



## **AGENDA**

### **Meeting of the Board of Trustees**

**Friday, February 11, 2022  
9:00 a.m.**

**TMRS Office  
2717 Perseverance Drive, Suite 300  
Austin, Texas 78731**

**Zoom Link for Public Access:**

<https://tmrs.zoom.us/j/98365135599?pwd=QnFFVzdyL2k0R3JaS2VFczhBQ0tpQT09>

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

*Call to Order*

*Invocation*

*Pledge of Allegiance*

#### **Consent Agenda**

1. [Consider and Act on Consent Agenda.](#) *Jesús Garza*
  - a. Approve Minutes from the December 2, 2021 Board of Trustees meeting

#### **Board Organization**

2. [Consider and Act on 2022 Board Meeting Dates.](#) *Jesús Garza*

#### **Executive Director Reports**

3. [Executive Director's Report.](#) *David Wescoe*
4. **Consider and Act on Resolution to Recognize 2021 Board Chair David Landis.**  
*David Wescoe*

## **Plan Benefit Design**

5. [Consider and Act on Ratification of Ordinances Adopting Updated Service Credit and/or Annuity Increases Effective January 1, 2022 \(Received after the December 2021 Board Meeting\).](#) *Michelle Kranes*

## **Advisory Committee on Benefit Design**

6. **Report on Advisory Committee's February 4, 2022 Meeting.** *Jesús Garza and Anali Alanis*

## **Governmental Relations Report**

7. [Discuss 2022 Legislative Calendar.](#) *Dan Wattles*

## **Investment Reports**

8. **Introduction of Chief Investment Officer David Hunter.** *David Wescoe*
9. [Chief Investment Officer Reports.](#) *David Hunter*
  - a. CIO Report
  - b. 2021 and 2022 Annual Investment Allocations Report Update
10. [RVK Report.](#) *Marcia Beard and Spencer Hunter, RVK*

## **Executive Session**

11. **Executive Session.** *Jesús Garza*
  - 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
  - b. In accordance with Section 551.072, Texas Government Code, the Board of Trustees may meet in executive session to deliberate the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person.

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

**Future Board Agenda Items**

**12. Call for Future Agenda Items. *Jesús Garza***

*Adjournment*

*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 offices, 2717 Perseverance Drive, Suite 300, Austin, TX 78731. This location will be open and audible to the public during the open portions of the meeting.*



February 1, 2022

**To: Board of Trustees**  
**From: Christine M. Sweeney, Chief Legal Officer**  
**Re: Agenda Item 1: Consider and Act on Consent Agenda**

CS

The Consent Agenda includes Minutes from the December 2, 2021 Board meeting.

**RECOMMENDATION**

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

**ATTACHMENTS**

- 1 - Minutes from the December 2, 2021 Board meeting



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

**December 2, 2021 – 8:30 a.m.**

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS) convened for a meeting at 8:30 a.m. at TMRS Headquarters, located at 2717 Perseverance Drive, Suite 300, in Austin, Texas, with all Trustees present: Chair David Landis, Vice Chair Jesús Garza, Anali Alanis, Johnny Huizar, Bill Philibert and Bob Scott.

Staff present included: David Wescoe (Executive Director), Michelle Kranes (Chief Service Officer), Christine Sweeney (Chief Legal Officer), Sandra Vice (Chief Administrative Officer), Michelle Mellon-Werch (Director of Communications), Anthony Mills (Director of City Services), Debbie Muñoz (Director of Member Services), Leslee Hardy (Director of Actuarial Services), Dan Wattles (Director of Governmental Relations), Rhonda Covarrubias (Director of Finance), Andi Focht-Williams (Internal Audit Manager), Nick O’Keefe (Lead Investment Attorney), Kelsey Baldwin (Investment Attorney), Madison Jechow (Assistant General Counsel), Leslie Ritter (Director of Human Resources), Tom Masthay (Director of Private Equity), Eddie Schultz (Director of Real Assets), German Gaymer (Senior Investment Analyst), Dimitry Shishkoff (Director of Risk Management), Ryan Conner (Investment Data Analyst), Chris Gillis, Network/Systems Administrator), Joe Newton (GRS), Marcia Beard (RVK), Spencer Hunter (RVK), Robert Klausner (Klausner, Kaufman, Jensen & Levinson), Dr. John Claisse (Albourne), and Spencer Edge (Albourne).

Mr. Landis called the meeting to order at 8:30 a.m.

**Consent Agenda**

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

Mr. Philibert moved that the Board adopt the Consent Agenda. Mr. Scott seconded the motion, which passed 6-0.

**Advisory Committee on Benefit Design**

**2. Report on Advisory Committee’s December 1, 2021 Meeting.**

Mr. Garza reported that the Advisory Committee on Benefit Design met on December 1, 2021, and, based on direction from the Board, discussed Cost of Living Adjustment (COLA) matters regarding the retroactive feature and COLA percentage options and also discussed the retiree Supplemental Death Benefit (SDB). He said that, after discussion, the Committee members

concurred that they did not observe a need for any legislative changes regarding the COLA retroactive feature or retiree SDB. Committee members did express an interest in TMRS exploring the possibility of adding another COLA percentage option (90%) as an additional benefit design feature to offer cities. The Committee's comments were based on the results of staff surveys of cities, which surveys showed that the retroactive feature did not affect city decisions regarding COLAs and that cities had no interest in adding more COLA options below 70%.

**3. Consider and Act on Appointments to the Advisory Committee on Benefit Design and on Possible Recommendations for Additional Advisory Committee Study Topics.**

Mr. Garza presented recommendations to the Board for additional study topics for the Committee. Mr. Garza commented that the Committee discussed the TMRS Act provisions that require a city to provide Updated Service Credit (USC) to adopt a COLA and require a city to provide an active Member Supplemental Death Benefit (SDB) to provide a retiree SDB. Mr. Garza recommended that the Board authorize the Advisory Committee to study the possibility of "uncoupling" those requirements.

Mr. Garza moved that the Board authorize the additional study topics. Mr. Philibert seconded the motion, which passed 6-0.

Ms. Kranes presented three Group Class nominees for the Advisory Committee on Benefit Design:

- Scott Leeton was nominated by Combined Law Enforcement Associations of Texas (CLEAT) to serve a second term;
- Mitch Landry was nominated by Texas Municipal Police Association (TMPA) to serve a second term; and
- Cheree' Bontrager of University Park was nominated by the Texas Municipal Human Resources Association (TMHRA) to succeed Lauren Safranek.

Mr. Philibert moved that the Board approve the Group Class representative nominations to the Advisory Committee on Benefit Design for three-year terms as presented. Mr. Scott seconded the motion, which passed 6-0.

Mr. Garza asked Ms. Sweeney to provide an overview of recent legislative proposals. He would like to have that discussion in the spring in order to have any potential TMRS legislative proposals completed before the 2023 legislative session.

**Audit Committee Report**

**4. Report on Audit Committee's November 17, 2021, Meeting.**

Ms. Focht-Williams presented an update from the Audit Committee meeting of November 17, 2021, at which two reports were presented. The first report, about TMRS compensation guidance for cities, concluded that TMRS has comprehensive guidance about compensation for participating cities and detailed support materials for staff. Ms. Vice presented a second report on TMRS'

successful implementation of a framework to address organization-wide risk, pursuant to Strategic Goal 3, Objective D, of the 2018-2022 Strategic Plan.

Ms. Focht-Williams said the 2021-2022 Audit Plan was on track, and Audit Committee meeting dates for 2022 had been set. Mr. Scott asked for review of Investments-related audits from past years with feedback from the new Chief Investment Officer.

