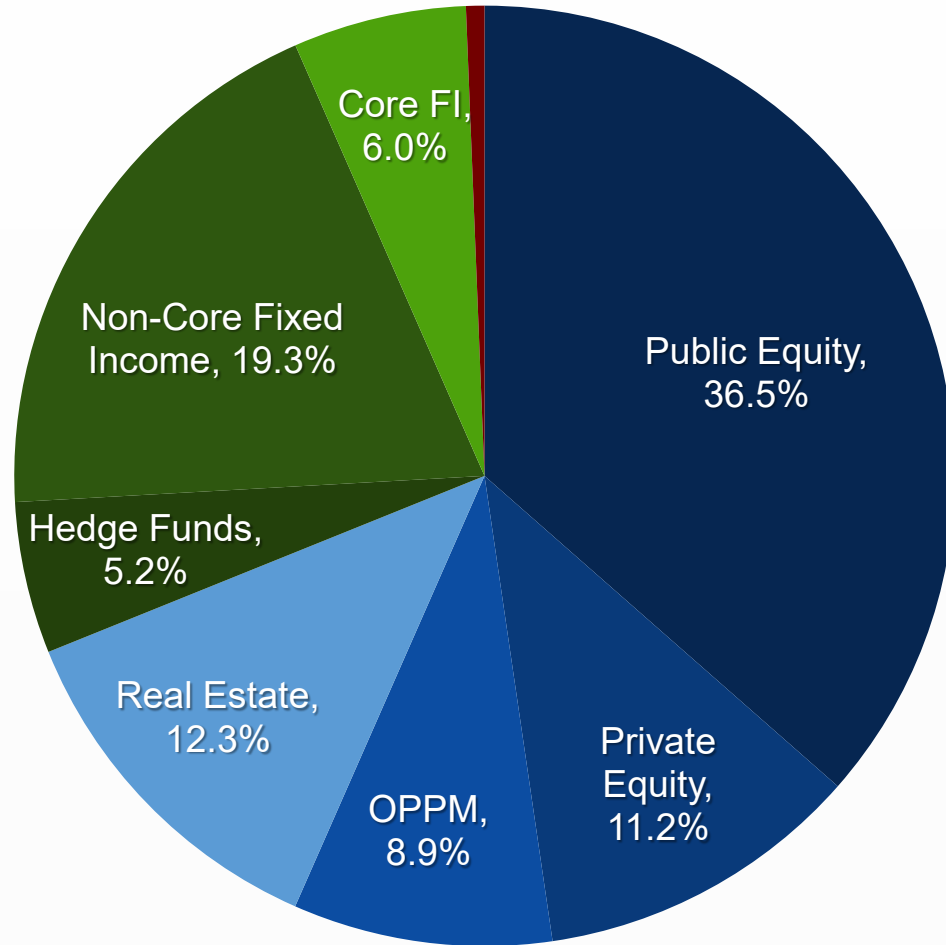
Trust Fund Net Returns Exceed Benchmarks

Net Returns exceed the Strategic Target Allocation (STA) Benchmark over the 1, 3 and 5 year periods

Net Performance as of December 31, 2023



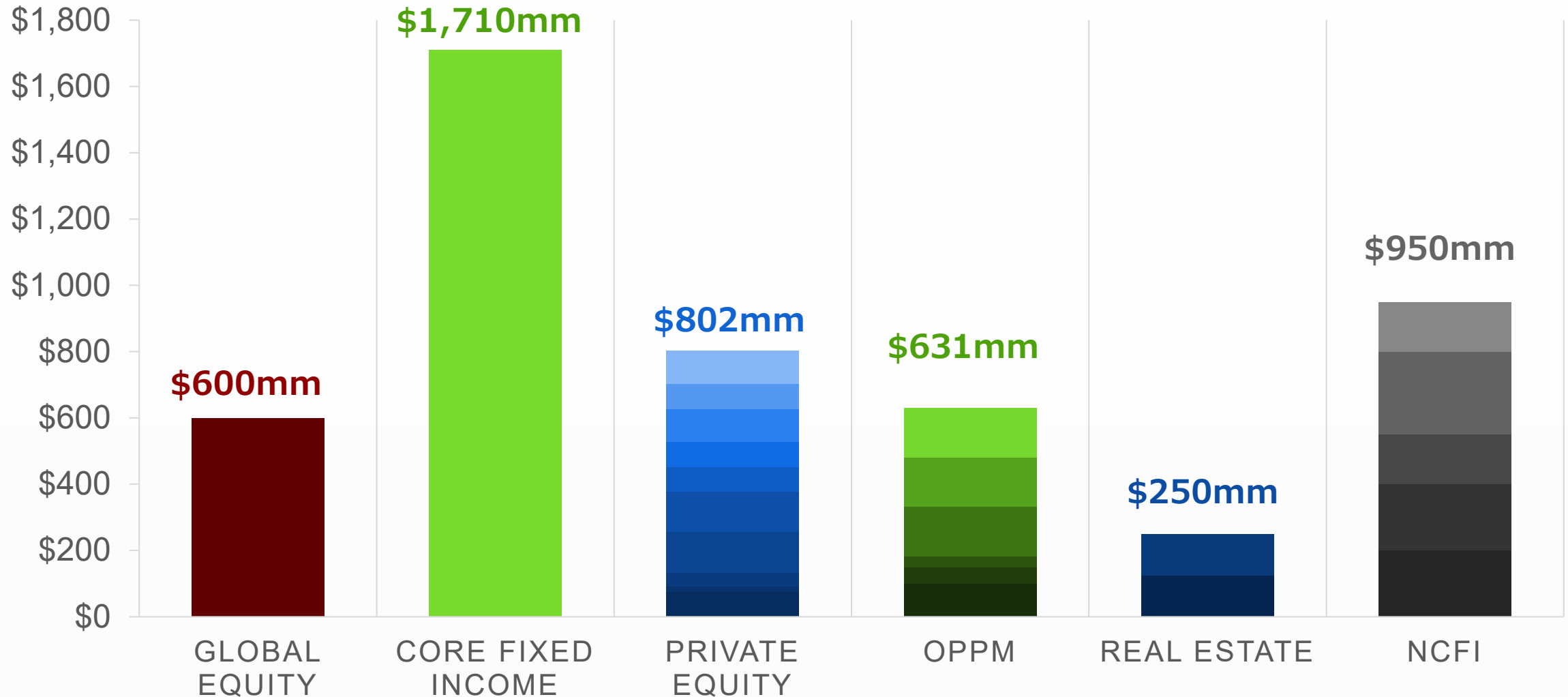
Trust Fund Asset Allocation Aligns with Targets



