AGENDA

Meeting of the Board of Trustees

Thursday, June 25, 2026 – 8:30 a.m.

TMRS Office
2717 Perseverance Drive, Suite 300
Austin, Texas

Zoom Link for Public:

https://tmrs.zoom.us/j/81120709297?pwd=aaORKkajVjwdy8Q57yQb79pbyaxGnh.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. *Jim Parrish*

a. Approve Minutes from March 26, 2026 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 Quarterly Financial Statements as of March 31, 2026

e. Ratify Services Agreement with CBIZ Benefits & Insurance Services, Inc. d/b/a CBIZ Talent & Compensation Solutions

<u>Executive Director Reports</u>

2. **Executive Director's Report.** *Debbie Muñoz*

3. **Receive Senior Staff Reports.** Chief Operating Officer *(Anali Alanis)*, Chief Legal Officer *(Christine Sweeney)*, Chief Financial Officer *(Cindy Demers)*, Chief Information Technology Officer *(Jac Greene)*, Chief Service Officer *(Colin Davidson),* and Chief Investment Legal and Compliance Officer *(Nick O'Keefe).*

4. **Receive 2026 Strategic Plan Update.** *Anali Alanis*

<u>Board Organization</u>

5. **Consider and Act on Board Committee Appointments.** *Debbie Munoz and Jim Parrish*

6. **Review and Discuss Board Reports.** *Debbie Munoz*

<u>Audit</u>

7. **Report on Audit Committee Meeting** *Kristyn Scoggins and Tommy Gonzalez*

8. **Consider and Act on Internal Auditor Compensation.** *Debbie Munoz*

<u>Actuarial</u>

9. **Consider and Act on 2025 Actuarial Valuation and Approval of 2027 Retirement Contribution Rates and Supplemental Death Benefit Contribution Rates.** *Kenneth Oliver, Joe Newton and Janie Shaw, GRS*

<u>Finance</u>

10. **Report on Budget and Compensation Committee Meeting.** *Cindy Demers and Isaac Tawil*

11. **Receive System and Organization Controls (SOC) Audit Results.** *Brittany Smith, CLA*

12. **Receive 2025 Financial Statement and the Schedule of Changes in Fiduciary Net Position by Participating City Audit Results.** *Brittany Smith, CLA*

13. **Receive Required Auditor Communications to the Board of Trustees.** *Brittany Smith, CLA*

14. **Receive and Approve Distribution of 2025 Annual Comprehensive Financial Report and Schedule of Changes in Fiduciary Net Position (by Employer).** *Cindy Demers*

Legislation

15. **Discuss Potential Legislative Topics.** *Debbie Muñoz, Jaime Reyes and Jim Parrish*

16. **Consider and Act on Renewal of Governmental Relations Consultant Contract.** *Debbie Munoz*

Legal Reports

17. **Consider and Act on Matters Regarding City of Red Oak Pension Obligation Bonds.** *Madison Jechow*

Governance

18. **Discuss Board Bylaws Review and Consider and Act on Potential Amendments to the Bylaws and Other Board Policies.** *Robert Klausner, Klausner, Kaufman, Jensen & Levinson*

Investments

19. **Report on Investment Committee Meeting.** *Tom Masthay and Pamela Williams*

20. **Consider and Act on Potential Private Markets Investment.** *Tom Masthay*

21. **Consider and Act on Potential Amendments to the Investment Policy Statement.** *Tom Masthay*

22. **Consider and Act on 2027 Investment Performance and Practices Evaluation Peer Universe.** *Tom Masthay*

23. **Board Education: Tactical Opportunities / Hedge Funds Asset Class.** *Tim Sweeney*

Executive Session

24. **Executive Session.** *Jim Parrish*

    a. 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; and

    b. 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

c. In accordance with Section 551.071, Texas Government Code, the Board of Trustees may meet in executive session to seek and receive the advice of its attorney about pending or contemplated litigation, a settlement offer, or a matter in which the duty of the attorney to TMRS under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the Open Meeting law.

Future Board Agenda Items

25. Call for Future Agenda Items. *Jim Parrish*

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.

June 15, 2026

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 March 26, 2026 Board meeting, quarterly Retirement and Supplemental Death Benefit Reports, financial statements as of March 31, 2026, and ratification and approval of the CBIZ Services Agreement and amendments. The Consent Agenda is adopted as one item.

RECOMMENDATION

Staff recommends the Board adopt the Consent Agenda as presented.

ATTACHMENTS

1 - Minutes from March 26, 2026 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)
4 - CBIZ Services Agreement and amendments

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

Thursday, March 26, 2026 – 9:00 a.m.

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS) convened for a meeting at 9:00 a.m. at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with the following Trustees present: Chair Jim Parrish, Vice Chair Tommy Gonzalez, Bryan Langley, Jaime Reyes, Isaac Tawil and Pamela Williams.

Staff present included: Debbie Muñoz, Anali Alanis, Colin Davidson, Cindy Demers, Jac Greene, Leslee Hardy, Nick O'Keefe, Kristyn Scoggins, Christine Sweeney, Tom Masthay, Frank Atkins and Madison Jechow. Consultants present included: Joe Newton, Janie Shaw and Bob Klausner.

Mr. Parrish called the meeting to order at 9:00 a.m.

1. Consider and Act on Consent Agenda.

Mr. Tawil moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the February 18-19, 2026 Board of Trustees Retreat. Mr. Langley seconded the motion, which passed 6-0.

2. Executive Director's Report.

Ms. Muñoz presented a member spotlight on Gary Smith, retiree and former City Attorney for the City of Richmond, and recognized Lorraine Moreno, retired former TMRS Regional Education Manager, and Leslee Hardy, Director of Actuarial Services who will retire in April. At its February meeting, the Board adopted the TMRS Strategic Plan for 2026. Updates to TMRS Values will be presented at the June Board meeting. The Trust Fund grew by $5.6 billion in 2025, and TMRS returns have been verified through the Global Investment Performance Standards. Benefit Administration has maintained a 100% completion status for its weekly work queues. TMRS welcomed the Cities of Malone and Appleby and now has 945 participating cities. TMRS received a 38th consecutive certificate of achievement from the Government Finance Officers Association for the 2024 TMRS Annual Comprehensive Financial Report. TMRS publications highlighted the 2026 City Training Conference, which will be the first live conference since 2019. Ms. Muñoz recognized TMRS employees who received professional education awards.

3. Receive Senior Staff Quarterly Reports.

Ms. Muñoz presented the Senior Staff Quarterly Reports to the Board.

4. Report on Audit Committee Meeting.

Mr. Gonzalez said the Audit Committee met on March 25 to review the Audit Committee Charter for alignment with TMRS statutes and Bylaws and adjust the Audit Plan. Ms. Scoggins said Bruce Mills with Weaver and Tidwell presented the Committee with an investments risk assessment. The Committee voted to recommend to the Board that it approve proposed changes to the 2025 – 2026 Audit Plan.

5. Present Risk Assessment and Audit Plan to the Board.

Ms. Scoggins reviewed the risk assessment and 2025-2026 Audit Plan and discussed the proposed changes to the plan after Weaver's risk assessment. The proposed changes include changing an audit of investment operations to an audit of private market investments; changing the audits of non-routine benefits payments and records management to performing an advisory review of selected strategic plan initiatives and governance practices; and adding a review of conflicts of interest in investments.

7. Consider and Act on Revisions to 2025-2026 Audit Plan.

Agenda item 7 was taken out of order because of its relationship to Agenda Item 5.

Mr. Tawil moved that the Board approve the revised 2025-2026 Audit Plan. Mr. Gonzalez seconded the motion, which passed 6-0.

6. Consider and Act on Selection of Auditor for Private Markets Investment Audit.

Mr. Tawil moved that the Board select Weaver and Tidwell as the auditor for the Private Markets Investment Audit and perform a review of conflicts of interest in investments. Mr. Langley seconded the motion, which passed 6-0.

8. Report on Budget and Compensation Committee Meeting.

Ms. Demers said the Budget and Compensation Committee met on March 25, 2026 and reviewed its Committee Charter but proposed no changes. The Committee reviewed a 2025 budget comparison to actual expenses. It also reviewed the 2026 budget reallocation and capitalized expenditures from the last several years. Joe Rice from CBIZ presented a status report for its compensation study. Committee discussion regarding that study focused on peer comparisons, position matches and an incentive compensation plan. The Committee discussed moving forward with a potential Director of Governmental Affairs position and ratification of the CBIZ contract. Mr. Tawil said Ms. Demers did an excellent job reformatting the budget to ensure there is transparency.