## **Board Organization**

### **5. Consider and Act on 2022 Board Meeting Dates.**

Ms. Sweeney said that during the October meeting the Board voted to hold five regular meetings and one Board retreat on a Thursday / Friday schedule, but did not vote on actual meeting dates. This matter is being brought back to vote on dates, and at Mr. Garza's request to further discuss the number of meetings for 2022.

After discussion, Mr. Garza moved that the Board adopt a 2022 schedule for six meetings and one Board retreat. Ms. Alanis seconded the motion, which passed 6-0.

Mr. Wescoe said that staff would suggest specific meeting dates for the six meetings and a retreat.

### **6. Consider and Act on Election of 2022 Board Officers and Possible Related Amendments to the Board Bylaws.**

Mr. Landis expressed his support for rotating the Chair position annually. Ms. Sweeney confirmed the Board's Bylaws currently do not limit the number of times a Trustee can be elected as Chair or Vice Chair. She also said there is no specific Bylaws requirement or restriction about a particular Board officer serving on a particular committee.

Mr. Philibert moved that the Board elect Mr. Garza as Chair for 2022. Ms. Alanis seconded the motion, which passed 6-0. Mr. Huizar moved that the Board elect Mr. Scott as Vice Chair for 2022. Mr. Philibert seconded the motion, which passed 6-0.

### **7. Consider and Act on 2022 Board Committee Appointments.**

After Board discussion, Mr. Garza moved that the Board appoint himself as Chair and Ms. Alanis as Vice Chair of the Advisory Committee on Benefit Design. Mr. Philibert seconded the motion, which passed 6-0.

Mr. Landis moved that the Board approve the appointment of Mr. Philibert as Chair and Mr. Landis as Vice Chair of the Audit Committee and the appointment of Mr. Scott as Chair and Mr. Huizar as Vice Chair of the Budget and Compensation Committee. Mr. Scott seconded the motion, which passed 6-0.

## **8. Consider and Act on 2022 Schedule for Consultant Evaluations.**

Ms. Sweeney noted that the Consultant Selection and Evaluation Policy adopted by the Board in March provides that the Board is to annually review its list of Board consultants and prospectively set a schedule of evaluations.

Mr. Garza said that evaluations of the Board's governmental relations consultant, governance consultant and fiduciary counsel should be prioritized because agreements are at the end of their terms, and requested a review of the governmental relations consultant in advance of the 2023 legislative session. Mr. Philibert asked whether the Policy requires a Request for Qualifications (RFQ) for each consultant search, and Ms. Sweeney responded that the Policy provides flexibility to determine the appropriate method for each search.

## **Executive Director Reports**

### **9. Executive Director's Report.**

Mr. Wescoe discussed 2021 highlights including: rebranding TMRS; passage of Return to Work legislation; the successful move to the Grove; completion of all items on the 2021 Senior Staff Action Plan and the Board's Strategic Plan; filling the Chief Investment Officer position expected by year end; the Board's new asset allocations and benchmarks for Investments; a new staff Investments report that RVK says is best practice; TMRS' best attended annual conference; and the introduction of the first-ever TMRS mobile app. He also said TMRS was joined by its 900<sup>th</sup> city, the City of Garrett, a year away from TMRS's 75<sup>th</sup> anniversary.

### **10. Receive Senior Staff Quarterly Reports.**

Mr. Wescoe presented the Board with quarterly reports from TMRS senior staff.

## **Actuarial Services**

### **11. Consider and Act on Supplemental Death Benefit Fund Assumptions and 2023 Rates.**

Ms. Hardy addressed Supplemental Death Benefit (SDB) rates for 2023. Due to the pandemic, the SDB fund has been impacted by an increase in deaths and the fund balance was down by \$6.7 million, from \$12.6M to \$5.9M, after the first nine months of 2021, so GRS recommends that TMRS increase 2023 rates for the SDB fund. Mr. Newton said that the SDB for retirees is \$7500 but for employees it is approximately one times their annual salary. Mr. Newton discussed how the SDB rate proposal would work.

Mr. Garza moved that the Board increase the 2023 SDB contribution rates as determined in the December 31, 2021, actuarial valuation by (i) removing the assumption that grants a small credit to active rates, (ii) adding a load of 100% to the active rates, and (iii) adding a load of 10% to the retiree rates. Mr. Scott seconded the motion, which passed 6-0.



**12. Discuss 2022 Supplemental Death Benefit Funding.**

Ms. Hardy noted the risk of asset depletion in the Supplemental Death Benefit (SDB) fund in 2022. Currently there is a zero balance in the general reserves account, but the TMRS Act allows the Board to transfer money to the general reserves account from the interest reserve account after all other interest requirements have been met for the year. This is not an action item at this time, she said, but staff and GRS will come back to the Board in March to ask that money from the interest reserve account be transferred to the general reserves account in case it is needed to cover any SDB fund deficiencies.

**Finance Reports**

**13. Consider and Act on Proposed 2022 Operating, Capital and PASMod Program Budgets.**

Ms. Covarrubias presented the Operating, Capital and Pension Administration System Modernization (PASMod) budgets for 2022. She noted that, except for The Grove lease, the proposed 2022 budget is four percent lower than the 2020 budget despite eight new positions for Member and City Services departments being added in 2022. No changes were made to the Capital or PASMod budgets from the prior versions presented in October.

Mr. Philibert moved that the Board approve the 2022 Operating, Capital and PASMod Program budgets. Mr. Scott seconded the motion, which passed 6-0.

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

Ms. Covarrubias explained that adding \$27.2 million to the current Expense Fund balance will cover the TMRS budget, and Board policy in prior years has been to add a 15% reserve.

Mr. Scott moved that the Board transfer \$33.1 million from the Interest Reserve Account to the Expense Fund for 2022 budgeted expenses. Mr. Huizar seconded the motion, which passed 6-0.

**Investment Reports**

**15. Chief Investment Officer Report.**

Mr. Wescoe said that the Trust Fund currently has an 11.4% return for the year. The Chief Investment Officer search is going well and should be completed by year end. The Staff Investment Committee (SIC) is implementing the new asset allocations adopted by the Board in June and recruiting for Investments staff has been successful. Investment activity reports improve every month and are published on the TMRS website.

Mr. Wescoe noted that in 2021 the Board received 35 comprehensive reports on Investment topics and held a retreat to discuss risk tolerance and benchmarks. A Request For Proposals (RFP) for custodial services resulted in negotiation of fee reductions with the custodian, State Street. RVK

has provided quarterly reviews of Investments, and the Board also received four Investment risk reports and four Investment compliance reports this year.

Mr. Masthay presented a Trust Fund Report for the third quarter of 2021 and said this third quarter report is the first on results from the new asset allocations set in June.

Mr. Garza asked for a reminder of the current thresholds that require staff to bring certain investments to the Board for approval, and Mr. Masthay responded. Mr. Garza asked for a summary of the thresholds that is updated annually.

Mr. Masthay also delivered quarterly investment reports for asset classes; data, performance, and risk; investment commitments; and investment pacing.

**16. Receive Third Quarter 2021 Investment Compliance Report.**

Mr. O’Keefe presented the third quarter investment compliance report. After running more than 6,000 automated tests to ensure managers are in compliance with Investment guidelines, he said, there are no compliance issues to report.

**17. General Investment Consultant Investment Quarterly Report.**

Ms. Beard presented and said staff’s new Investments reporting is excellent. She reported that the TMRS Trust Fund outperformed the expectations set out in the Investment Policy Statement (IPS) in every time period except for one basis point of underperformance in the three-year period.

**18. Consider and Act on 2022 Investment Pacing Plan.**

Mr. Masthay presented the 2022 Investment Pacing Plan and discussed expected allocations to investments over the next year of \$900 million to Private Equity, \$1.5 billion to Other Public and Private Markets (OPPM), \$750 million to Real Estate and \$1.25 billion to Private Credit.