	Strategic Target	Actual as of Dec. 31, 2023	Policy Range
■ Public Equity	35%	36.5%	25 – 45%
■ Private Equity	10%	11.2%	5 – 15%
■ OPPM	12%	8.9%	7 – 17%
■ Real Estate	12%	12.3%	7 – 17%
■ Hedge Funds	5%	5.2%	0 – 10%
■ NCFI	20%	19.3%	15 – 25%
■ Core FI	6%	6.0%	1 – 11%
■ Cash	0%	0.6%	0 – 3%

2023 Completed Investments Totaled \$4.9 Billion

As of December 31, 2023



2023 Completed Investments Report

As of 12/31/2023

ASSET CLASS / STRATEGY	COMPLETED DATE	MANAGER OR FUND NAME	NEW / EXISTING MANAGER	AMOUNT COMMITTED	PUBLIC / PRIVATE MARKET
Global Equity					
Active ACWI EX-US	June 26	Arrowstreet Capital, Limited Partnership	New	\$600,000,000	Public
Core Fixed Income					
Core	April 25	Northern Trust Investments, Inc.	Existing	\$1,710,000,000	Public
Non-Core Fixed Income					
Opportunistic Credit	December 5	Invesco Commercial Real Estate Finance Trust, Inc.	Existing	\$200,000,000	Private
Opportunistic Credit	November 21	Adams Street Private Credit Fund III-A LP	Existing	\$250,000,000	Private
Opportunistic Credit	October 2	TPG Real Estate Credit Opportunities, L.P.	Existing	\$200,000,000	Private
Opportunistic Credit	August 29	Bregal Sagemount Credit Solutions L.P.	Existing	\$150,000,000	Private
Opportunistic Credit	March 16	Arrow Credit Opportunities II USD Feeder SCSp	New	\$150,000,000	Private
Real Estate					
Value Added	June 30	Virtus Real Estate Capital IV, LP	Existing	\$125,000,000	Private
Value Added	April 21	Stockbridge Value Fund V, LP	Existing	\$125,000,000	Private
Other Public and Private Markets					
Energy	December 22	Silver Hill Energy Partners IV, LP	Existing	\$100,000,000	Private
Mining	July 25	Appian Zilker PV1 LP	Existing	\$50,000,000	Private
Infrastructure	March 17	MTP Zilker AV1 LLC	Existing	\$31,000,000	Private
Infrastructure	March 16	Excelsior Renewable Energy Feeder Fund II-B LP	New	\$150,000,000	Private
Energy	March 1	Pearl Energy Investments III, LP	New	\$150,000,000	Private
Other	January 4	Bain Capital Insurance Fund, L.P.	Existing	\$150,000,000	Private
Hedge Funds					
N/A					
Private Equity					
Buyout	November 13	One Rock Emerald Fund, LP	Existing	\$75,000,000	Private
Buyout	November 2	Arctic DC Holdings, LP	Existing	\$17,200,188	Private
Buyout	October 11	Altaris VI-4042 LP	Existing	\$40,000,000	Private
Buyout	August 11	PSG VI L.P.	Existing	\$125,000,000	Private
Buyout	July 28	Altaris Health Partners VI, L.P.	Existing	\$120,000,000	Private
Buyout	July 27	SkyKnight Capital Fund IV, L.P.	New	\$75,000,000	Private
Buyout	March 31	Public Pension Capital, LLC	Existing	\$75,000,000	Private
Buyout	March 14	Parthenon Investors VII, LP	Existing	\$100,000,000	Private
Buyout	January 27	Gemspring Capital Fund III, LP	New	\$75,000,000	Private
Buyout	January 12	Arcline Capital Partners III LP	Existing	\$100,000,000	Private
TOTAL:				<u>\$4,943,200,188</u>	



March 19, 2024

To: Board of Trustees

From: Michele Fullon, Investment Compliance Officer 

Re: Agenda Item 8d: Fourth Quarter 2023 Investment Compliance Report


Investment Policy Statement (IPS) Compliance I tested all IPS testable parameters and confirmed that TMRS was in compliance with them.

Investment Guidelines TMRS is in compliance with the testable parameters in staff's Investment Guidelines. Testing includes: (i) strategic diversification requirements, (ii) geographic and economic diversification requirements, (iii) investment manager concentration limits, and (iv) investment vehicle concentration limits.

Investment Manager Compliance In the fourth quarter 2023, State Street automated tests confirmed that TMRS' investment managers had adhered to their investment guidelines and were in compliance with TMRS guidelines.



March 19, 2024

To: Board of Trustees
From: Yup Kim, Chief Investment Officer 
Re: Agenda Item 8e: Receive 2023 Proxy Voting Summary

The Investment Policy Statement delegates proxy voting implementation to staff and requires staff to provide the Board a proxy voting summary annually.

The following table provides a summary of TMRS' 2023 proxy votes.