9. Report on Stakeholder Advisory Committee Meeting.

Mr. Reyes said this Committee met on March 25, 2026, and that Mr. Davidson provided the Committee with an overview of 2025 legislation affecting TMRS and noted there had been a lot of education regarding cost-of-living adjustment (COLA) options. Mr. Reyes said the Committee has great representatives for its groups of stakeholders, and the Committee is the right venue for discussions regarding benefit options. Mr. Davidson said he received great feedback about the meeting from Committee members, and a good takeaway was the importance of Committee members as conduits between their stakeholder groups and TMRS. Mr. Davidson said the Committee briefly discussed the idea of whether legislative proposals in the future should separate COLA matters from other benefit and administrative matters. Ms. Williams said engaging with this group will be essential moving forward.

10. Discuss Potential Topics for 2027 Legislative Session.

Ms. Muñoz said there are no critical needs from TMRS staff's perspective for 2027 legislation. However, if the Board desires to pursue legislative changes, the sooner decisions are made , the better. She reviewed the process for proposing draft legislation through sponsors and the Legislative Council. The 2027 bill filing window is November 9, 2026 through March 12, 2027, but earlier submissions reduce the risk of delay.

Ms. Muñoz reviewed the history of TMRS legislation since 2018. She provided a summary of changes made by SB 1337 passed in 2019. In 2021, SB 1105 changed the TMRS Act to allow retirees to return to work without suspension of their benefit after a one-year break in service. In 2023, TMRS did not propose legislation, but HB 2464 added a non-retroactive COLA option to the TMRS Act for a limited period of time. In 2025, after review by the Stakeholder Advisory Committee (SAC), TMRS proposed six topics for legislation that became HB 4609, including making the non-retroactive COLA a permanent option. While HB 4609 passed the House, it died in the Senate, and the non-retroactive COLA option from HB 2464 expired on December 31, 2025. An external bill, HB 3161, passed in 2025 to add an 8% employee contribution rate to the TMRS Act effective September 1, 2025. Ms. Muñoz noted that the SAC Charter provides that the Board assigns topics to the SAC and asked that the Board assign topics if it wishes to recommend legislation in 2027. Ms. Muñoz discussed the need for a Director of Governmental Affairs regardless of whether TMRS proposes legislation.

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

Mr. Parrish asked Ms. Muñoz if staff recommended pursuing legislation in 2027. Ms. Muñoz said no; some items from HB 4609 in 2025 proposed administrative improvements, but there are no critical needs from staff's perspective for 2027 legislation. Mr. Langley asked for a list of topics that staff would see not as critical but possibly beneficial, listed in order of priority. Mr. Tawil and Mr. Gonzalez commented on the importance of having a Director of Governmental Affairs, including to review others' legislative proposals affecting TMRS and to build relationships. Mr. Parrish commented on the importance of the Stakeholder Advisory Committee in building relationships. Mr. Reyes and Mr. Parrish recommended that the Committee review TMRS's prior proposals from 2025.

Mr. Gonzalez moved that the Stakeholder Advisory Committee review TMRS's prior proposals from 2025 for possibly pursuing them during the 2027 Legislative Session, with final review by the Board. Ms. Williams seconded the motion, which passed 6-0.

12. Review and Discuss TMRS Actuarial Funding Policy.

Mr. Newton provided an overview of TMRS actuarial policies. Contributions and investment returns must cover TMRS's defined benefits. Under a typical funding policy, the total contribution requirement equals the normal cost (new accruals) and amortization of any unfunded liability (for past debt). He said funding policy is a plan of action based on decisions involving trade-offs, like benefit security versus short-term budget impacts. Texas law and Pension Review Board guidelines call for TMRS, and other statewide pensions, to have an objective of being "well-funded" with a target of a 100% funded ratio. Mr. Newton discussed intergenerational equity, or each generation of taxpayers paying the cost of their own public employees' benefits, rather than passing the costs to future generations. He noted that the longer monies can be invested and remain in the Trust Fund, the more earnings are generated, and the less contributions are needed, and these principles are optimized when a plan is 100% funded. Future volatility should be anticipated. Mr. Newton reviewed potential elements, like asset smoothing and contribution stabilization techniques, of a funding policy. Current TMRS funding policy calculates the required contribution for each city based on:

- closed amortization of the current unfunded accrued actuarial liability (UAAL)
- 20-year layered, closed amortization for any new loss
- combination of 10-year and three-year asset smoothing
- both asset and amortization methods allow for offsetting gains and losses to reduce volatility, and
- perpetual amortization credit of any surplus.

Mr. Newton discussed the impact of offsetting in TMRS's funding policy and industry recommendations for model amortization periods for benefits and certain benefit changes. He commented many pension plans use asset smoothing over a five-year period. TMRS uses a 10-year period for asset smoothing, but that is accelerated to three years if market value gets more than 12% away from smoothed value. This combination, which has been used by TMRS for at least 15 years, provides much less volatility and a more realistic contribution rate pattern for employers. Mr. Newton said the Board decided to go to 20-year amortization in 2019, and combined with asset smoothing, this gives better downside protection with lower volatility. TMRS is among about 60 plans in the nation receiving actuarially determined contributions and currently experiencing positive amortization.

13. Consider and Act on 2025 Interest Credit Allocation to the Benefit Accumulation Fund and Interest Reserve Account.

Leslee Hardy said staff and GRS recommend maintaining the $340 million target interest reserve account, after allocating the 5% statutory credits to the Supplemental Death and Supplemental Disability Funds, which would allow a 13.54% credit to the cities' Benefit Accumulation Fund (BAF) based on 2025 investment returns. Ms. Shaw said the 13.54% credit was determined after all administrative and investment expenses were paid. Ms. Shaw reviewed BAF credits over the last 15 years, which average 7.03% compound credit. For 2027 city contribution rates, after applying the smoothing method $359 million in earnings will be recognized, which will reduce rates on average by about 0.27% of pay (but impact will vary by city). The remaining $3.2 billion of earnings will be deferred for future valuations, to be recognized as gains or to offset future losses.

Mr. Tawil moved that effective December 31, 2025:

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 13.54% interest to the Benefit Accumulation Fund, as well as target the initial Interest Reserve Account balance at $340 million, and

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, 2025 and considered in the 2026 BAF interest credit determination.

Mr. Reyes seconded the motion, which passed 6-0.

18. <u>Executive Session</u>.

Mr. Parrish took Agenda Item 18 out of order, and the Board went into Executive Session at 10:58 a.m. The meeting reconvened in Open Meeting at 11:46 a.m. Mr. Parrish stated all members of the Board who were present before the Executive Session were present for the Open Meeting and no action was taken in Executive Session.

14. <u>Review and Discuss Board's Bylaws</u>.

Ms. Muñoz said Mr. Gonzalez requested this item for consideration of possible changes to the Board's Bylaws. The current Bylaws were extensively reviewed and adopted in May 2020, with minor clarifying amendments then adopted in September 2020. Current categories covered by the Bylaws are:

1. Board Organization
2. Board Meetings
3. Board Committees
4. Responsibilities of the Executive Director
5. Miscellaneous Organization Provisions

Ms. Muñoz said staff has been planning to review and present an update to the Bylaws for Board approval and will note Trustee topics for consideration. Mr. Gonzalez said this matter was discussed in the Audit Committee, with input from Weaver and Tidwell. Mr. Klausner said he also reviewed the Bylaws, and TMRS operates in accordance with its fiduciary responsibilities. But he noted his review found that the Bylaws are due to be updated to reflect some changes in statutes and operations, and he will propose revisions to the Bylaws for Board consideration at the June Board meeting.

15. Report on Investment Committee Meeting.

Mr. Langley reported on the Investment Committee meeting held March 25, 2026 and said a lot of topics were covered that got the Committee off to a good start. A few topics discussed by the Committee are the subject of action in upcoming Board Agenda items. The Committee approved recommending to the Board that it adopt the proposed IPS amendments presented at the Committee meeting, with certain changes requested by the Trustees.

16. Consider and Act on Possible Amendments to the Investment Policy Statement.

Mr. Masthay presented the proposed amendments to the Investment Policy Statement, which included:

- incorporating the role of the new Board Investment Committee,
- clarifying staff fiduciary duties and updating the role of Chief Investment Legal and Compliance Officer,
- striking an investment belief related to environmental, social and governance matters,
- clarifying delegation of authority to the Executive Director or the Executive's designee,
- incorporating the Investment Guidelines into the IPS, and
- removing duplicative language regarding proxy voting from the Investment Guidelines.