**19. Discuss Scope of Work for General Investment Consultant.**

Mr. Wescoe presented a scope of work for an upcoming Request For Proposal (RFP) for the Board’s general investment consultant, which is based on the Investment Policy Statement Mr. Garza asked about the timing of this RFP in relation to the asset allocation study process and asset liability review scheduled in 2022. Mr. Wescoe said he expects a selection by the end of the first quarter of 2022.

**Board Education**

**20. Board Education: Fixed Income Asset Class.**

Mr. Gaymer presented a Board education item regarding the fixed income asset class.

**21. Board Education: Role of Specialized Investment Consultant.**

Dr. Claisse, Chief Executive Officer of Albourne, TMRS' consultant for alternative investment classes, presented an overview of Albourne and its services. Albourne serves as a fiduciary to the Board. It has monthly calls with each TMRS investment class team and focuses on research and due diligence, including investment due diligence, diligence on operations controls and also quantitative due diligence. When Albourne reviews an investment to write its memo to TMRS, the investment must comply with the IPS, and no investment will reach the Staff Investment Committee unless it is in compliance with the IPS.

**22. Board Education: A Trustee's Fiduciary Responsibilities.**

Mr. Klausner presented a Board education session regarding fiduciary responsibilities. Texas law defining a prudent investor includes in the definition loyalty, impartiality, cost consciousness and careful review for compliance. He discussed the importance of delegation of authority to the Executive Director and staff as well as the importance of accountability for those delegated responsibilities.

**Future Board Agenda Items**

**23. Call for Future Agenda Items.**

Mr. Landis asked for future agenda items. Mr. Garza referred to items he raised earlier during the meeting, but there were no other items added. Mr. Landis adjourned the meeting at 12:37 p.m.

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David Wescoe  
Executive Director

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Jesús Garza  
Board Chair



February 1, 2022

**To:** Board of Trustees

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

**Re:** Agenda Item 2: Consider and Act on 2022 Board Meeting Dates

As I noted in my October and December 2021 Board memos, Board meetings must be held in March, May, and June due to the required timing of interest credits to the Benefit Accumulation Fund, the annual valuation and city contribution rates, and the financial audits and ACFR (previously called the CAFR).

After discussion at its December 2, 2021 meeting, the Board voted unanimously to adopt a schedule of six meetings and one Board Retreat for 2022, but did not vote on specific meeting dates.

Staff has since reached out to individual Trustees to generally determine availability during the year. Below are proposed meeting dates (based on a Friday meeting) for the remainder of 2022:

March 25  
May 27  
June 24  
September 23  
October 28 (Retreat)  
December 9

Also attached are a set of 2022 monthly calendar pages with the proposed dates highlighted in yellow.

### **RECOMMENDATION**

Staff recommends that the Board adopt a schedule of meeting dates for calendar year 2022.

### **ATTACHMENT**

1 - 2022 Monthly Calendar Pages

**2/1/2022 DRAFT**

**January 2022**

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
	City Council Meeting	City Council Meeting		City Council Meeting		
9	10	11	12	13	14	15
16	17	18	19	20	21	22
	City Council Meeting	City Council Meeting		City Council Meeting		
23	24	25	26	27	28	29
30	31					

# February 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
		City Council Meeting		City Council Meeting		
6	7	8	9	10	11	12
	City Council Meeting				TMRS Board Meeting	
13	14	15	16	17	18	19
		City Council Meeting		City Council Meeting		
20	21	22	23	24	25	26
	City Council Meeting					
27	28					

# March 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
		City Council Meeting		City Council Meeting		
6	7	8	9	10	11	12
	City Council Meeting		TMRS Audit Committee Meeting			
13	14	15	16	17	18	19
		City Council Meeting		City Council Meeting		
20	21	22	23	24	25	26
	City Council Meeting				Proposed TMRS Board Meeting Date	
27	28	29	30	31		

# April 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
	City Council Meeting	City Council Meeting		City Council Meeting		
10	11	12	13	14	15	16
17	18	19	20	21	22	23
	City Council Meeting	City Council Meeting		City Council Meeting		
24	25	26	27	28	29	30



# May 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3	4	5	6	7
	City Council Meeting	City Council Meeting		City Council Meeting		
8	9	10	11	12	13	14
15	16	17	18	19	20	21
	City Council Meeting	City Council Meeting		City Council Meeting		
22	23	24	25	26	27	28
					Proposed TMRS Board Meeting Date	
29	30	31				

# June 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
			1	2	3	4
				City Council Meeting		
5	6	7	8	9	10	11
	City Council Meeting	City Council Meeting				
12	13	14	15	16	17	18
			TMRS Audit Committee Meeting	City Council Meeting		
19	20	21	22	23	24	25
	City Council Meeting	City Council Meeting			Proposed TMRS Board Meeting Date	
26	27	28	29	30		

# July 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					1	2
3	4	5	6	7	8	9
	City Council Meeting	City Council Meeting		City Council Meeting		
10	11	12	13	14	15	16
17	18	19	20	21	22	23
	City Council Meeting	City Council Meeting		City Council Meeting		
24	25	26	27	28	29	30
31						

# August 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	2	3	4	5	6
	City Council Meeting	City Council Meeting		City Council Meeting		
7	8	9	10	11	12	13
14	15	16	17	18	19	20
	City Council Meeting	City Council Meeting		City Council Meeting		
21	22	23	24	25	26	27
28	29	30	31			

# September 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
				City Council Meeting		
4	5	6	7	8	9	10
	City Council Meeting	City Council Meeting	TMRS Audit Committee Meeting			
11	12	13	14	15	16	17
				City Council Meeting		
18	19	20	21	22	23	24
	City Council Meeting	City Council Meeting			Proposed TMRS Board Meeting Date	
25	26	27	28	29	30	

# October 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
						1
2	3	4	5	6	7	8
	City Council Meeting	City Council Meeting		City Council Meeting		
9	10	11	12	13	14	15
16	17	18	19	20	21	22
	City Council Meeting	City Council Meeting		City Council Meeting		
23	24	25	26	27	28	29
					Proposed TMRS Board Retreat Date	
30	31					

# November 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1	2	3	4	5
		City Council Meeting		City Council Meeting		
6	7	8	9	10	11	12
	City Council Meeting					
13	14	15	16	17	18	19
		City Council Meeting	TMRS Audit Committee Meeting	City Council Meeting		
20	21	22	23	24	25	26
	City Council Meeting			Thanksgiving Holiday	Thanksgiving Holiday	
27	28	29	30			


# December 2022

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1	2	3
				City Council Meeting		
4	5	6	7	8	9	10
	City Council Meeting	City Council Meeting			Proposed TMRS Board Meeting Date	
11	12	13	14	15	16	17
				City Council Meeting		
18	19	20	21	22	23	24
	City Council Meeting	City Council Meeting				
25	26	27	28	29	30	31





February 1, 2022

**To:** Board of Trustees   
**From:** David Wescoe, Executive Director  
**Re:** Agenda Item 3: Executive Director's Report

As the following confirms, TMRS ended 2021 on many high notes and staff is off to a great start in 2022.