2023 Proxy Voting Summary						
Manager	Asset Class	Number of Votable Ballots	Number of Ballots Voted	% of issues voted with management	% of issues voted against management	Percent of votes abstaining
Acadian Asset Mgt.	Global Public Equity	579	575	84.60%	13.14%	2.26%
Arrowstreet	Global Public Equity	129	126	87.49%	12.28%	0.23%
Champlain	Global Public Equity	59	58	93.39%	6.61%	0.00%
Northern Trust (Large Cap USA)	Global Public Equity	273	273	93.47%	6.53%	0.00%
Wellington Mgt. (Small Cap)	Global Public Equity	110	110	91.33%	8.67%	0.00%
Wellington Mgt. (Int'l)	Global Public Equity	67	67	91.98%	8.02%	0.00%
William Blair	Global Public Equity	89	87	88.68%	4.26%	7.06%



March 19, 2024

To: Board of Trustees

From: Yup S. Kim, Chief Investment Officer

A handwritten signature in black ink, appearing to read "Yup S. Kim", is written over a circular stamp or seal.

Re: Agenda Item 9: General Investment Consultant Quarterly Report

Sam Austin will discuss NEPC's Quarterly Investment Performance Report.

ATTACHMENT:

1 - NEPC 4Q 2023 Executive Summary



4Q 2023 QUARTERLY PERFORMANCE REPORT EXECUTIVE SUMMARY

MARCH 28, 2024

Samuel Austin, Partner



TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF DECEMBER 31, 2023

COMPARED TO ASSET ALLOCATION BENCHMARK

	Market Value (\$)	1 Yr (%)	5 Yrs (%)
Total Fund, Net of Fees	39,126,845,893	11.37	7.73
Actual Allocation Benchmark		10.66	5.96
Over/Under		0.71	1.77

- **For the one-year period ended December 31, 2023, the Trust Fund returned 11.37%, exceeding the Asset Allocation Benchmark by 0.71%.**
 - Global Equity, Core and Non-Core Fixed Income, Real Estate, and Hedge Funds exceeded their respective benchmarks, while Other Public and Private Markets and Private Equity trailed.
- **For the five-year ended December 31, 2023, the Trust Fund returned 7.73%, exceeding the Asset Allocation Benchmark by 1.77%.**
 - Core and Non-Core Fixed Income, Other Public and Private Markets, Real Estate, and Private Equity exceeded their respective benchmarks, while Global Equity and Hedge Funds trailed.



TOTAL FUND PERFORMANCE SUMMARY – NET RETURNS AS OF DECEMBER 31, 2023

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

	1 Yr (%)	Quartile Rank	5 Yrs (%)	Quartile Rank
Total Fund, Net of Fees	11.37	2nd	7.73	4th
Actual Allocation Benchmark	10.66	3 rd	5.96	4 th
Strategic Target Allocation Index	11.28	2 nd	6.87	4 th
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>11.26</i>		<i>8.68</i>	

- **For the one-year ended December 31, 2023, the Trust Fund returned 11.37% and ranked in the second quartile among other Public Defined Benefit Plans greater than \$10 billion in assets.**
- **For the five-years ended December 31, 2023, the Trust Fund returned 7.73% and ranked in the fourth quartile among other Public Defined Benefit Plans greater than \$10 billion in assets.**