Mr. Langley moved that the Board approve the proposed amendments to the Investment Policy Statement effective as of April 1, 2026. Ms. Williams seconded the motion, which passed 6-0.

17. Board Education: Public Equity Annual Review.

Mr. Masthay introduced this item, stating that Investments staff historically have done one education session on each investment class annually. TMRS Investment Guidelines for each asset class guide how risk is taken within the asset classes. For Public Equity, active versus passive management is an important risk management consideration.

Mr. Atkins presented the item and reviewed the role of Public Equity in TMRS's portfolio. This asset class provides significant capital appreciation over time, serves as source of liquidity and is designed to be risk aware. He said that while the public equity asset class is about 38% of total assets, it is about 60% of the total volatility in the TMRS Trust Fund. Mr. Atkins presented a dashboard of key performance indicators for the asset class and said it outperformed by 84 basis points in the past year with a trend of improvement over the last five years. Public Equity was the best performing asset class in 2025. It is a large opportunity set of approximately $100 trillion in market capitalization, and it is liquid, transparent and allows for daily pricing. The asset class includes 7,338 companies diversified by sector and country, and Mr. Atkins presented a breakdown of TMRS investments in Public Equity by sector. Mr. Atkins said TMRS uses as its benchmark for the asset class the index MSCI ACWI (All Country World Index) IMI Ex-China Ex-Hong Kong. This index has a long history, is measurable and is investable. TMRS's Public Equity holdings are closely aligned with the benchmark. Mr. Atkins presented an overview of TMRS investments in Public Equity by country.

Portfolio construction in Public Equity focuses on three key risks: macroeconomic risks, benchmark risks, and manager specific risks. TMRS's public equity portfolio currently is 27% actively managed and 73% passively managed, and this blend has resulted in significant improvement in performance since 2022 and a blended cost of about 12 basis points. Mr. Masthay said portfolio construction has improved in recent years, allowing the outperformance by TMRS active managers to be better demonstrated in portfolio level performance results. A significant portfolio construction improvement which contributed to recent outperformance was the decision to add a passive large cap US stock account. Mr. Gonzalez and Mr. Masthay discussed comparisons with other Texas pension systems. Looking forward, Mr. Atkins said staff intend to continue to selectively add active management, deepen ties with a select set of strategic fund partners while seeking new exceptional partnerships, and continue to align the portfolio with the benchmark risk profile.

19. Call for Future Agenda Items.

There being no further business, Mr. Parrish adjourned the meeting at 12:18 p.m.

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Debbie J. Muñoz Executive Director	Jim Parrish Chair, Board of Trustees

June 15, 2026

To: **Board of Trustees**

From: **April Hernandez, Deputy Chief Service Officer and Director of City and Member Services** AH

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 and reviewed and approved by Colin Davidson, Chief Service Officer.

Texas Municipal Retirement System

Board Retirement Report

Summary of Individual Member Retirements Processed from 01-2026 to 03-2026

Total Number of Retirements by Option	Service	Disability	Total
Retiree Life Only	484	4	488
Retiree Life -- 100% to Survivor	544	3	547
Retiree Life -- 75% to Survivor	142	0	142
Retiree Life -- 50% to Survivor	257	0	257
Retiree Life -- 5 Years Guaranteed	28	0	28
Retiree Life -- 10 Years Guaranteed	28	0	28
Retiree Life -- 15 Years Guaranteed	74	0	74
Cashout of Reserves	27	0	27
Total Number -- All Options	1,584	7	1,591

Total Monthly Benefits (Nearest Dollar)	$4,492,942	$3,831	$4,496,773
Average Monthly Benefit (Nearest Dollar)	$2,836	$547	$2,826
Average Age at Retirement	61	48	61
Average Years of Service at Retirement	21	9	21

Partial Lump Sum Distributions	
No. of Retirements Taking a PLSD	1,235
Total Amount Paid	$111,497,495
% of PLSD Funds Rolled Over	68%
% of PLSD Funds Not Rolled Over	32%

Texas Municipal Retirement System
2026 Expense Fund
Budget to Actual Report
as of March 31, 2026

Account Description	Budget	Actual	Amount Over/(Under)	% of Budget Spent YTD (25%)
Personnel Services				
Salaries and Compensation	$ 22,051,295	$ 6,121,217	$ (15,930,078)	27.76%
Employee Benefits	6,829,440	1,898,187	(4,931,253)	27.79%
Total Personnel Services	**28,880,735**	**8,019,403**	**(20,861,332)**	**27.77%**
Professional Fees				
Actuarial Services	700,000	173,700	(526,300)	24.81%
Audit Services	255,000	42,475	(212,525)	16.66%
Legal Services	900,000	119,434	(780,566)	13.27%
Information Services	320,500	169,227	(151,274)	52.80%
Investment	2,250,000	572,661	(1,677,339)	25.45%
Custodial and Banking	1,515,000	378,750	(1,136,250)	25.00%
Other Consulting Services	560,000	207,287	(352,713)	37.02%
Total Professional Fees	**6,500,500**	**1,663,533**	**(4,836,967)**	**25.59%**
Technology				
Software and Support	3,916,160	1,944,861	(1,971,299)	49.66%
Hardware and Other Support	85,000	27,732	(57,268)	32.63%
Total Technology	**4,001,160**	**1,972,593**	**(2,028,567)**	**49.30%**
Facilities	**2,885,555**	**716,077**	**(2,169,478)**	**24.82%**
City and Member Outreach	**727,950**	**242,735**	**(485,215)**	**33.35%**
Other Administrative				
Board and Advisory Committee	121,005	103,548	(17,457)	85.57%
Professional Development	273,207	112,553	(160,654)	41.20%
Business Insurance	190,000	167,201	(22,800)	88.00%
Supplies, Office & Computer	241,046	34,121	(206,925)	14.16%
Equipment Rental, Other Miscellaneou	335,000	55,104	(279,896)	16.45%
Travel	550,000	95,127	(454,873)	17.30%
Total Other Administrative	**1,710,258**	**567,654**	**(1,142,604)**	**33.19%**
Total Operating Expenses	**$ 44,706,158**	**$ 13,181,996**	**$ (31,524,162)**	**29.49%**

June 15, 2026

To: **Board of Trustees**

From: **Debbie J. Muñoz, Executive Director** Debbie J. Muñoz

Re: **Agenda Item 2: Executive Director's Report**

Staff were highly productive in Q2.

Actuarial Valuation Complete. The 2025 Actuarial Valuation is now complete and will be presented to the Board by GRS at the June Board meeting. As a result, the 2027 city rate letters and individual city valuation reports were uploaded to the TMRS website on June 4. The 2025 valuation census data, which was used to prepare the GASB 68 and GASB 75 reporting packages, was also uploaded to the City Portal at the end of May. This information is provided to assist cities with their respective financial statement audits.

Award for Outstanding Achievement – 20 Years Strong. For the 20th consecutive year, TMRS earned the Government Finance Officer Association's (GFOA) distinguished Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for its 2024 PAFR. This is the highest form of recognition in government and financial reporting.

Benefit Administration Maintains 100%. Our Benefit Administration teams continue to complete 100% of their key work processes each week and have done so for the last two years!

Committed to Continuous Improvement. As of May 2026, all 21 analysts in Benefits Administration have completed their Lean Six Sigma White Belt certifications, demonstrating the team's strong commitment to continuous improvement. The White Belt projects led to measurable improvements in workplace efficiency and collaboration.

Financial Audit and Reports Complete. The 2025 Financial Audit, the Annual Comprehensive Financial Report (ACFR) and the Schedule of Fiduciary Net Position (FNP) have been completed and will be presented to the Board in June. CliftonLarsonAllen LLP audited TMRS' 2025 financial statements (located in the Financial Section of the ACFR) and the 2025 FNP, and issued unmodified opinions for each document.

Happy Retirement to Ricardo Zavala. After more than 10 years of service, Records Manager Ricardo Zavala will retire on June 30, 2026. His work greatly improved our records management processes and strengthened the team. We will miss Ricardo but wish him well as he spends more time with family and enjoys new adventures in Colorado. Please join me in thanking Ricardo for his outstanding career at TMRS and congratulating him on his well-earned retirement.