1. **The Chief Investment Officer Search is Completed.** In mid-December, we announced that David Hunter would become TMRS' next Chief Investment Officer, and Dave began work on January 18. Dave was a standout in a deep and talented pool of candidates. I was looking for a senior leader with CIO and Board relationship experience and a passion for public service, and Dave is that person. His intelligence, education, experience, and passion for public service are impressive, and his values align perfectly with ours: he believes in a collaborative work environment where colleagues enjoy each other and have some fun, too. Gary Hudepohl did an excellent job of sourcing candidates and coordinating the search.
2. **2021 Senior Staff Action Plan Results.** Staff completed the 2021 Action Plan, which significantly strengthens TMRS' operations.
3. **2022 Senior Staff Action Plan.** The Senior Staff met off-site last week and agreed on another ambitious Action Plan for 2022.
4. **2021 Operating Expense Results.** Preliminary 2021 operating expenses are approximately 6% less than budget. Indeed, 2021 operating expenses, including The Grove lease expenses, look to be about \$400,000 less than 2019's operating expenses.
5. **The Grove.** Employees continue to enjoy the new office space. As one colleague said, "I'm still in love with the new location, building and really enjoy being here every day." The wall images are also a hit: "I enjoy the art. You have chosen wisely, and the pieces are beautiful and meaningful."
6. **PASMod Program.** The PASMod Program is on schedule and under budget. With last year's successful rollout of the City Portal, staff is now focused on the city contribution system upgrade, the most significant project of the PASMod Program. I am excited about the improvements the new system will bring to our cities' and TMRS' contribution and payroll processes. Jennifer Andrews, our City Contributions Manager, is doing an excellent job leading the project.

7. **Retiree 2021 Forms 1099-R.** Due to excellent staff work, the 2021 IRS tax Forms 1099-R are available on MyTMRS and have been mailed to retirees.
8. **2021 Annual Interest Crediting for Members.** Annual interest for 2021 has been applied to eligible Members' accounts, Updated Service Credit and Prior Service Credit.
9. **Tom Brady Who? TMRS' Jesse Pittman Retires.** On January 18, Jesse Pitman, TMRS' Senior Project Manager, retired after almost a decade of TMRS service. Jesse was a key member of the Senior Staff, and he worked hard to coordinate many important projects, including, most recently, the Strategic Plan, The Grove move, and PASMod Program projects. Jesse, who plans to play more golf and ride his bike (I'm envious), will be missed.
10. **Texas Municipal League.** I will be speaking at TML's upcoming City Management Clinic on February 24 to discuss our new service and communications initiatives.
11. **RetirementWise.** TMRS' retiree newsletter, *RetirementWise*, has been posted on the website and mailed to retirees.
12. **Main Street 2022 First Quarter Edition Published.** The First Quarter 2022 edition of *Main Street*, City Services' quarterly update to cities, has been distributed to participating cities.
13. **Annual Actuarial Rate Letters.** Our crack actuarial team of Leslee Hardy and Kenneth Oliver emailed rate letter reminders to TMRS' participating cities and personally spoke with about 100 city contacts to provide advice and insight into the city's actuarial policies and funded status.
14. **TMRS Retiree Feedback.** Recent feedback from TMRS' retirees has been inspiring. One retiree emailed, "I've been retired for almost four years now and am loving it. I want to thank you and the rest of the Board along with the entire staff for the work y'all have done to make sure TMRS is so strong and is there for us upon retirement. There is such comfort in knowing the great work being done on behalf of city employees and retirees. Thank you so much."

Another wrote, "Words cannot fully express the appreciation I feel towards TMRS for making my retirement possible and feasible. Thank you so very, very much for being there for me and for all retired municipal employees across Texas. God Bless you and grant you a fabulous 2022!"

This is why I say that TMRS is in the "life touching" business.



February 1, 2022

**TO:** Board of Trustees

**FROM:** Michelle D. Kranes, Chief Service Officer *MDKranes*

**RE:** **Agenda Item 5: Consider and Act on Ratification of Ordinances Adopting Updated Service Credit and/or Annuity Increases Effective January 1, 2022 (Received after the December 2021 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 2021 meeting were adopted to be effective January 1, 2022.

Additional ordinances were received after the December 2021 meeting but on or before December 31, 2021 and meet the qualifications for Board approval. The Board's action at the December 2021 Meeting was to approve those ordinances presented and such other qualified ordinances as may be received by the System prior to January 1, 2022. Highlighted on the attached list are those ordinances received after the December 2021 Board meeting but before January 1, 2021.

### **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 2021 Board meeting but before the January 1, 2022 effective date.

### **ATTACHMENTS**

- Attachment 1 – List of Cities Adopting Updated Service Credits and/or Annuity Increases Effective January 1, 2022, to be Ratified

Agenda Item 5- 02/1/2022  
CITIES THAT HAVE ADOPTED OR READOPTED UPDATED SERVICE CREDIT AND/OR ANNUITY INCREASES  
EFFECTIVE JANUARY 1, 2022  
(Ordinances received as of December 31, 2021)

		Updated Service Credit		Increased Benefits to Retirees			
City Number	Participating Municipality	Rate (%)	Year Effective	Rate (%)	Year Effective	Number Contributing Members	Number Annuitants
00054	Arp	100	2022R			10	5
00079	Balcones Heights	100 T	2022R	30	2022R	54	63
00080	Ballinger	100 T	2022R	70	2022R	37	27
00176	Brenham	100 T	2022R	70	2022R	205	157
00198	Bullard	100	2022R			30	8
00207	Cactus	100 T	2022R			48	12
00212	Calvert	100 T	2022R	70	2022R	13	7
00307	Cottonwood Shores	100 T	2022R			20	0
00563	Gun Barrel City	100 T	2022R			47	25
00564	Gunter	100 T	2022R	70	2022R	14	5
10582	Harlingen	50 T	2022	70	2006	507	352
20582	Harlingen Waterworks	50 T	2022	70	2005	141	135
00614	Hitchcock	50 T	2022R			45	40
00616	Holliday	100 T	2022			9	1
00636	Huntsville	75 T	2022R	50	2022R	275	228
00637	Hurst	100	2009R	30	2022	348	313
00638	Hutchins	50 T	2022R	30	2022R	76	37
00641	Huxley	50 T	2022	30	2022	9	6
00686	Kenedy	100 T	2022R	70	2022R	51	14
00708	Kountze	50	2022R	30	2022R	26	5
00733	Lavon	100 T	2022R	70	2022R	21	7
00766	Longview	100 T	2000R	50	2022	652	559
00799	Manvel	100 T	2022	70	2022	78	16
00800	Marble Falls	100 T	2020R	30	2022R	123	101
00828	McGregor	100 T	2022R	70	2022R	50	42
00835	Meadows Place	100	2022	70	2022	36	24
00837	Melissa	100 T	2018R	70	2022R	63	23
00854	Mesquite	100 T	2019R	50	2022	1,145	924
00875	Missouri City	100 T	2022	70	2022	359	222
00905	Nassau Bay	50	2022R	30	2022R	46	33
01002	Pharr	100	2022R	70	2008	762	266
01018	Port Isabel	100	2022R	70	2022R	62	38
01022	Port Neches	100 T	2001R	30	2022	95	89
01019	Portland	100 T	2022R	70	2022R	156	87
01024	Post	100 T	2022R			24	16
21136	San Antonio	100 T	2000R	70	2022	7062	5359
01201	Splendora	100 T	2022			34	2
01224	Sudan	100 T	2022	70	2022	8	2
01226	Sulphur Springs	100 T	2022	50	2007	144	124
01238	Tahoka	100 T	2022R	50	1976	22	14
01293	Trinidad	100	2022R			7	5
01308	Uvalde	100 T	2022R	70	2022R	168	82
01316	Van Alstyne	100 T	2022R	70	2022R	55	22
01336	Waller	100 T	2022R			39	22
01340	Waskom	100 T	2022R	70	2022R	15	12
01354	Weslaco	50 T	2022	30	2022	272	173
T- Includes Transfer Credits.							
R- Annually Repeating. Ordinance automatically renews effective January 1 of each successive year.							
*Red Indicates the new USC/Annuity Increase adoption.							
Highlighted cities indicate ordinances received after December Board Meeting.							