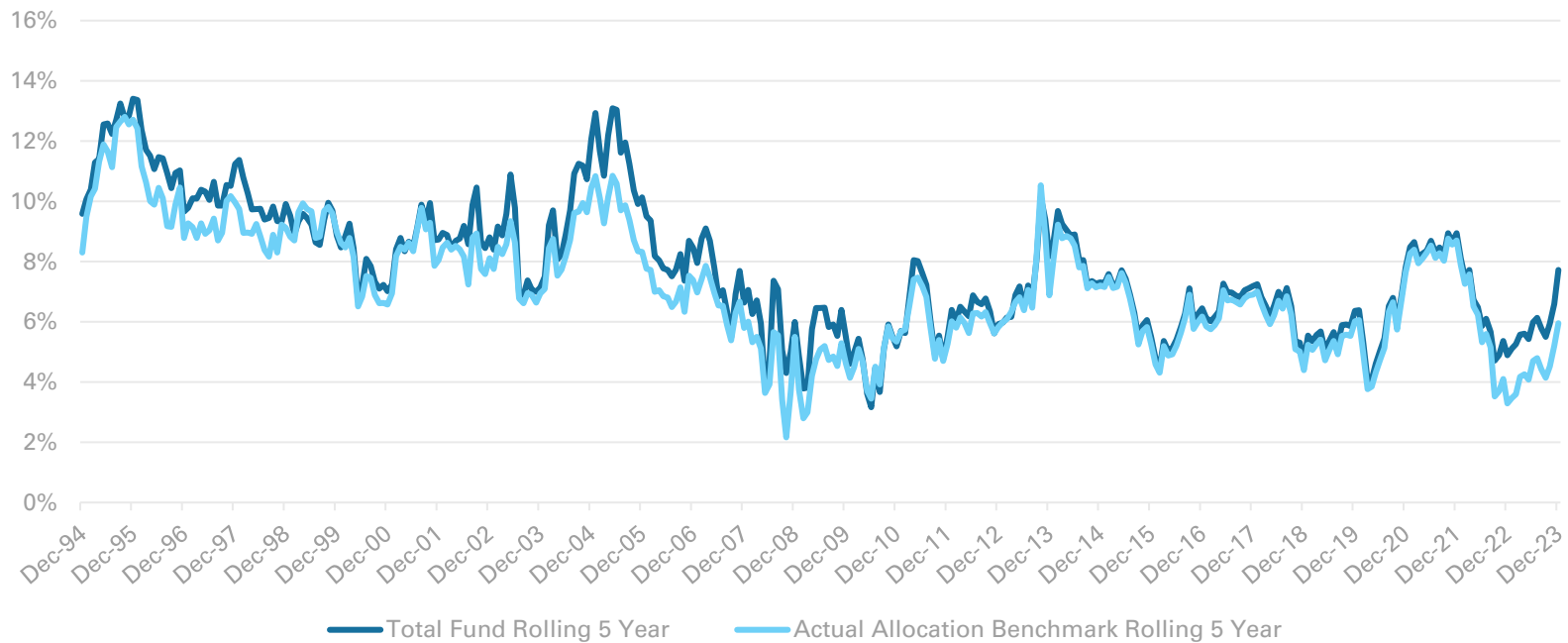


TOTAL FUND PERFORMANCE AS OF DECEMBER 31, 2023

VERSUS ACTUAL ALLOCATION BENCHMARK

- **The Trust Fund performance expectation is to exceed the Actual Allocation Benchmark over rolling five-year periods.**
- **In the five-year period ended December 31, 2023, TMRS outperformed the Actual Allocation Benchmark by 1.77%, net of fees.**

Rolling 5 Year Total Fund Performance vs. Actual Allocation Benchmark

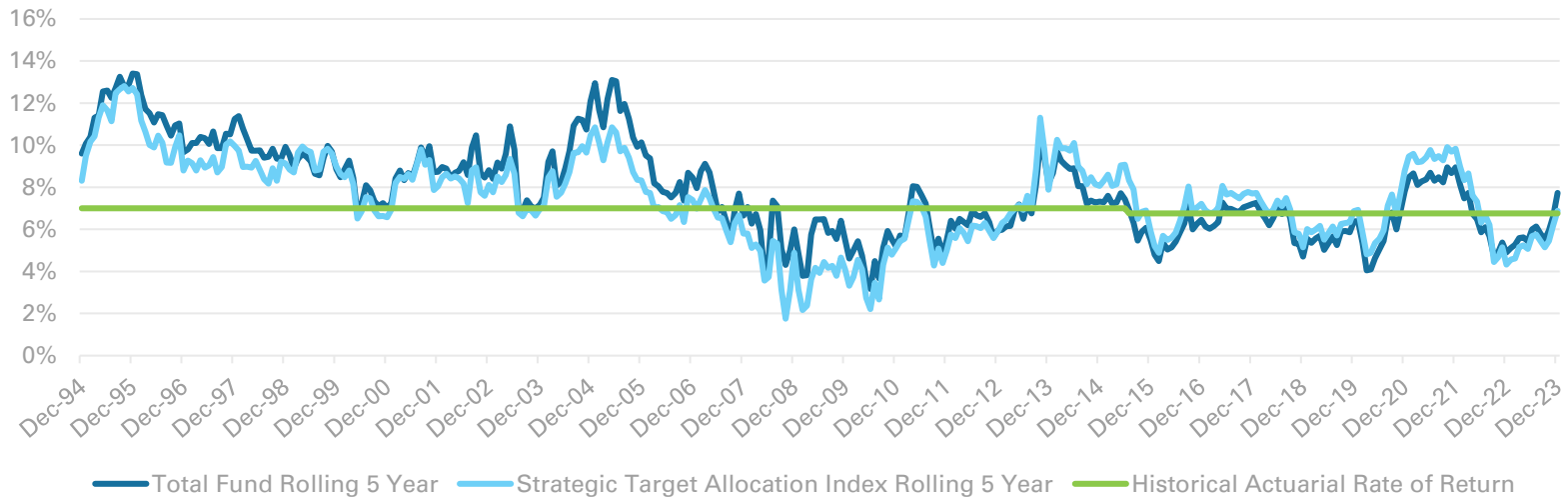


TOTAL FUND PERFORMANCE AS OF DECEMBER 31, 2023

VERSUS STRATEGIC TARGET ALLOCATION INDEX AND ASSUMED RATE OF RETURN

- For the five-year period ended December 31, 2023, the Trust Fund's net return of 7.73% exceeded the Board's Assumed Long-Term Rate of Return of 6.75%.
- The five-year return for the Strategic Target Allocation Index was 6.87%, as of December 31, 2023.

Rolling 5 Year Total Fund Performance vs. Strategic Target Allocation Index vs. Historical Actuarial Rate of Return



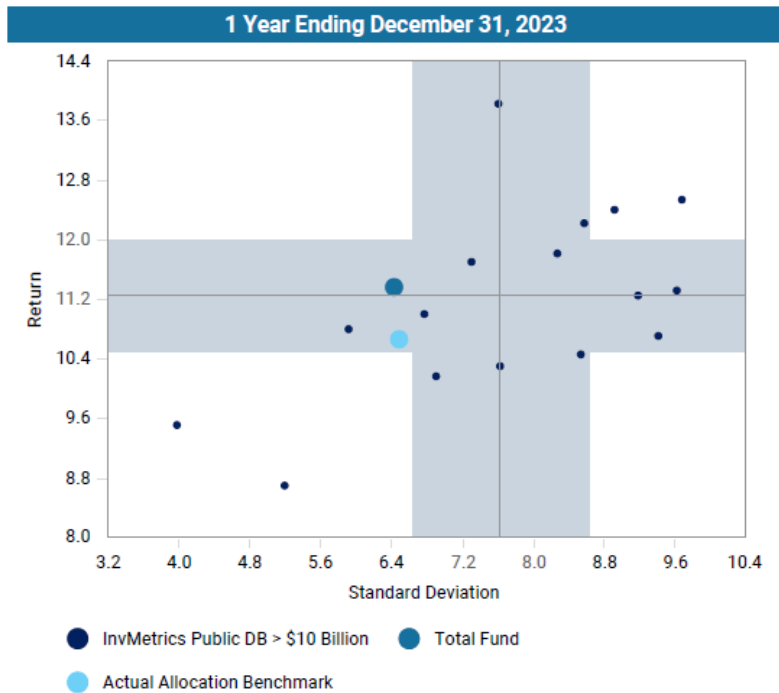
ASSET ALLOCATION COMPLIANCE AS OF DECEMBER 31, 2023