Infrastructure and Security Improvements. Information Services conducted a Q2 Risk Tabletop Exercise with key stakeholders to test response strategies, identify areas for improvement, and implement recommendations. Staff partnered with Compliance to refresh Business Continuity plans and procedures.

Investment Performance Achieves Top Quartile for 5-year Period. Investment performance has been strong with 1-, 3-, and 5-year performance exceeding the benchmark, and on the back of consistently good recent performance, a 5-year peer ranking in the first quartile. This marks the first time this has occurred since 2013.

Jac Greene Receives IT Exec of the Year Award. On May 11, Jac Greene was honored by InnoTech and SIM Austin with the distinguished IT Exec of the Year Award. This award is presented to information technology executives in the Austin area who have demonstrated exceptional leadership in leveraging technology within their organizations. Jac's recognition places him among an elite group of past recipients, including executives from notable organizations such as Dell, TxDOT, James Avery, City of Austin, Austin Energy, CapMetro, and Indeed. Receiving this award is a major accomplishment and a testament to Jac's ongoing contributions and achievements in the field. Congratulations are extended to Jac Greene for his outstanding leadership and continued success.

Journey to Excellence. In early May, we received notification from the Quality Texas Foundation (QTF) that TMRS was not selected to receive the 2025 Award for Performance Excellence. Though disappointing, the award process was a valuable learning experience for all staff, and we will utilize QTF's feedback to build on our strengths and address opportunities for improvement.

Mainstreet for Cities. The Q2 2026 edition of Mainstreet was distributed to more than 3,100 city contacts on June 2. This edition of Mainstreet included several announcements including registration information for the 2026 City Training Conference, an exciting new City of Excellence Award, an announcement of new training opportunities for members and city administrators, and much more.

Member Service Center (MSC) Exceeds Industry Standards. Unlike many organizations that rely on automated response systems, TMRS ensures that every call is answered directly by a live analyst, reflecting the MSC's strong commitment to exceptional member service. So far in 2026, the MSC has answered over 39,000 calls with a median call wait time of only 6 seconds. Additionally, the MSC received more than 5,700 post-call surveys with a 14% response rate – well above the industry standard of 7-10%. Of these, 95% have been perfect scores, far surpassing the contact center standard of 85%.

NCPERS recognizes TMRS. National Conference on Public Employee Retirement Systems (NCPERS) was established in 1941 and is the largest trade association that works on behalf of public sector retirement systems. In April, TMRS was awarded the Certificate of Transparency by NCPERS. This certificate recognizes TMRS' commitment to transparency, accountability, and informed engagement within the public pension community.

Pasadena Hosts the Road to Retirement Seminar. Our regional pre-retirement seminars have been rebranded as *Road to Retirement* and extended to two days: Day One focuses on members within five years of retirement, and Day Two is for city staff administering TMRS benefits. On June 10-11, Education Services partnered with the City of Pasadena to launch the first of five seminars scheduled in 2026, with over 225 members attending and 40 employees earning their City Certification in TMRS benefit administration.

Personnel Update. TMRS is actively recruiting two leadership roles: Director of Human Resources, and Director of Governmental Relations. Veronica Barnes has been hired as our new Records Manager, succeeding Ricardo Zavala, and has over 12 years of experience. Kenneth Oliver is now Director of Actuarial Services, drawing on eight years of close work with Leslee Hardy and GRS to support TMRS's actuarial operations.

Three More Cities Join TMRS in 2026. The cities of Malone, Appleby and Starbase have elected to participate in TMRS, bringing the total number of participating cities to 946.

TMRS Celebrates National Take Our Daughters and Sons to Work Day. On April 23, TMRS hosted 21 children for a workplace visit. Staff arranged activities to spark career interest and build family bonds within the organization. Feedback was overwhelmingly positive.

TMRS Employees Participate in Austin's Capitol 10K. On April 12, 25 employees proudly participated in the 49th Annual Statesman Capitol 10K, Austin's signature community race. Participation in this event reflects our organization's commitment to employee wellness, team building, and community engagement while supporting one of the city's longstanding traditions that brings together thousands of runners, walkers, volunteers, and local organizations.

June 15, 2026

To: **Board of Trustees**

From: Anali Alanis, Chief Operating Officer AA

Re: Agenda Item 3: Chief Operating Officer Second Quarter Report

I am pleased to report on the 2026 second quarter activities of the Human Resources and Communications departments. In addition, I will be providing an update on the 2026 TMRS Strategic Plan on a separate agenda item. Services and Information Services departments will be reported separately by its respective Chief.

Human Resources

Personnel

TMRS hired four new employees during the second quarter and is currently recruiting for three open positions.

2026 Position Management

A total of 126 positions was approved in the 2026 budget. As of today, the employee count is as follows:

117	Active employees
3	Vacant and actively recruiting – (HR Director, HR Generalist, and Director of Government Relations)
6	Vacant, budgeted positions (not currently recruiting)

Employee Survey

The Human Resources Team is reviewing feedback from previous employee surveys to identify actionable items. The team will begin discussions with Senior Leadership regarding the launch of focus groups and one-on-one sessions facilitated by HR.

Compensation Study

The Human Resources Team is actively participating in compensation surveys and benchmarking initiatives such as NCPERS/CBIZ 2026 Public Pension Compensation Survey and 2026 TRS Public Pension Fund Executive Compensation Survey to evaluate market competitiveness across key roles to support recruitment and retention strategies, along with internal equity and fiscal responsibility.

Learning Management System
The Human Resources Team is currently evaluating learning management systems to support organizational training, compliance tracking, leadership development, and institutional knowledge management eco-system. This review process includes assessing current platforms for scalability, custom content development, and long-term support of employee development initiatives.

Succession Planning and Knowledge Retention
The Human Resources Team is also developing a formal succession planning and knowledge retention framework designed to support organizational continuity and leadership preparedness.

Employee Engagement
The Human Resources Team hosted the second quarter anniversary celebrations where we had 4 milestones celebrations and one retiring team member. Additionally, several departments hosted several enjoyable employee engagement events during the second quarter.

- April - Human Resources;
    - On April 12, 2026, 25 TMRS employees participated in the **Austin 10K Marathon**—an inspiring and energizing event that showcased teamwork and support as colleagues encouraged one another across the finish line
    - On April 23, 2026, TMRS celebrated **National Take our Daughters and Sons to Work Day**, we hosted 21kids and the feedback for this event was overwhelmingly positive.
- May – Services hosted Dish with Debbie event
- June – Information Services hosted Dish with Debbie event

Communications

Organizational Support. The Communications department continues to collaborate with other departments to increase and maintain organizational branding and complete various projects. This quarter, Communications assisted with the following:

- Provided communications support for City Training Conference (CTC) preparation, including facility planning and asset creation, website and registration, and presentation materials for Education and City Services teams
- Provided communications support for the regional Road to Retirement seminars, including communications planning, asset creation, exhibitor sourcing, website and registration, and presentation materials for Education and City Services teams
- Provided communications support for the City Certification course preparation, including planning and asset creation, website and registration, and presentation materials for Education and City Services teams
- Launched a new City of Excellence award designed to honor TMRS cities who show excellence in TMRS administration
- Provided graphic design artwork for the 2025 ACFR for Finance

- Assisted Member & City Services with a monthly email campaign to impart the importance of beneficiary designations
- Created a new video for the Member Spotlight series
- Assisted Actuarial Services with rate letter posting to the website and email notification to cities
- Began vendor alignment on the custom exhibit booth for the 2026 TML conference and exhibition
- Implemented elements of website accessibility compliance
- Produced and distributed the Q2 MainStreet for City Services
- Assisted Quality Initiatives with distributing the monthly survey to retirees about their retirement experience
- Assisted Human Resources with employee event collateral needs and HR communications
- Sourced and produced promotional products and event collateral for Services and Education Team
- Provided more than 40 website changes and announcements across departments including Executive, Investments, Education and City Services
- Created ads for TML Town and Country magazine May and June issues
- Sent welcome boxes to new participating TMRS cities for City Services and announced on website
- Continues to manage TMRS' LinkedIn page

Communication Numbers. Since January 1, Communications sent 29 mass emails to more than 323,000 recipients, received 803K website views, hosted more than 37,000 mobile app sessions with 3200 new devices added, and increased the TMRS Google reviews to 139.