February 1, 2021

**To: Board of Trustees**

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

**Re: Agenda Item 7: Discuss 2022 Legislative Calendar.**

On February 4, 2022, the Board's Advisory Committee on Benefit Design will be discussing two potential benefit design changes. At the March Board meeting, staff will present an overview of recent TMRS legislative proposals and proposals for the Board to consider for the 2023 Legislative Session.

In general, once the Board approves moving forward with a legislative proposal, staff provides draft legislation to TMRS' bill sponsor(s), who then must submit it to the Texas Legislative Council for formal bill drafting. Only after Legislative Council completes their process can any proposed legislation be filed as a bill. Because proposed legislation submitted to Legislative Council increases as the start of a Session nears, there is an advantage to identifying bill sponsors and having them submit draft TMRS legislation to Legislative Council earlier in the process.

Since at least 2010, TMRS staff has drafted proposed legislation and worked with Legislative Council to address any questions during their review process. This process ensures the provisions of the Council's bill work correctly with the provisions of the TMRS Act.

For the 2023 Legislative Session, a bill can be filed between November 7, 2022 and March 10, 2023. If the Board wants to pursue legislation in 2023, a decision should be made by December at the latest, but the earlier a bill is filed the better (e.g., the more opportunity TMRS has to educate legislators about the bill provisions).



Below is a proposed timeline for Board and staff activities during 2022 that would enable TMRS to submit any proposed legislation to a bill sponsor in September:

<ul style="list-style-type: none"> <li>• Staff presents Board with an overview of recent TMRS legislation and a list of suggested statutory changes;</li> <li>• Board provides direction for any legislation it wants staff to begin drafting</li> </ul>	March 2022
<ul style="list-style-type: none"> <li>• Staff updates Board and presents some or all initial draft bill language, depending on the number of topics</li> <li>• Board provides comments and any additional direction on legislative topics</li> </ul>	May 2022
<ul style="list-style-type: none"> <li>• Staff updates Board and presents any additional or revised draft bill language</li> <li>• Board provides comments and any additional direction on legislative topics</li> </ul>	June 2022
Staff continues work on internal bill draft and secures bill sponsor(s)	June - September 2022
Board makes decision about pursuing legislation	September 2022 Board meeting
Staff submits TMRS draft legislation to bill sponsor(s), who submits it to Legislative Council	After Board decision
TMRS reviews Legislative Council's draft bill / coordinates changes	Upon receipt of draft bill from Legislative Council; hopefully October – November 2022
Bill sponsor files bill on behalf of TMRS	Upon receipt of final bill from Legislative Council; November 2022 – January 2023



February 3, 2022

**To:** Board of Trustees

**From:** David Hunter, Chief Investment Officer

**Re:** Agenda Item 9: Chief Investment Officer Report

I am pleased to present you with my first CIO Report. All materials referenced in the Report are available in the Diligent Resource Center.

**Trust Fund Performance.** Preliminary market returns for the Trust Fund were 12.80%, net of fees, for the year ended December 31, 2021, exceeding the RVK Actual Allocation Benchmark (AAB) by 61 basis points (bps). Preliminary returns for the 5- and 10-year periods ended December 31, 2021, were 8.94% and 7.69%, respectively. These exceeded the AAB by 23 bps, net of fees, for both time periods.

These year-end returns are preliminary because where there are daily market values for public securities, private market returns are lagged by one month for monthly-valued assets and one quarter for quarterly-valued assets. Final calendar year 2021 returns that remove the effects of lagging will be available upon completion of the December 31, 2021 fiscal year end audit in May 2022.

**Asset Allocation Update.** Since the Board adopted a new target asset allocation effective July 1, 2021, staff has made progress reallocating Trust Fund assets towards the new target allocations. As of December 31, 2021, actual allocations were within approximately 1% of target with exceptions for public equity (overweight 2.3%), private equity (underweight 2.3%) and hedge funds (overweight 3.3%).

**Staff Investment Committee (SIC).** The SIC met on November 30, 2021, December 17, 2021, January 11, 2022, and January 25, 2022. A total of ten investments totaling \$1.325 billion were approved. I will provide more details on each of these investments at the meeting.

**Private Equity to Non-Core Fixed Income Re-assignment.** At the November 30, 2021 SIC meeting, the Committee voted to reassign five accounts managed by two managers from the Private Equity portfolio to Non-Core Fixed Income to improve alignment with TMRS' target asset allocation. The reassignment was successfully completed in January. RVK supported the account reassignments.

**Investment Consultant RFP.** TMRS will issue a General Investment Consultant RFP in early February, and I anticipate presenting finalists to the Board at your May meeting.

**Department Staffing.** The Investment department welcomed Aaron Weiner, an Investment Data Analyst, to the Data, Performance and Risk (DPR) team, and Joel Palmer, an Investment Analyst, to the Other Public and Private Markets (OPPM) team. In addition, I am pleased to announce that Kristin Qualls has been promoted to Director of Investment Operations.

**Chief Investment Officer (CIO) Meetings.** I have met one-on-one with all investment team members, and I am very impressed with their level of engagement, transparency, and professional backgrounds. TMRS has a great team of investment professionals and experienced senior management who are dedicated, driven, and determined to provide high-quality investment management on behalf of our Members, retirees and participating cities. I am also looking forward to our upcoming meetings.





## 2021 Annual Approved Allocations Investment Report

As of 12/31/21

### APPROVED ALLOCATIONS

ASSET CLASS / STRATEGY	APPROVAL DATE	MANAGER NAME / FUND NAME	NEW / EXISTING MANAGER	AMOUNT APPROVED or COMMITTED	PUBLIC / PRIVATE MARKET
<b>Global Equity</b>					
Actively Managed	March 30	Marshall Wace, LLP / MW TOPS World Equities (US) Fund	New	\$200,000,000	Private
<b>Core Fixed Income</b>					
		N/A			
<b>Non-Core Fixed Income</b>					
Opportunistic	August 31	Pemberton Strategic Credit Fund II SCSp SICAV-RAIF	New	\$250,000,000	Private
Opportunistic	June 29	GoldenTree Distressed Fund IV, LP	Existing	\$250,000,000	Private
<b>Real Estate</b>					
Opportunistic/N. America & Europe	December 17	TPG Real Estate Partners IV, LP	Existing	\$250,000,000	Private
Non-Core	July 27	Grandview II, LP	Existing	\$80,000,000	Private
Non-Core	July 27	Grandview II TX	Existing	\$80,000,000	Private
Value-Added	May 25	Ascentris - TM Partners, LLC	New	\$200,000,000	Private
Value-Added	April 27	Virtus Real Estate Capital III, LLC	Existing	\$150,000,000	Private
Value-Added	January 26	Transwestern Strategic Partners Fund III, LP	Existing	\$100,000,000	Private
<b>Other Public &amp; Private Markets</b>					
Digital Infrastructure	December 17	Grain Spectrum Holdings IV, LP	Existing	\$150,000,000	Private
Energy	November 30	Silver Hill Energy Partners III, LP	New	\$200,000,000	Private
Energy Transition	October 26	Activate Capital Partners II, LP	New	\$100,000,000	Private
Non-Core Private Infrastructure	October 26	Pioneer Infrastructure Partners SCSp	New	€ 100,000,000	Private
Non-Core Private Infrastructure	September 30	AIMPERA Fund III	New	\$150,000,000	Private
Non-Core Private Infrastructure	September 30	AIMPERA III Co-invest	New	\$100,000,000	Private
Infrastructure	July 27	Hull Street Energy Partners II, LP	New	\$200,000,000	Private
Infrastructure	July 27	MTP Climate Infrastructure Fund, LLC (upsized)	Existing	\$50,000,000	Private
Infrastructure	March 30	MTP Climate Infrastructure Fund, LLC	Existing	\$150,000,000	Private
<b>Hedge Fund</b>					
Long Short Equity	April 27	Redco II Offshore Fund, LP	Existing	\$75,000,000	Private