ACTUAL ASSET ALLOCATION VS. INVESTMENT POLICY ALLOCATION

	Current (\$)	Current (%)	Policy (%)	Differences* (%)	Policy Range (%)	Within Range
■ Global Equity	14,270,563,455	36.5	35.0	1.5	25.0 - 45.0	Yes
■ Non-Core Fixed Income	7,551,833,455	19.3	20.0	-0.7	15.0 - 25.0	Yes
■ Real Estate	4,811,887,876	12.3	12.0	0.3	7.0 - 17.0	Yes
■ Private Equity	4,387,794,360	11.2	10.0	1.2	5.0 - 15.0	Yes
■ Core Fixed Income	2,330,257,150	6.0	6.0	0.0	1.0 - 11.0	Yes
■ Other Public and Private Markets	3,485,725,828	8.9	12.0	-3.1	7.0 - 17.0	Yes
■ Hedge Funds	2,041,867,498	5.2	5.0	0.2	0.0 - 10.0	Yes
■ Cash Composite	246,916,270	0.6	0.0	0.6	0.0 - 3.0	Yes
Total Fund	39,126,845,893	100.0	100.0	0.0		

- Actual asset class allocations are in compliance with Investment Policy ranges as of December 31, 2023.

TOTAL FUND RISK VS. NET RETURN: ONE YEAR AS OF DECEMBER 31, 2023



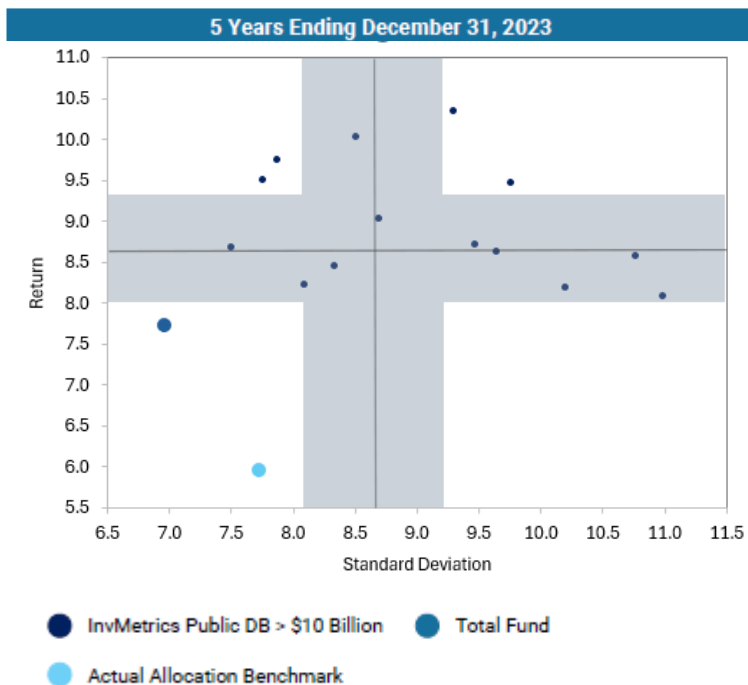
The Trust Fund generated a second quartile net investment return with lower risk, as measured by standard deviation, among other Public Defined Benefit Plans with more than \$10 billion in assets for the 1-year period ended December 31, 2023.

1 Year Ending December 31, 2023						
	Risk	Quartile Rank	Return	Quartile Rank	Sharpe Ratio	Quartile Rank
Total Fund	6.43	1st	11.37	2nd	0.95	1st
Actual Allocation Benchmark	6.48	1 st	10.66	3 rd	0.84	2 nd
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>7.63</i>		<i>11.26</i>		<i>0.80</i>	

- The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
- InvMetrics Public DB > \$10B Median includes 17 observations.



TOTAL FUND RISK VS. NET RETURN: FIVE YEARS AS OF DECEMBER 31, 2023



The Trust Fund underperformed in its peer universe due to having the least amount of risk as measured by standard deviation in the 5-year period, among other Public Defined Benefit Plans with more than \$10 billion in assets.

5 Year Ending December 31, 2023						
	Risk	Quartile Rank	Return	Quartile Rank	Sharpe Ratio	Quartile Rank
Total Fund	6.96	1st	7.73	4th	0.83	2nd
Actual Allocation Benchmark	7.73	1 st	5.96	4 th	0.54	4 th
<i>InvMetrics Public DB > \$10 Billion Median</i>	<i>8.62</i>		<i>8.68</i>		<i>0.81</i>	

- The Standard Deviation interquartile range is defined as the lowest Standard Deviation measuring in the first quartile.
- InvMetrics Public DB > \$10B Median includes 15 observations.