June 15, 2026

To: **Board of Trustees**

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

Re: **Agenda Item 3: Second 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. Going forward Nick O'Keefe, Chief Investment Legal and Compliance Officer, will provide updates on investments matters and this item will be removed from my report.
    - From March 12, 2026 → June 12, 2026
        - 6 investment allocation transactions (not including any additional allocations made through rebalancing)
        - 106 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 March 12, 2026 → June 12, 2026
        - 26 contracts (non-investment related) submitted for signature
        - 7 other benefits administration and non-investment related items submitted for signature or approval
        - 16 city ordinances reviewed or generated for City Services, and 3 new city ordinance templates created
- **Public Information Requests.** Since March 12, 2026, Legal staff have worked on 18 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.

June 15, 2026

To: **Board of Trustees**

From: **Cindy Demers, Chief Financial Officer**

Re: **Agenda Item 3: Second Quarter Report 2026**

2025 Financial Audit, Annual Comprehensive Financial Report and Schedule of Fiduciary Net Position. Completed the 2025 external audit and Annual Comprehensive Financial Report (ACFR). TMRS' independent auditor CliftonLarsenAllen (CLA) began the external financial audit in January. Throughout the quarter staff continued to meet with the auditors and provide a series of data requests resulting in the preparation of the 2025 ACFR.

In addition to the ACFR, TMRS is required to produce the annual Schedule of Fiduciary Net Position by City which CLA also provides an audit opinion. This information as well as the 2025 financial data is provided to GRS for the annual actuarial valuation and made available to all cities for reporting their pension liabilities and expenses on their financial statements.

Award for Outstanding Achievement. For the 20th consecutive year, TMRS earned the Government Finance Officers Association's distinguished Award for Outstanding Achievement in Popular Annual Financial Reporting for its 2024 PAFR. This is the highest form of recognition in government and financial reporting. The 2025 PAFR will be available after the Board approves the 2025 ACFR.

2026 Department Budgets. Delivered department level budget to actual reporting for the first time in two years. Restoring budget accountability at the department level will improve budgeting, reporting and expense tracking.

June 15, 2026

To: **Board of Trustees**

From: **Jac Greene, Chief Information Technology Officer**

Re: **Agenda Item 3: Second Quarter Information Services Report**

Artificial Intelligence Program. Established "TMRS Studios" test environment using AI to build and manage applications across AWS, Azure, and GCP in a limited, secure, and compliant way.

Annual Comprehensive Financial Report (ACFR). Produced data files and reports for the ACFR.

Business Intelligence Tools and Reporting. Deployed two new Actuarial and City Services reports to help TMRS staff advise cities on member and financial impacts of proposed plan changes. Delivered an enhanced Direct Deposit Verification report and continued the migration from the end-of-life Oracle Reporting Platform.

Dashboards. Delivered the 2026 Strategic Plan Dashboard, enabling leadership to monitor plan-versus-actual progress against strategic goals and milestones. Completed feature enhancements for the Quality, Board of Trustees, Updated Service Credit, and Proportionate Service dashboards.

Infrastructure and Security. Conducted Q2 Risk Tabletop Exercise with key stakeholders to test response strategies, identify areas for improvement, clarify decision making protocols, and implement recommendations. Partnered with Compliance to refresh Business Continuity Plans and procedures.

Leadership and Professional Development. Jac Greene completed the Texas LBJ School of Public Affairs Executive Leadership for Information Technology Excellence (ELITE) Program. IS Leadership attended the Public Retirement Information Systems Management (PRISM) Conference as well as the Innotech Technology and Security Conference where Jac was awarded 2026 IT Executive of the Year.

NextGen. Development continues to improve enrollment, document upload and payment generation processes. Released redesigned views of Member, Payee and City information.

System and Organization Controls (SOC) Audit. Produced data files to support the audit process and participated in the data analytics review of contributions and payments.

June 15, 2026

To: **Board of Trustees**

From: **Colin Davidson, Chief Service Officer**

Re: **Agenda Item 3: Second Quarter Services Report**

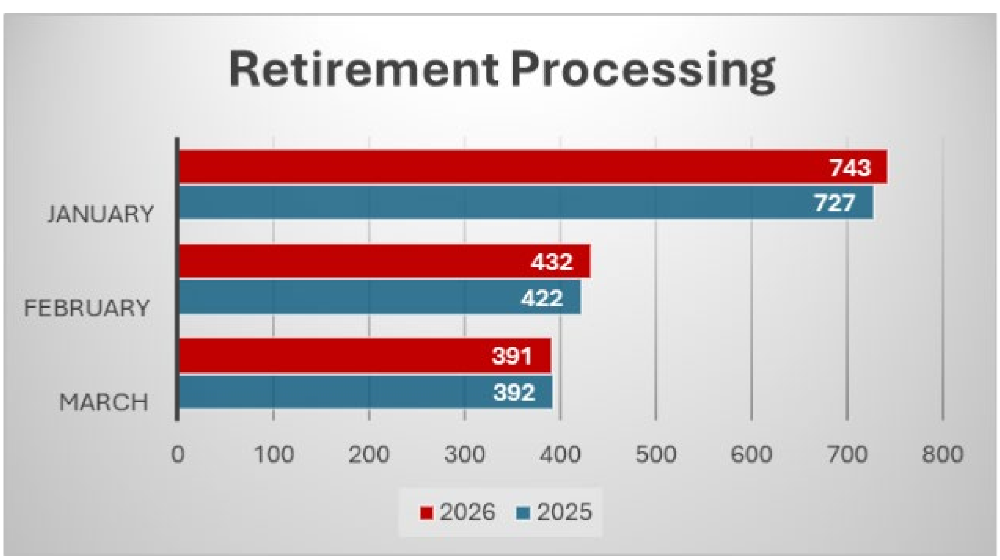
I am excited to provide a 2026 second quarter update for the Benefit Administration, Records, Member Service Center, Education Services, City Services, and Actuarial Services departments.

Benefit Administration

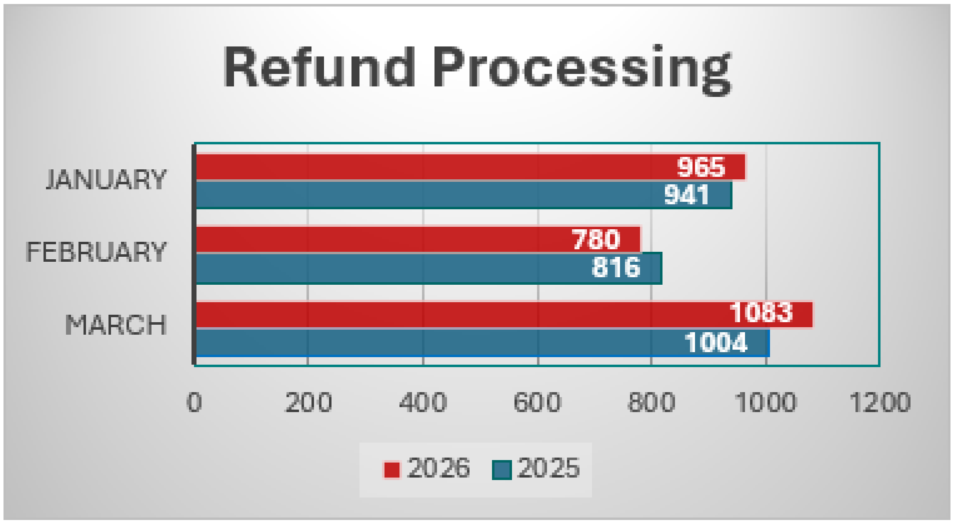
Service Excellence. Benefit Administration continues to maintain its 100% completion of its key processes every week. In May 2026, the department achieved a significant milestone by maintaining 100% completion of its key processes for two full years.

Continuous Improvement. The team continues to focus on process improvement efforts, Lean Six Sigma practices, and ongoing workflow reviews. These efforts help identify opportunities to simplify processes and improve efficiency while maintaining a high level of service for members, retirees, and beneficiaries. As of May 2026, all 21 analysts within Benefits Administration have completed their Lean Six Sigma White Belt Certifications, and all of Services staff should have their certifications by the end of the year.

Retirements. In the first quarter of 2026, TMRS processed 1,566 retirements, a 2% increase from the same quarter in 2025. During this period, approximately 40% of the retirement applications were completed online in MyTMRS.



Refunds. TMRS issued 2,828 refunds in the first quarter of 2026, which was a 2% increase from the same quarter in 2025. During this period, more than 75% of the refund applications were completed online in MyTMRS.



Records Management

Staff processed 9,595 incoming documents resulting in 38,037 pages being scanned and loaded into the electronic document management system. 1,737 pieces of outgoing correspondence were mailed.