## 2021 Annual Approved Allocations Investment Report

*As of 12/31/21*

### APPROVED ALLOCATIONS

ASSET CLASS / STRATEGY	APPROVAL DATE	MANAGER NAME / FUND NAME	NEW / EXISTING MANAGER	AMOUNT APPROVED or COMMITTED	PUBLIC / PRIVATE MARKET
<b>Private Equity</b>					
Buy-out	December 17	Dunes Point Capital Fund III, LP	Existing	\$75,000,000	Private
Venture Capital	November 30	Tribe Capital Fund III, LP	New	\$75,000,000	Private
Buy-out	October 26	GTCR Strategic Growth Fund, LP	Existing	\$42,000,000	Private
Venture/Growth/Minority	October 26	Techstars Ventures 2022, LP	Existing	\$75,000,000	Private
Venture/Growth/Minority	October 26	Altimeter Growth Partners Fund VI, LP	Existing	\$100,000,000	Private
Venture/Growth/Minority	October 26	Dragoneer Opportunities Fund VI, LP	Existing	\$100,000,000	Private
Venture/Growth/Minority	September 30	Green Oaks Capital Opportunities Fund IV, LP	New	\$60,000,000	Private
Special Situations (Equity)	August 31	Lightbay Investment Partners II, LP	Existing	\$75,000,000	Private
Buy-out	August 31	Reverence Capital Partners Opportunities Fund V	Existing	\$100,000,000	Private
Buy-out/Co-invest	July 27	Altaris V-4042, LP	Existing	\$60,000,000	Private
Buy-out	June 29	Butterfly III Fund, LP	New	\$75,000,000	Private
Venture Capital	May 25	Tribe Capital Fund II, LP	New	\$60,000,000	Private
Special Situations (Equity)	May 25	Heartwood Partners IV, LP	Existing	\$75,000,000	Private
Venture Capital	May 25	Flagship Pioneering - Origination Fund VII, LP	Existing	\$80,000,000	Private
Growth Equity	April 27	Insight Partners XII, LP	Existing	\$125,000,000	Private
Buyout	April 27	Insight Partners XII Buyout Annex, LP	Existing	\$40,000,000	Private
Growth Equity	March 30	PSG V, LP	Existing	\$100,000,000	Private
Buyout	March 30	Public Pension Capital, LLC	New	\$75,000,000	Private
Buyout	March 30	Ara Fund II, LP	New	\$75,000,000	Private
Secondaries	February 23	HarbourVest TMRS Polaris SMA LP	Existing	\$200,000,000	Private
Venture Capital	February 23	Techstars Accelerator 2021, LP	New	\$40,000,000	Private
Buy-out	January 26	Arcline Capital Partners II, LP	Existing	\$120,000,000	Private
<b>TOTAL:</b>				<b><u>\$4,675,710,000</u></b>	



## 2022 Annual Approved Allocations Investment Report

As of 2/1/2022

### APPROVED ALLOCATIONS

ASSET CLASS / STRATEGY	APPROVAL DATE	MANAGER NAME / FUND NAME	NEW / EXISTING MANAGER	AMOUNT APPROVED or COMMITTED	PUBLIC / PRIVATE MARKET
<b>Global Equity</b>		N/A			
<b>Core Fixed Income</b>		N/A			
<b>Non-Core Fixed Income</b>		N/A			
<b>Real Estate</b>		N/A			
<b>Other Public &amp; Private Markets</b>					
Minerals & Mining	January 25	Sprott Private Resource Lending (US) III	Existing	\$150,000,000	Private
Energy/Infra Buy-outs	January 25	Oaktree Power Opportunities Fund VI	New	\$200,000,000	Private
<b>Hedge Fund</b>		N/A			
<b>Private Equity</b>					
Venture/Growth/Minority	January 25	Updata Partners VII	Existing	\$100,000,000	Private
Buyout	January 11	Tritium III, L.P.	Existing	\$75,000,000	Private
Growth Equity	January 11	FTV VII, L.P.	Existing	\$100,000,000	Private
<b>TOTAL:</b>				<b><u>\$625,000,000</u></b>	



# Quarterly Board Executive Summary Presentation

Texas Municipal Retirement System

Period Ended: December 31, 2021



# Total Fund Performance

## How Did TMRS Perform Relative to Investment Policy Benchmarks?

	Performance (%)						
	QTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years
<b>Total Fund</b>	<b>3.71</b>	<b>12.80</b>	<b>12.80</b>	<b>11.43</b>	<b>8.94</b>	<b>7.36</b>	<b>7.69</b>
Actual Allocation Benchmark	3.18	12.19	12.19	11.24	8.71	7.11	7.46
Difference	0.53	0.61	0.61	0.19	0.23	0.25	0.23

The Total Fund returned 3.71% net of fees in the fourth quarter and 12.80% over the trailing 12 months.

- Fourth Quarter – TMRS outperformed the Actual Allocation Benchmark (3.18%) by 53 basis points.
  - Outperformance for the quarter was driven primarily by Private Equity and Hedge Funds, which beat their custom benchmarks by 781 and 141 basis points, respectively.
- Trailing year – TMRS outperformed the Actual Allocation Benchmark (12.19%) by 61 basis points.
  - Private Equity and Real Estate drove relative performance over the trailing 12-months as the asset classes outpaced their custom benchmarks by 1443 and 193 basis points, respectively.
  - Hedge Funds and Total Equity detracted from relative performance as they trailed their custom benchmarks by 309 and 54 basis points, respectively.

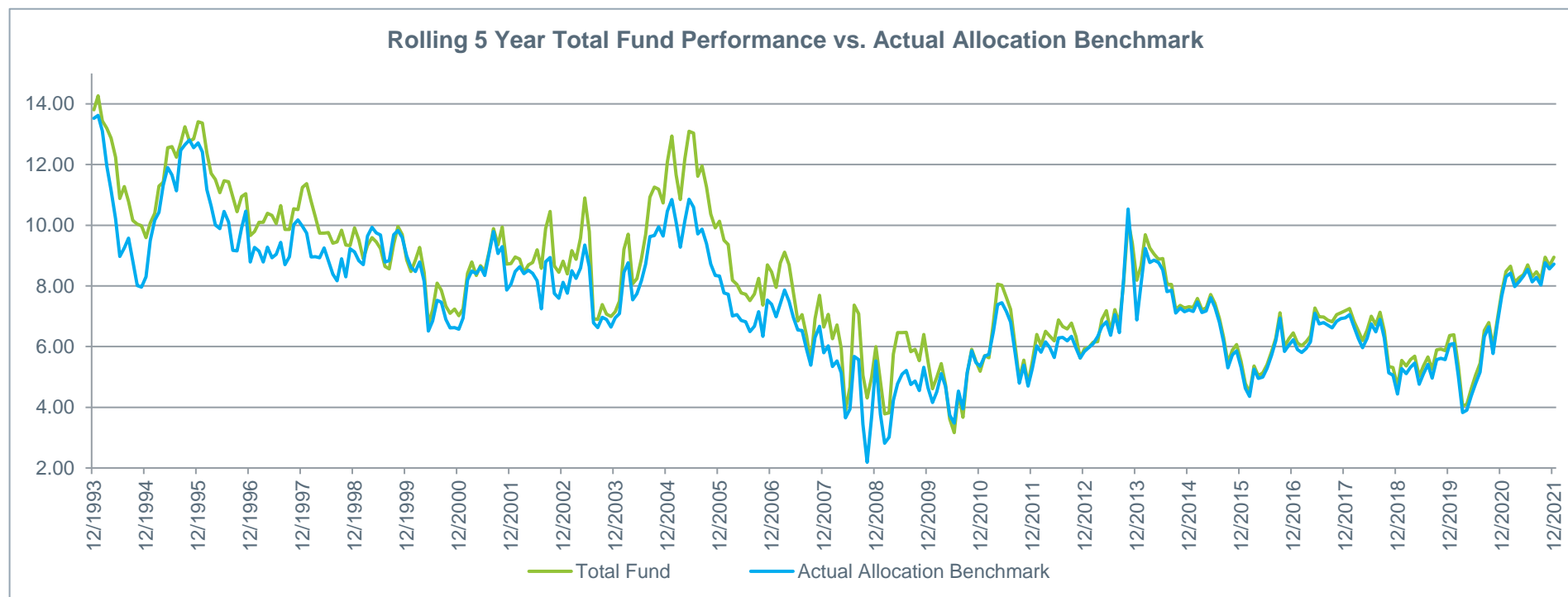
The Total Fund outperformed the Actual Allocation Benchmark net of fees over all trailing time periods ended December 31, 2021.