PERFORMANCE DETAIL AS OF DECEMBER 31, 2023

	Allocation		Performance (%)							
	Market Value (\$)	% of Portfolio	3 Mo (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
Total Fund	39,126,845,893	100.0	5.21	11.37	5.75	7.73	7.03	6.20	8.17	Jan-89
<i>Actual Allocation Benchmark</i>			<u>3.44</u>	<u>10.66</u>	<u>2.90</u>	<u>5.96</u>	<u>5.70</u>	<u>5.18</u>	<u>7.46</u>	
Over/Under			1.77	0.71	2.85	1.77	1.33	1.02	0.71	
<i>Strategic Target Allocation Index</i>			<u>3.44</u>	<u>11.28</u>	<u>3.70</u>	<u>6.87</u>	<u>6.60</u>	<u>6.00</u>	<u>7.73</u>	
Over/Under			1.77	0.09	2.05	0.86	0.43	0.20	0.44	
Global Equity	14,270,563,455	36.5	11.18	21.65	5.06	10.90	9.32	7.80	6.19	Jan-08
<i>Total Equity Index</i>			<u>11.14</u>	<u>21.58</u>	<u>5.46</u>	<u>11.49</u>	<u>9.83</u>	<u>8.12</u>	<u>6.37</u>	
Over/Under			0.04	0.07	-0.40	-0.59	-0.51	-0.32	-0.18	
Core Fixed Income	2,330,257,150	6.0	6.79	5.62	-3.21	1.42	1.56	2.01	6.54	Jan-89
<i>Fixed Income Benchmark</i>			<u>6.82</u>	<u>5.53</u>	<u>-3.31</u>	<u>1.10</u>	<u>1.29</u>	<u>1.81</u>	<u>6.04</u>	
Over/Under			-0.03	0.09	0.10	0.32	0.27	0.20	0.50	
Non-Core Fixed Income	7,551,833,455	19.3	3.60	10.77	4.80	5.23	5.14	4.60	4.60	Oct-14
<i>Total Non-Core Fixed Income Weighted Index</i>			<u>0.59</u>	<u>3.42</u>	<u>-1.17</u>	<u>1.33</u>	<u>2.13</u>	<u>2.16</u>	<u>2.16</u>	
Over/Under			3.01	7.35	5.97	3.90	3.01		2.44	
Other Public and Private Markets	3,485,725,828	8.9	2.83	14.92	7.15	7.45	5.86	4.60	4.55	Feb-11
<i>Total Real Return Index</i>			<u>-3.40</u>	<u>18.67</u>	<u>1.86</u>	<u>3.92</u>	<u>3.56</u>	<u>3.12</u>	<u>3.30</u>	
Over/Under			6.23	-3.75	5.29	3.53	2.30	1.48	1.25	
Real Estate	4,811,887,876	12.3	-1.51	-4.95	10.13	7.38	8.29	10.12	9.57	Nov-11
<i>Real Estate Benchmark</i>			<u>-2.10</u>	<u>-12.88</u>	<u>6.34</u>	<u>5.18</u>	<u>6.03</u>	<u>7.92</u>	<u>8.82</u>	
Over/Under			0.59	7.93	3.79	2.20	2.26	2.20	0.75	
Hedge Funds	2,041,867,498	5.2	2.14	7.55	4.07	5.21	5.57	4.58	4.58	Aug-14
<i>Hedge Funds Benchmark</i>			<u>0.71</u>	<u>3.30</u>	<u>4.34</u>	<u>5.22</u>	<u>4.59</u>	<u>3.45</u>	<u>3.45</u>	
Over/Under			1.43	4.25	-0.27	-0.01	0.98		1.13	
Private Equity	4,387,794,360	11.2	0.39	3.71	18.69	17.46	17.86	15.41	15.41	Dec-15
<i>Private Equity Index</i>			<u>-3.40</u>	<u>20.16</u>	<u>7.69</u>	<u>10.80</u>	<u>13.05</u>	<u>11.32</u>	<u>11.32</u>	
Over/Under			3.79	-16.45	11.00	6.66	4.81		4.09	
Cash Composite	246,916,270	0.6	1.44	5.60	2.43	1.99	1.76	1.39	0.99	Jun-08
<i>FTSE 1 Month US T-Bill index</i>			<u>1.38</u>	<u>5.13</u>	<u>2.19</u>	<u>1.84</u>	<u>1.69</u>	<u>1.21</u>	<u>0.83</u>	
Over/Under			0.06	0.47	0.24	0.15	0.07	0.18	0.16	

COMPOSITE BENCHMARK DEFINITIONS AS OF DECEMBER 31, 2023

Composite Benchmark Comments

The Actual Allocation Benchmark is calculated monthly using beginning of month asset class weights applied to each corresponding benchmark return and currently consists of the following:

- Total Equity Benchmark
- Fixed Income Benchmark
- Non-Core Fixed Income Benchmark
- OPPM Benchmark
- Real Estate Benchmark
- Hedge Funds Benchmark
- Private Equity Benchmark
- FTSE 30 Day T-Bill Index

The Strategic Target Allocation Index represents asset allocation targets adopted historically and currently consists of the following:

- 35.0% Total Equity Benchmark
- 6.0% Fixed Income Benchmark
- 20.0% Non-Core Fixed Income Benchmark
- 12.0% OPPM Benchmark
- 12.0% Real Estate Benchmark
- 5.0% Hedge Funds Benchmark
- 10.0% Private Equity Benchmark

Asset Class Composite Benchmarks:

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

The Fixed Income Benchmark is calculated monthly and consists of the Bloomberg US Gov't Crdt Lng Trm Bond Index through 06/30/2009; Bloomberg US Agg Bond Index thereafter.

The Non-Core Fixed Income Benchmark is calculated monthly using beginning of the month sub-asset class weights within the Non-Core Fixed Income Composite applied to each sub-asset class primary benchmark return through 6/30/2021, and the Bloomberg US Agg Bond Index + 1.5% on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis.

The OPPM Benchmark is calculated monthly using beginning of the month sub-asset class weights within the OPPM Composite applied to each sub-asset class primary benchmark return through 6/30/2021, and the MSCI ACW IM Index (USD) (Net) on an unlagged, month lagged, or quarter lagged basis in proportion of the managers in the composite on an unlagged, month lagged, or quarter lagged basis.

The Real Estate Benchmark is the NCREIF ODCE Index (Gross), one quarter lag through 06/30/2021, and NCREIF ODCE Index (Net), one quarter lag thereafter.