Member Service Center

Call Volume. In 2026 so far, the Member Service Center has successfully handled more than 38,000 calls with a median caller wait time of 6 seconds.

Surveys. In addition, the Member Service center received more than 5500 after-call surveys from more than 38,000 callers. The response rate of 14% far exceeds call center industry standards (5% to 10%). Most importantly, more than 98% of the surveys provided a perfect survey score; the industry standard is near 85%.

Staff. The Member Service Center hired Alexis Diaz as a new analyst in early April. Alexis came to TMRS with extensive customer care experience working for an Austin-area credit union. Her work with members and financial services puts her in a great position to help our members and retirees.

Education Services

Member Education. Education Services has counseled and educated more than 7,700 members through June 1, 2026, which is approximately a 40% increase over the same period in 2025. The

Education team has represented TMRS in person at 103 city events this year and has conducted 492 direct counseling sessions with members.

Webinars. The Education Team has hosted and participated in 21 webinars and virtual meetings this year for more than 1,900 attendees.

Regional events. Most recently, the regional events were rebranded to closely align to the core purpose of the events. The Education Team just held its first *Road to Retirement* regional training on June 10 and 11 in Pasadena. On June 10, the team educated 225 attendees on their TMRS retirement benefits, discussed the application process and the transition to retirement, and included an expert speaker on Social Security benefits. On June 11, the TMRS City Certification course was held for the first time in 2026, and we successfully certified approximately 40 city employees. The attendees learned all about administering their TMRS plan and earned their certification as TMRS Benefits Administrator. The next regional event will be held on July 15 and 16 in Midland, and these regional events will continue throughout the year in different areas of Texas.

City Services

Plan Changes. Year-to-date, 68 plan change studies have been prepared by staff for 2026. In addition, there are 130 cities on the list for plan change studies for 2027 when the plan change calculator becomes available in early July. Fifteen model ordinances have been requested by cities, and eight cities have adopted changes to their TMRS plans.

8% employee contribution rate. There is still considerable interest from cities in adopting the 8% employee contribution rate. Of the 62 plan change studies that have already been prepared, more than 74% included the cost of the 8% rate. In addition, 80 of the 130 requested plan change studies (62%) also include requests for the cost of the 8% rate. So far in 2026, two cities have adopted the 8% rate (Quintana and Alvord), bringing the total number of cities to 57.

New Cities. So far in 2026, three cities elected to participate in TMRS, Malone (Jan 1), Appleby (Apr 1), and Starbase (June 1). This brings the total number of participating cities in TMRS to 946.

Actuarial Services

New Actuarial Services Director. In May, Kenneth Oliver was promoted to be the new Director of Actuarial Services. Kenneth brings a great blend of actuarial and institutional knowledge, along with a heart for serving our members and cities. He has only been in the role for a few weeks but is already making an impact.

Actuarial Valuation. Work on the system-wide 2025 actuarial valuation was completed. The valuation will be presented by GRS at the June Board meeting.

2025 Valuation Census Data. The 2025 valuation census data which is used in preparing the GASB 68 and GASB 75 reporting packages was uploaded to the City Portal at the end of May.

The census data is provided to assist participating cities with the audit of their city financial statements.

2027 Contribution Rate Letters. Contribution rate letters containing detailed information on each city's 2027 contribution rate and their individual city valuation report were uploaded to the TMRS website on June 4. An announcement was posted on the TMRS website and emailed to city contacts.

2027 Plan Change Calculator. Worked with GRS to update the plan change calculator that is used by staff and cities to determine the cost of potential plan changes. The 2027 Calculator will incorporate the funding policy changes in respect to ad hoc USC and COLA adoptions, as well as the closing of the window to adopt or readopt a non-retroactive COLA.

City Plan Change Studies and Meetings. Since January 1, Actuarial Services and City Services have attended close to 30 meetings with cities that are considering plan changes.

General Obligation Pension Bonds (POBs). Actuarial Services is also working with the legal team in assisting the City of Red Oak with issuing pension obligation bonds to pay off $14.5 million of their 2025 Unfunded Actuarial Accrued Liability of $15,159,175. The city has met with their Bond council and expects to be ready for approval at the June Board meeting.

June 15, 2026

To: **Board of Trustees**

From: **Nick O'Keefe**

Re: **Agenda Item 3: Chief Investment Legal and Compliance Officer, Q2 2026 Report**

Organizational alignment: I became Chief Investment Legal and Compliance Officer on March 9, 2026. Along with this new position, Debbie created the very important positions of Director of Procurement and Contract Management as well as a Director of Risk, Compliance and Quality, with both of these positions, along with the investment attorney, reporting me.

As these positions were created in March 2026, there is not a great deal to report for Q2 2026 but we have already begun working on:

A. Developing an organizational procurement policy,
B. Creating a contract management program;
C. Reviewing all organizational policies;
D. Developing requirements for an organizational risk management system; and
E. Determining administration benchmarking opportunities to promote continuous improvement.

June 15, 2026

To: **Board of Trustees**

From: **Anali Alanis, Chief Operating Officer** AA

Re: **Agenda Item 4: Receive 2026 Strategic Plan Update**

2026 TMRS Strategic Plan

Q1 - Deployment. The recently approved 2026 Strategic Plan has been distributed to all staff to ensure alignment throughout the organization. The plan outlines 26 objectives, which are defined under four categories – financial, service, people, and operations. All four categories have an assigned owner responsible for their respective tasks, with completion dates set.

Q2 – Execution. During the second quarter, staff continued to make progress on the Strategic Plan. All 26 objectives were divided into 118 milestones, each with their own deadline.

To further strengthen organizational alignment, a centralized dashboard for the 2026 strategic plan was created by our talented Data Management team. This innovative dashboard delivers real-time updates on progress, ensuring both category owners and staff are consistently informed and in sync with overarching objectives. By providing quick and secure access from a single location, the dashboard fosters stronger collaboration between executive leadership and staff. This streamlined approach not only increases transparency and accountability but also minimizes dependence on static documents. Ultimately, the dashboard's effectiveness hinges on the commitment of all contributors to provide accurate and timely updates, making clear that active participation is crucial for achieving collective success. As of today, 3 items have been completed, and 23 are on track.

TMRS Values. Staff participated in different collaboration sessions, and we are happy to report that TMRS is ready to adopt its new values.

Please see attachments for additional details.

ATTACHMENTS

1- 2026 Strategic Plan at a Glance
2- 2026 Strategic Plan Item Details

2026 Strategic Plan
Strategic Plan at a Glance

Financial

F1 - Item Target Completion Date 12/1/2026
Review Investment Policy Statement (IPS) and implement desired changes. See more..

F2 - Item Target Completion Date 3/25/2026
Review Board Committee Charters and implement desired changes See more..

F3 - Item Target Completion Date 12/31/2026
Review Board reports and implement desired changes See more..

F4 - Item Target Completion Date 12/1/2026
Conduct a private market and co-investment review and audit and implement recommendations. See more..

F5 - Item Target Completion Date 6/30/2026
Conduct a Trustee risk tolerance survey to inform asset allocation and investment strategy. See more..

F6 - Item Target Completion Date 9/30/2026
Review actuarial assumptions and strategies (philosophy of TMRS financial structure) See more..

Service

S1 - Item Target Completion Date 12/10/2026
Develop and conduct four regional TMRS conferences. See more..

S2 - Item Target Completion Date 11/15/2026
Develop a financial toolkit for members. See more..

S3 - Item Target Completion Date 12/10/2026
Create and implement an enhanced city certification program See more..

S4 - Item Target Completion Date 7/30/2026
Create and execute a "City of Excellence" Award Program. See more..

S5 - Item Target Completion Date 12/4/2026
Create and implement a Governmental and Stakeholder Relations Program See more..

S6 - Item Target Completion Date 12/10/2026
Evaluate and improve strategy to increase beneficiary designations for members. See more..

S7 - Item Target Completion Date 12/10/2026
Evaluate options to improve the customer service experience See more..

S8 - Item Target Completion Date 10/15/2026
Evaluate current communications plan and identify opportunities and options See more..

People

P1 - Item Target Completion Date 12/30/2026
Conduct a compensation study and update the compensation structure and policy. See more..

P2 - Item Target Completion Date 12/1/2026
Identify and implement a Learning Management System (LMS) See more..

P3 - Item Target Completion Date 12/1/2026
Create and execute a performance management program, inclusive of individu... See more..