# Total Fund Performance

## How Did TMRS Perform Relative to Investment Policy Benchmarks?

The Total Fund performance expectation, as stated in the Investment Policy Statement, is to exceed the Actual Allocation Benchmark over rolling five-year periods.

- Five-year – TMRS outperformed the Actual Allocation Benchmark by 23 basis points, net of fees.
- The chart below shows that TMRS has beaten the five-year rolling performance expectation 93% of time since 1993, and 97% over the last ten years.



Performance shown is net of fees. Please see the Addendum for custom benchmark definitions.

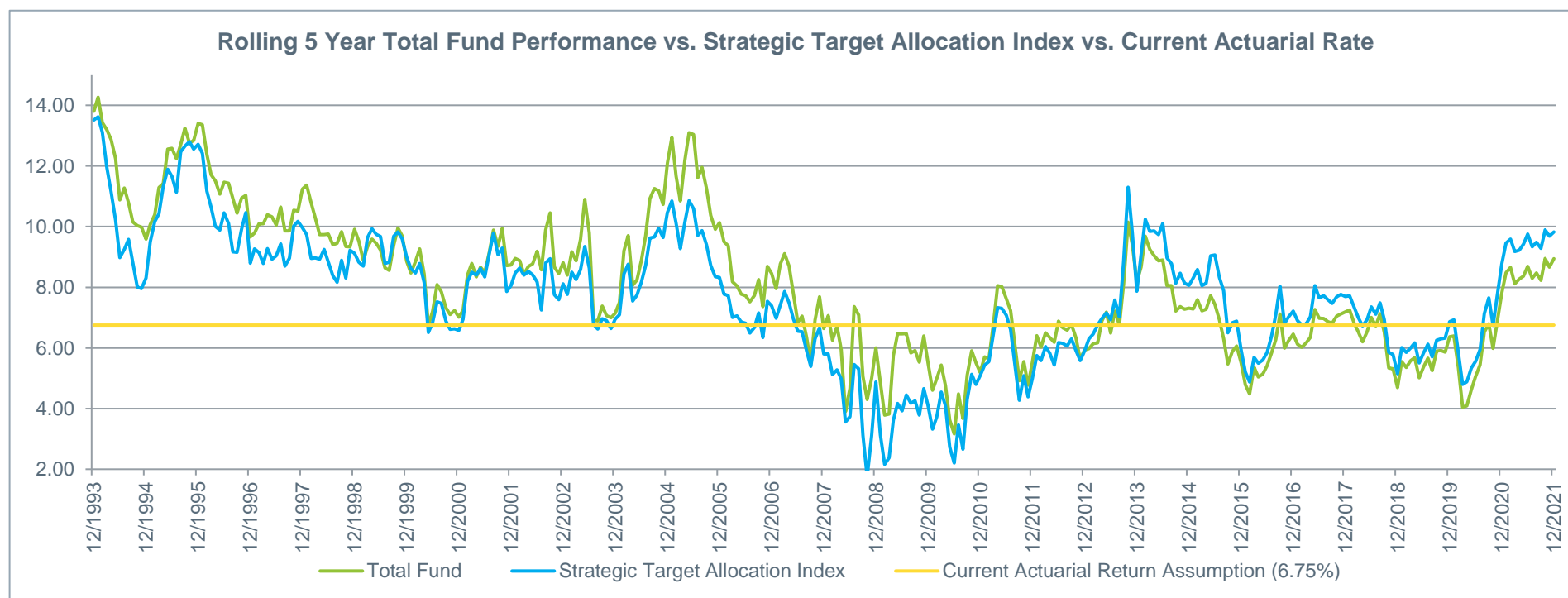


# Total Fund Performance

## How Did TMRS Perform Relative to Investment Policy Benchmarks?

**TMRS exceeded the Board's Assumed Long-Term Rate of Return of 6.75% for the five-year period.**

- Although not fully implemented to the Strategic Target Allocation, the chart below illustrates TMRS' rolling five-year returns relative to the Strategic Target Allocation Index as a gauge for the effectiveness of the Board-approved Strategic Target Allocation, which was designed to meet or exceed the actuarial return assumption of 6.75%. The five-year return for the Strategic Target Allocation Index was 9.83%.



# Asset Class Performance

## How Did TMRS' Asset Classes Perform Relative to Their Respective Benchmarks?

As shown on page 12 of the Quarterly Board Presentation, TMRS' Asset Class relative performance was mixed for the fourth quarter of 2021.

- Relative Outperformers – Four of the seven Asset Classes matched or exceeded their benchmarks, net of fees, in the quarter. Private Equity and Hedge Funds were the top relative performers, beating their custom benchmarks by 781 and 141 basis points, respectively, for the quarter.
- Relative Underperformers – Real Estate was the primary detractor in the fourth quarter, trailing its custom index by 99 basis points. Total Equity and Non-Core Fixed also modestly underperformed their benchmarks for the quarter.

**The Investment Policy Statement performance expectations for each Asset Class performance is to meet or exceed their respective benchmarks over rolling five-year periods. As shown below, five of the seven asset classes outperformed their respective benchmarks for the 5-year period. Total Equity trailed its custom benchmark by 58 basis points and Other Public & Private Markets trailed its custom benchmark by 4 basis points.**

TMRS Composite Objectives - Policy Benchmarks				
<b>Objective:</b> Meet or exceed its policy benchmark performance net of fees over rolling five year periods.				
TMRS Composites	Benchmark	5 Year Composite Return	5 Year Benchmark Return	Meets Objective
Total Equity	Total Equity Benchmark	13.62	14.20	No
Core Fixed Income	Bloomberg US Agg Bond Index	3.91	3.57	Yes
Non-Core Fixed Income	Non-Core Fixed Income Benchmark	5.57	5.03	Yes
Other Public & Private Markets	OPPM Benchmark	6.53	6.57	No
Real Estate	NCREIF ODCE Index	8.69	7.41	Yes
Hedge Funds	Hedge Funds Benchmark	6.25	5.31	Yes
Private Equity	Private Equity Benchmark	22.55	20.03	Yes