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

The Private Equity Benchmark is set equal to the Composite return through 6/30/2021, and MSCI ACW IM Index (USD) (Net), one quarter lag thereafter.



March 19, 2024

To: Board of Trustees

From: Yup S. Kim, Chief Investment Officer

A handwritten signature in black ink, appearing to read "Frank Atkins", is written over a circular scribble.

Re: Agenda Item 10: Board Education: Global Equities Asset Class

In accordance with the Investment Policy Statement, comprehensive asset class reviews are conducted annually. At the March Board meeting, Portfolio Director Frank Atkins will present the Global Equities asset class review.

The presentation material is available in the Diligent Resource Center in the tab titled "March 28, 2024, Board Meeting."



Global Public Equity

Frank Atkins, Portfolio Director, Global Public Equities

March 28, 2024

Global Public Equity Portfolio Role

The purpose of the Global Public Equity asset class is to provide **capital appreciation** for the Trust Fund. The public equity portfolio additionally serves as a source of **liquidity** to fund benefit payments and meet other cash needs.

Global Public Equity is expected to provide the following additional benefits:

- High returns relative to other asset classes
- Cost effective
- Private market placeholder

Performance vs. Other Asset Classes

Global Public Equity has consistently been a top performing asset class and operates at significant scale.

2023 was an especially strong year in Global Public Equity, up 21.65%, adding approximately \$2.5B to the Trust Fund. It is likely to expect some mean reversion in the rate of return going forward.

	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	NEPC 10 yr. Expectation
	PubE 21.65%	PE 18.69%	PE 17.46%	PE 17.86%	RE 10.12%	PE 9.20%
	OPPM 21.65%	RE 10.13%	PubE 10.90%	PubE 9.32%	PubE 7.79%	NCFI 7.54%
	NCFI 10.77%	OPPM 7.14%	OPPM 7.45%	RE 8.29%	OPPM 4.60%	OPPM 6.80%
	HF 7.55%	PubE 5.05%	RE 7.38%	OPPM 5.86%	Core FI 2.01%	HF 6.10%
	Core FI 5.62%	NCFI 4.80%	NCFI 5.23%	HF 5.57%	NCFI No Data	PubE 5.40%
	PE 3.71%	HF 4.07%	HF 5.21%	NCFI 5.14%	HF No Data	RE 5.40%
	RE -4.95%	Core FI -3.21%	Core FI 1.42%	Core FI 1.56%	PE No Data	Core FI 4.60%

Cost Effectiveness

~2bps

Passive Accounts

Management Fee

60bps

Active Accounts

Management Fee

10bps

Blended Total

Management Fee

Global Public Equity is managed in a cost-effective manner.

Pursuit of Alpha

Active Management

2013-2021

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

4/9

*years of outperforming
the benchmark*

Portfolio Reconstruction

2022-2023

Enhance passive management, upgrade active managers, build credibility with improved results.

26th
percentile

*performance among public
pensions, outperforming the
benchmark in 2023*

Benchmark Awareness

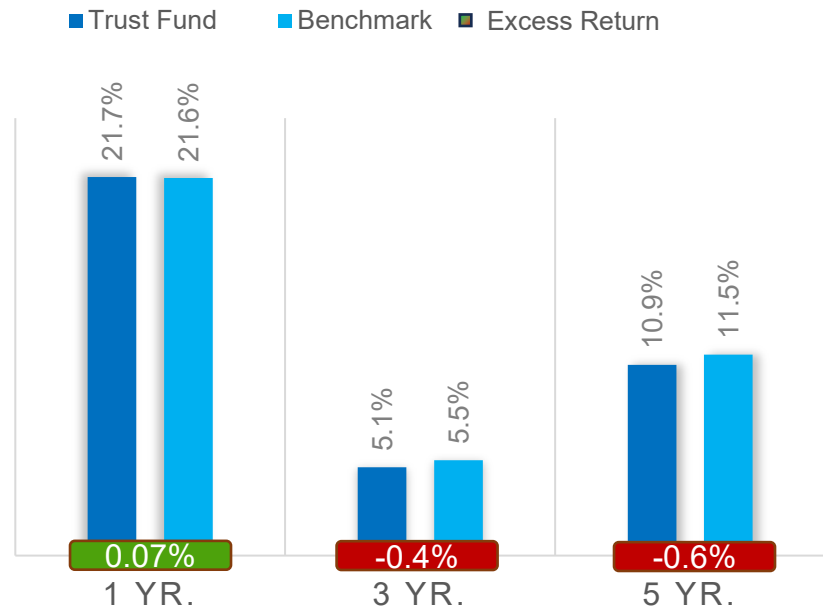
2024+

Selective pursuit of alpha where there is high probability of achieving, maintaining benchmark awareness.

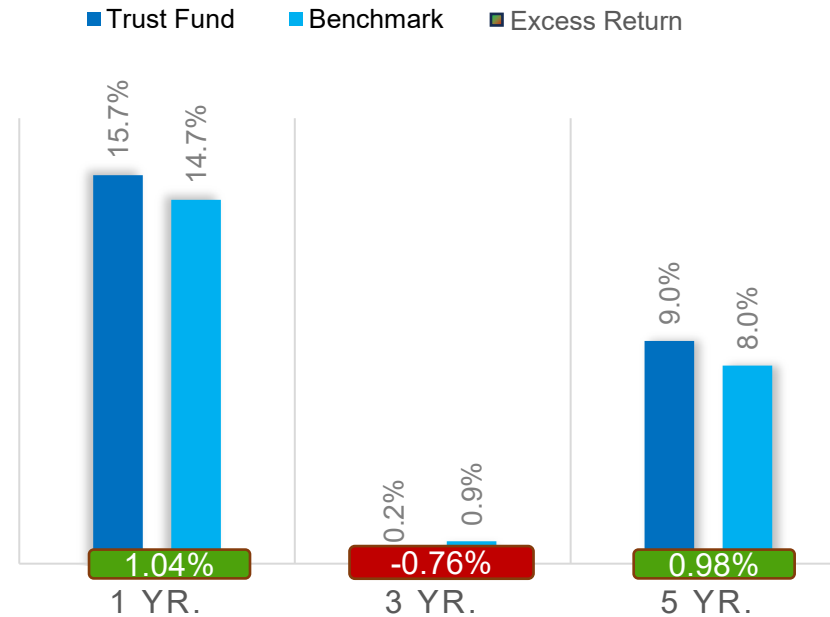
*Goal in 2024 to refine
success measurement
through improvement of
monitoring tools and
communication formats.*