P4 - Item Target Completion Date 12/30/2026
Identify critical knowledge single points of failure and provide knowledge transfer into LMS. See more..

P5 - Item Target Completion Date 12/1/2026
Develop strategy to continuously cultivate a healthy organization See more..

P6 - Item Target Completion Date 12/1/2026
Develop a succession plan See more..

Operations

O1 - Item Target Completion Date 12/1/2026
Implement plan to become a high performing organization See more..

O2 - Item Target Completion Date 9/30/2026
Improve and standardize internal staff policies and the framework for managing changes. See more..

O3 - Item Target Completion Date 11/1/2026
Update Credit Card and Travel Policies See more..

O4 - Item Target Completion Date 12/31/2026
Refine and document an org-wide governance, risk and compliance process. See more..

O5 - Item Target Completion Date 10/31/2026
Combine and modernize the year-end and annual business calendars. See more..

O6 - Item Target Completion Date 9/1/2026
Develop an IT strategy (5-year plan) See more..

2026 Strategic Plan
Item Details

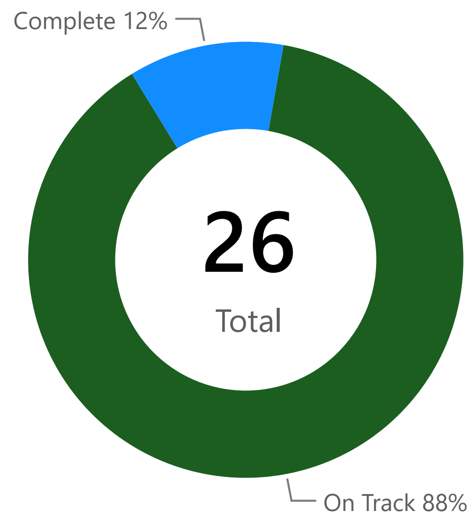
Vision

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.

Overall Item Health



3	Items are complete
23	Items are on track
0	Items are at risk
0	Items are off track
0	Items are missing a status

COO Item Status	Item No.	Item Owner	Item Description	Target Completion Date
On Track	F1	Tom Masthay	Review Investment Policy Statement (IPS) and implement desired changes.	12/1/2026
Complete	F2	Tom Masthay	Review Board Committee Charters and implement desired changes	3/25/2026
On Track	F3	Tom Masthay	Review Board reports and implement desired changes	12/31/2026
On Track	F4	Tom Masthay	Conduct a private market and co-investment review and audit and implement recommendations.	12/1/2026
On Track	F5	Tom Masthay	Conduct a Trustee risk tolerance survey to inform asset allocation and investment strategy.	6/30/2026
On Track	F6	Tom Masthay	Review actuarial assumptions and strategies (philosophy of TMRS financial structure)	9/30/2026
On Track	O1	Nick O'Keefe	Implement plan to become a high performing organization	12/1/2026
On Track	O2	Nick O'Keefe	Improve and standardize internal staff policies and the framework for managing changes.	9/30/2026
On Track	O3	Nick O'Keefe	Update Credit Card and Travel Policies	11/1/2026
On Track	O4	Nick O'Keefe	Refine and document an org-wide governance, risk and compliance process.	12/31/2026
On Track	O5	Nick O'Keefe	Combine and modernize the year-end and annual business calendars.	10/31/2026
On Track	O6	Nick O'Keefe	Develop an IT strategy (5-year plan)	9/1/2026
On Track	P1	Anali Alanis	Conduct a compensation study and update the compensation structure and policy.	12/30/2026
On Track	P2	Anali Alanis	Identify and implement a Learning Management System (LMS)	12/1/2026
On Track	P3	Anali Alanis	Create and execute a performance management program, inclusive of individual employee development plans.	12/1/2026
On Track	P4	Anali Alanis	Identify critical knowledge single points of failure and provide knowledge transfer into LMS.	12/30/2026
On Track	P5	Anali Alanis	Develop strategy to continuously cultivate a healthy organization	12/1/2026
On Track	P6	Anali Alanis	Develop a succession plan	12/1/2026
Complete	S1	Colin Davidson	Develop and conduct four regional TMRS conferences.	12/10/2026
On Track	S2	Colin Davidson	Develop a financial toolkit for members.	11/15/2026
Complete	S3	Colin Davidson	Create and implement an enhanced city certification program	12/10/2026
On Track	S4	Colin Davidson	Create and execute a “City of Excellence” Award Program.	7/30/2026
On Track	S5	Colin Davidson	Create and implement a Governmental and Stakeholder Relations Program	12/4/2026
On Track	S6	Colin Davidson	Evaluate and improve strategy to increase beneficiary designations for members.	12/10/2026
On Track	S7	Colin Davidson	Evaluate options to improve the customer service experience	12/10/2026
On Track	S8	Colin Davidson	Evaluate current communications plan and identify opportunities and options	10/15/2026


TMRS
Collaboration
Accountability
Respect
Excellence
Service
2717

June 15, 2026

To: **Board of Trustees**

From: **Debbie Munoz, Executive Director** Debbie J. Munoz

Re: **Agenda Item 5: Consider and Act on Board Committee Appointments**

At its December 11, 2025 meeting, the Board approved Trustee appointments to the four Board Committees for 2026. Trustee Bryan Langley resigned from the TMRS Board effective April 30, 2026, which created vacancies on two Committees.

The Board's Bylaws, Section 3.2, provide that the Board Chair appoints the Committee members, subject to Board approval, designates the Chair of each Committee, and may appoint an interim successor to a Committee in the event a Trustee has resigned or created a vacancy in his or her committee position. No interim successors have been appointed to the two Committee vacancies created by Mr. Langley's resignation, and new Committee appointments are needed.

The current 2026 Committee members are as follows:

Audit Committee

- Chair: Tommy Gonzalez
- Vice-Chair: *Vacant*
- Member: Isaac Tawil

Budget and Compensation Committee

- Chair: Isaac Tawil
- Vice Chair: Jaime Reyes
- Members: all Trustees

Investment Committee

- Chair: *Vacant*
- Vice Chair: Pamela Williams
- Members: all Trustees

Stakeholder Advisory Committee

- Chair: Jaime Reyes
- Vice-Chair: Pamela Williams
- Member: Jim Parrish

RECOMMENDATION:

Staff recommends that the Chair recommend, and the Board approve, new appointments to the Board Committees and designate the Chair of each Committee, with the term of such appointments to begin immediately and continue through December 31, 2026.

June 15, 2026

To: **Board of Trustees**

From: **Debbie Munoz, Executive Director** Debbie J. Munoz

Re: **Agenda Item 6: Review and Discuss Board Reports**

The 2026 TMRS Strategic Plan includes an item to "Review Board reports and implement desired changes."

Attached is a list of reports regularly provided to the Board by staff and consultants. Of these, eight are quarterly reports included in your Board materials for the March, June, September, and December Board meetings. The remaining eight are annual or ad hoc reports, provided for various Board or Committee meetings throughout the year. The list indicates when these reports are typically presented to the Board.

Over the past seven months, these reports have been refined based on suggestions provided by the Board.

To ensure the Board's objectives are achieved, Trustees are asked to review the attached list of reports. Your comments and recommendations are welcomed, as they will help further enhance the quality and effectiveness of these reports.

ATTACHMENT 1

2026 STRATEGIC PLAN ITEM: FINANCIAL - REVIEW BOARD REPORTS AND IMPLEMENT DESIRED CHANGES

LIST OF REGULAR BOARD REPORTS

All quarterly reports are provided with the materials for the March, June, September and December Board and/or Board Committee meetings. The timing of when the other reports are provided is noted in the table below.

REPORTS	**When Provided**
Consent Agenda Items	
Quarterly Reports on Retirements and Supplemental Death Benefits	
Quarterly Financial Report	
Executive Items	
Quarterly Executive Director Report	
Quarterly Senior Staff Reports	
Annual Budget	Draft at September meeting; vote at December meeting
Annual list of Trustee training opportunities	January (provided by email)
If any internal equity compensation adjustments approved, report quarterly to Board	Ad hoc, only If needed
City and Member Services Items	
Annual List of COLA and USC Ordinances adopted (provided at December Board Meeting)	December
Annual List of COLA and USC Ordinances Received after December Board Meeting (for ratification at next Board meeting)	First meeting after December
Annual Seven Year Inactive Members Report	December
Information Services Items	
Annual Security Assessment (Penetration Test) Report	Provided through Audit Committee - preview in Q1, and final results in Q3
Investment Items	
Quarterly Chief Investment Officer Report	
Quarterly Delegated Investment Decision Report	
Quarterly Compliance Testing Results Report	
Quarterly General Investment Consultant Report	
Annual Proxy Voting Report	March
Annual Asset Class and Investment Manager Reviews Report	December

June 15, 2026

To: **Board of Trustees**

From: **Kristyn Scoggins, Director of Internal Audit** Kristyn Scoggins

Re: **Agenda Item No. 7: Report on Audit Committee Meeting**

Trustee Tommy Gonzalez and Kristyn Scoggins will report on the June 24th Audit Committee Meeting.