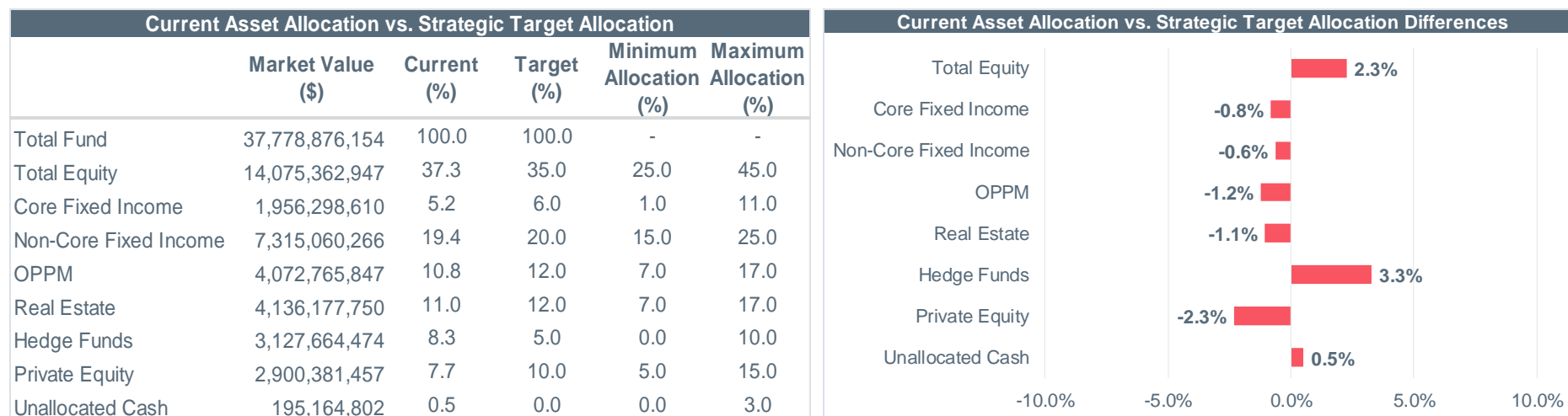
Performance shown is net of fees. Please see the Addendum for custom benchmark definitions.



# Asset Allocation Relative to Target

## How Is TMRS Positioned Relative to the Board's Strategic Target Allocation?

The Total Fund market value was \$37.8 billion as of December 31, 2021, an increase of nearly \$4.1 billion over the calendar year. All asset classes were within their respective Strategic Target Asset Allocation ranges as of quarter-end.



# Asset Class Performance

	Allocation		Performance (%)									
	Market Value (\$)	%	Quarter	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	Since Incep.	Inception Date
<b>Total Fund</b>	<b>37,778,876,154</b>	<b>100.00</b>	<b>3.71</b>	<b>12.80</b>	<b>12.80</b>	<b>11.43</b>	<b>8.94</b>	<b>7.36</b>	<b>7.69</b>	<b>6.96</b>	<b>8.54</b>	<b>01/01/1989</b>
Actual Allocation Benchmark			3.18	12.19	12.19	11.24	8.71	7.11	7.46	6.73	8.01	
Difference			0.53	0.61	0.61	0.19	0.23	0.25	0.23	0.23	0.53	
<b>Total Equity</b>	<b>14,075,362,947</b>	<b>37.26</b>	<b>5.83</b>	<b>17.68</b>	<b>17.68</b>	<b>19.41</b>	<b>13.62</b>	<b>10.73</b>	<b>12.10</b>	<b>N/A</b>	<b>7.64</b>	<b>02/01/2008</b>
Total Equity Benchmark			6.10	18.22	18.22	20.20	14.20	11.15	12.35	N/A	7.79	
Difference			-0.27	-0.54	-0.54	-0.79	-0.58	-0.42	-0.25	N/A	-0.15	
<b>Core Fixed Income</b>	<b>1,956,298,610</b>	<b>5.18</b>	<b>0.06</b>	<b>-1.38</b>	<b>-1.38</b>	<b>5.27</b>	<b>3.91</b>	<b>3.31</b>	<b>3.15</b>	<b>4.13</b>	<b>7.22</b>	<b>01/01/1989</b>
Fixed Income Benchmark			0.01	-1.55	-1.55	4.79	3.57	3.00	2.90	3.89	6.70	
Difference			0.05	0.17	0.17	0.48	0.34	0.31	0.25	0.24	0.52	
<b>Non-Core Fixed Income</b>	<b>7,315,060,266</b>	<b>19.36</b>	<b>-0.20</b>	<b>6.28</b>	<b>6.28</b>	<b>6.02</b>	<b>5.57</b>	<b>4.82</b>	<b>N/A</b>	<b>N/A</b>	<b>4.75</b>	<b>10/01/2014</b>
Non-Core Fixed Income Benchmark			0.08	6.42	6.42	5.63	5.03	4.20	N/A	N/A	4.16	
Difference			-0.28	-0.14	-0.14	0.39	0.54	0.62	N/A	N/A	0.59	
<b>OPPM</b>	<b>4,072,765,847</b>	<b>10.78</b>	<b>4.33</b>	<b>13.29</b>	<b>13.29</b>	<b>9.67</b>	<b>6.53</b>	<b>4.76</b>	<b>4.35</b>	<b>N/A</b>	<b>4.61</b>	<b>02/01/2011</b>
OPPM Benchmark			3.30	13.72	13.72	9.25	6.57	4.98	4.06	4.76	4.62	
Difference			1.03	-0.43	-0.43	0.42	-0.04	-0.22	0.29	N/A	-0.01	
<b>Real Estate</b>	<b>4,136,177,750</b>	<b>10.95</b>	<b>5.42</b>	<b>16.07</b>	<b>16.07</b>	<b>7.45</b>	<b>8.69</b>	<b>9.81</b>	<b>10.20</b>	<b>N/A</b>	<b>10.20</b>	<b>01/01/2012</b>
Real Estate Benchmark			6.41	14.14	14.14	6.91	7.41	8.83	9.87	6.48	9.87	
Difference			-0.99	1.93	1.93	0.54	1.28	0.98	0.33	N/A	0.33	
<b>Hedge Funds</b>	<b>3,127,664,474</b>	<b>8.28</b>	<b>0.72</b>	<b>4.43</b>	<b>4.43</b>	<b>6.09</b>	<b>6.25</b>	<b>4.95</b>	<b>N/A</b>	<b>N/A</b>	<b>4.77</b>	<b>08/01/2014</b>
Hedge Funds Benchmark			-0.69	7.52	7.52	6.88	5.31	3.68	4.22	2.74	3.63	
Difference			1.41	-3.09	-3.09	-0.79	0.94	1.27	N/A	N/A	1.14	
<b>Private Equity</b>	<b>2,900,381,457</b>	<b>7.68</b>	<b>6.70</b>	<b>46.31</b>	<b>46.31</b>	<b>25.07</b>	<b>22.55</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>18.63</b>	<b>01/01/2016</b>
Private Equity Benchmark			-1.11	31.88	31.88	20.81	20.03	N/A	N/A	N/A	16.60	
Difference			7.81	14.43	14.43	4.26	2.52	N/A	N/A	N/A	2.03	
<b>TMRS Unallocated Cash</b>	<b>195,164,802</b>	<b>0.52</b>	<b>0.00</b>	<b>0.05</b>	<b>0.05</b>	<b>0.91</b>	<b>1.02</b>	<b>0.93</b>	<b>0.69</b>	<b>N/A</b>	<b>0.60</b>	<b>06/01/2008</b>
FTSE 30 Day T-Bill Index			0.02	0.04	0.04	0.89	1.06	0.79	0.56	0.78	0.47	
Difference			-0.02	0.01	0.01	0.02	-0.04	0.14	0.13	N/A	0.13	

Performance shown is net of fees. Please see the Addendum for custom benchmark definitions.

# Addendum

## 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.

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