Performance

Total Global Equity Net Performance
as of 12/31/23

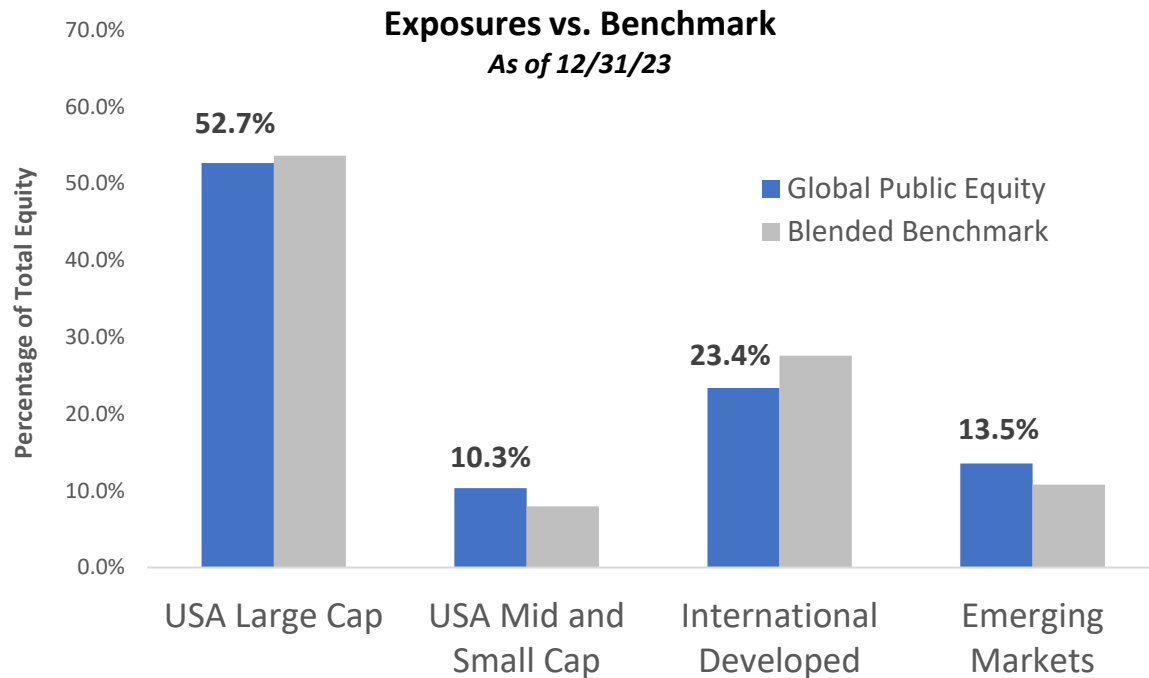


Active Portfolio Net Performance
as of 12/31/23

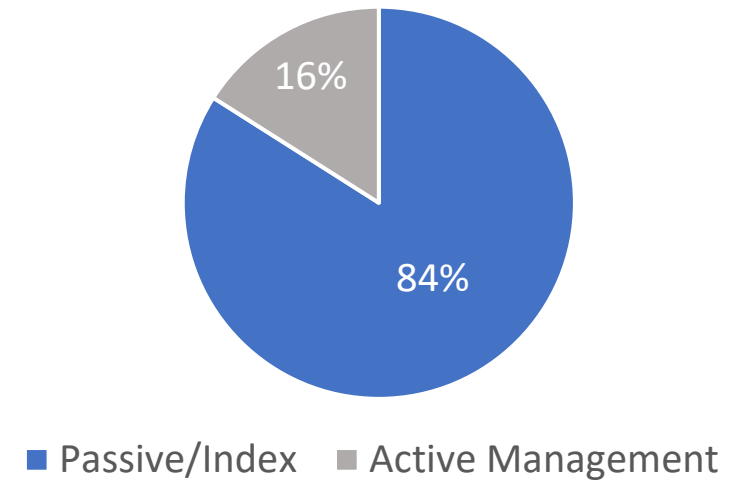


Completed initiatives that align the portfolio with the benchmark should allow active portfolio performance to more reliably positively impact the total portfolio going forward.

Portfolio Construction



Passive / Active Split
as of 12/31/23



\$14.3bn
Asset Value

16%
Active Management

62%
In the USA

Accomplishments & Planning

2023 Checklist



Improve portfolio returns with greater benchmark awareness.

Positive alpha generated with low tracking error.



Maintain portfolio liquidity, low fees.

\$1.5B raised for cash needs. 10bp management fee.



Selectively increase active management.

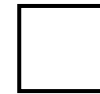
Moderate progress made. Groundwork in place for furthering in 2024.

2024 Goals



Expand alpha potential.

Using existing managers and select new strategies, increase active management above 20% of portfolio.



Increase portfolio construction precision.

Ensure expanded passive and active portfolio tools are implemented with tight tracking error to the benchmark.



Refine success measurement.

Improve success monitoring tools and communication formats.