TMRS

MINUTES OF THE
TEXAS MUNICIPAL RETIREMENT SYSTEM
Meeting of Budget and Compensation Committee of the Board of Trustees

March 25, 2026 – 1:30 p.m.

The Budget and Compensation Committee (Committee) of the Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS) convened for a meeting at 1:30 p.m. at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with the following Committee Members present: Committee Chair Isaac Tawil, Committee Vice Chair Jaime Reyes, Tommy Gonzalez, Bryan Langley, Jim Parrish and Pamela Williams.

Staff present included: Debbie Muñoz, Anali Alanis, Christine Sweeney, Jac Greene, Nick O'Keefe, Tom Masthay, Cindy Demers, Colin Davidson and Madison Jechow. Consultant present included: Joe Rice.

Mr. Tawil called the meeting to order at 1:30 p.m.

1. **Consider and Act on Adoption of Minutes from the December 4, 2025 Budget and Compensation Committee Meeting.**

Mr. Gonzalez moved to approve the Minutes from the December 4, 2025 Committee meeting. Mr. Langley seconded the motion, which passed 6-0.

2. **Review and Discuss Budget and Compensation Committee Charter.**

Ms. Muñoz reviewed the history of the Committee and changes to the Charter made by the Board in December 2025. The Charter changes included expanding the Committee size to include all Trustees and requiring four Trustees for a quorum or to take Committee action.

Mr. Gonzalez recommended that the Board approve or ratify an agreement with CBIZ for a compensation study and incentive plan review and design. He said ratification could be added to a later Board meeting agenda, and Ms. Muñoz said it would be.

3. **Review and Discuss FY 2025 Operating Expense Budget to Actual Report.**

Ms. Demers said the operating fund for 2025 was closed, and expenses came in slightly under budget by about $56,000, with approximately 99.8% of the budget being spent. The report shows several large line-item variances, but those resulted from difficulties in comparisons after TMRS changed its general ledger system in 2025 to NetSuite. At its December meeting, the Board adopted the same budget for 2026 as for 2025, with certain changes for some known positions and required increased costs. Mr. Tawil asked about reallocation away from professional development, and Ms. Demers said that reallocation related to moving certain software as a service cost previously allocated to subscriptions to Cloud Services expenses in the Technology category. Mr. Gonzalez asked for confirmation that approximately $44 million was the budget for 2026 after $42.2 million for 2025. Ms. Demers said yes, and an area of concern for 2026 is increased software licensing costs. An adjustment for that category may be needed during the year. Mr. Gonzalez said he would want confirmation that software items are needed and whether TMRS can document what is received from the software. Ms. Demers said the 2026 budget only maintains existing software costs and does not add additional dollars for artificial intelligence or other initiatives. Mr. Greene said there are items, like NextGen updates, that continue from prior budgets, but there are no new projects.

Mr. Parrish discussed whether TMRS should add a Director of Governmental Affairs. Ms. Muñoz said she strongly believes TMRS needs a full-time Director of Governmental Affairs, and she has some flexibility because other budgeted positions are not yet filled. She hopes to hear at the Board meeting opinions on whether TMRS should propose legislation in 2027. Mr. Langley and Mr. Tawil made comments that having a legislative director is important.

Ms. Demers provided the Committee a schedule of capitalized expenditures from 2024 and 2025 for Information Services projects. She said staff will prepare a five-year capital plan.

4. Review and Discuss Compensation Matters.

Mr. Rice provided a compensation study update and discussed how CBIZ identified peers to TMRS. He listed both national and Texas peers to TMRS. Mr. Langley asked if peers included large Texas cities. Mr. Rice said CBIZ has data for those cities, but they are not included because they operate on scales different from TMRS. Mr. Masthay said the City of Austin, for example, has only five employees in its Investments group and $4 billion under management, while TMRS has 14 Investment professionals with $48 billion under management. Mr. Gonzalez asked about peers whose internal staff trade investments directly as compared to peers who, like TMRS, outsource trading. Ms. Williams asked how many peers CBIZ considers. Mr. Parrish said it is important to know your market for recruiting as well as employers to whom you lose employees, as those employers may not be peers. Mr. Reyes asked who decides on peers, and Ms. Muñoz said CBIZ will bring back recommendations for the next Committee meeting. Mr. Gonzalez said identifying the peers will help explain to TMRS cities the reasons for the compensation plan. Mr. Masthay reviewed statewide peers. He said ERS does significant trading in-house, and TRS does some trading in-house, but other Texas funds identified by CBIZ do more of the same day-to-day things as the TMRS Investments team. He added that he believed data would show that TMRS staff is lean compared to its Texas peers. Trustees discussed the importance of proximity to identifying peers. Mr. Rice reviewed the schedule for the compensation study, and Mr. Tawil asked how it correlated to the budget process. Ms. Muñoz said the goal is to have the compensation study results by the end of July to incorporate into budget discussions with the Board in September.

Mr. Rice then reviewed incentive plan design and guiding principles for such a plan. Ms. Williams asked what aligns with the Investment Policy Statement, and Mr. Langley said rewarding behaviors should not incentivize reckless risks. Ms. Williams said it is important to encourage continued ownership of investments even when the tide drops. Mr. Rice asked for comments on individual versus team recognition. Mr. Gonzalez said he believes that the asset allocation affects recognition from return on investments, because a recent employee should not receive the same incentives as others if returns result from decisions made before their arrival. Mr. Parrish and Mr. Langley made comments encouraging focus on teamwork. Mr. Rice said CBIZ was evaluating eligible positions based on material impact on investment outcomes and roles where incentives are common among peers. Mr. Rice reviewed options for base pay as compared to total compensation after incentives and discussing the balance between incentivizing performance without causing "swinging for the fences all the time." Mr. Gonzalez said TMRS should aim not to lead its peers in compensation but should aim for the top tier. As an example, Mr. Gonzalez stated no lower than top three, but not number one, and he does not want to be at 50%. Mr. Rice reviewed options for periods paying out incentives and retention impacts from those. He said the Board should approve the final plan design, which should be aligned to the Trust Fund's investment objectives and should include annual reporting of incentive outcomes.

5. **Executive Session.** The Committee did not go into executive session.

There being no further business, Mr. Tawil adjourned the meeting at 2:59 p.m.

Debbie J. Muñoz
Executive Director

Issac Tawil
Chair of Budget and Compensation Committee