



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

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

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

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

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

1. Welcome.

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

2. Consider and Act on Consent Agenda.

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

3. Overview of Public Pension Issues and Trends.

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

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

4. Board Education: Actuarial Matters.

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

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

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

5. Board Education: Investment Matters.

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

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

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

6. CBIZ Discussion.

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

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

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

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

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

9. Executive Session.

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

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

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


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

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

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

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

ATTACHMENT 1

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

10. Call for Future Agenda Items.

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

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



Debbie J. Muñoz
Executive Director



Jim Parrish
Chair, Board of Trustees