June 15, 2026

To: **Board of Trustees**

From: Debbie J. Munoz, Executive Director Debbie J. Munoz

Re: Agenda Item 8: Consider and Act on Internal Auditor Compensation

The Audit Committee Charter authorizes the Committee to review the performance and compensation of the internal auditor, as well as the effectiveness of the internal audit function annually and make recommendations as needed to the Board, including, if warranted, compensation adjustments for the internal auditor.

This agenda item is for the Board to consider the Committee's recommendation, if any, for the Internal Auditor's compensation.

June 15, 2026

To: **Board of Trustees**

From: **Kenneth Oliver, Director of Actuarial Services** KO

Re: **Agenda Item 9: Consider and Act on 2025 Actuarial Valuation and Approval of 2027 Retirement Contribution Rates and Supplemental Death Benefit Contribution Rates**

The TMRS Act provides that TMRS' consulting actuary prepare an actuarial valuation of the System's and its participating cities' assets and liabilities as of December 31. The valuation includes a computation of each city's normal cost contribution rate, prior service contribution rate, and Supplemental Death Benefit Fund rate, if applicable. The actuary also prepares a reconciliation of the required contribution rates from the prior valuation to enable participating cities to recognize individual factors which impacted their rate. The Board is required to certify the actuarial valuation results and contribution rates for participating cities.

RECOMMENDATION:

Staff recommends that the Board accept GRS' December 31, 2025 valuation results and certify the 2027 contribution rates for participating cities.

ATTACHMENTS:

1. GRS Presentation
2. Actuarial Valuation Report as of December 31, 2025

June 15, 2026

To: Board of Trustees

From: Cindy Demers, Chief Financial Officer

Re: Agenda Item 10: Report on Budget and Compensation Committee Meeting

Trustee Tawil, Committee Chair and Cindy Demers will provide an update on the June 24, 2026, Budget and Compensation Committee meeting.

June 15, 2026

To: **Board of Trustees**

From: **Kristyn Scoggins, Director of Internal Audit**

Re: **Agenda Item No. 11: Receive System and Organization Controls (SOC) Audit Results**

CliftonLarsonAllen LLP (CLA) completed the System and Organization Controls (SOC) audit for the period covering May 1, 2025 through April 30, 2026, and issued an unmodified opinion for all control objective areas tested.

The SOC 1 Type 2 audit provides assurance to participating cities on the suitability and operating effectiveness of controls of TMRS' pension management system. Because the SOC is confidential, it is available to cities via the City Portal.

CLA Engagement Manager Brittany Smith will present the audit results.

June 15, 2026

To: **Board of Trustees**

From: **Cindy Demers, Chief Financial Officer**

Re: **Agenda Items No. 12 and 13: Receive 2025 Financial Statement, the Schedule of Changes in Fiduciary Net Position by Participating City Audit Results and Required Auditor Communication.**

CliftonLarsonAllen LLP (CLA), TMRS' independent auditor, completed two TMRS financial audits:

- CLA issued an unmodified (clean) opinion on TMRS' financial statements for the year ended December 31, 2025; and

- CLA issued an unmodified (clean) opinion on TMRS' Schedule of Changes in Fiduciary Net Position by Participating City that provides assurance to participating cities on the pension amounts cities recognize in their financial statements and provides data to TMRS' consulting actuary, GRS, for the city pension disclosure packages.

Additionally, as required by auditing standards, CLA has drafted its required communication to the Board to communicate certain matters about the financial reporting process.

CLA Engagement Manager Brittany Smith will present their audit results.

ATTACHMENTS:

1 - CLA Presentation on 2025 Financial Statement and System and Organization Controls (SOC) Audit Results for Agenda Items 11, 12 and 13.
2 - Independent Auditor's Report on the 2025 Financial Statements
3 - Independent Auditor's Report on the 2025 Schedule of Changes in Fiduciary Net Position by Participating City
4 - CLA's Letter to the Board of Trustees for the year ended December 31, 2025

We'll get you there.

CPAs | CONSULTANTS | WEALTH ADVISORS

2025 Financial Statement and System and Organization Controls (SOC) Audit Results

June 25, 2026

Scope – Listing of Three Separate Engagements and Deliverables

Audit of TMRS' financial statements as of December 31, 2025

Audit of TMRS' schedule of fiduciary net position by city as of December 31, 2025

SOC1 Examination for the period May 1, 2024 to April 30, 2026

Required governance communications letter

EXAMINATION OPINION

System Organization and Controls Type 1 (SOC1) Report

SOC examination opinion is **unmodified**.

EXAMINATION RESULTS

SOC1 report

No exceptions noted for the 9 control objectives tested.

AUDIT OPINIONS

Financial statement

Financial statement audit opinion is **unmodified**.

Supplemental schedules

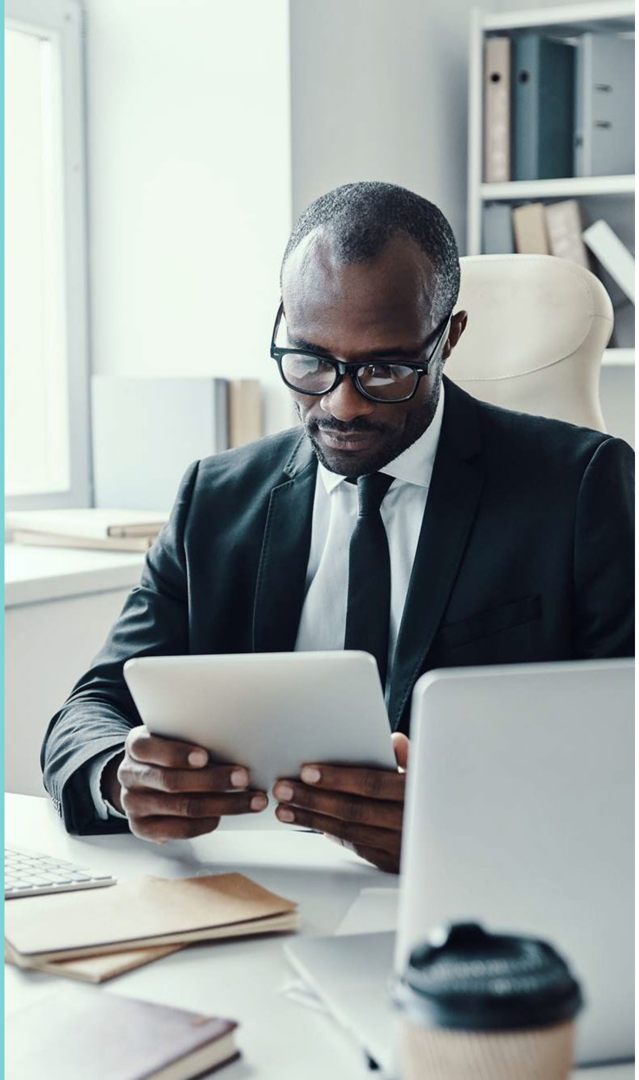
Opinion in relation to the financial statements is **unmodified**.

Schedule of fiduciary net position by participating city

Schedule audit opinion is **unmodified**.

Individual employer information

Opinion in relation to the financial schedule is **unmodified**.



Management’s discussion and analysis, required supplementary information and the Introductory, Investment, Actuarial, and Statistical sections.

Limited procedures performed, and no opinion rendered.

AUDIT RESULTS

Financial statement

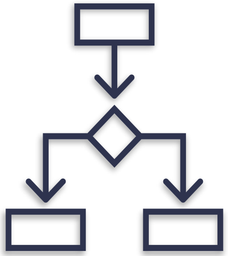
No material weaknesses noted.

Audit Process

RISK-BASED APPROACH

Internal controls	Investments
Significant estimates	Contributions
Benefits	Financial reporting and systems

Key Audit Areas - Investments



Understanding of internal controls

Review of internal audit procedures and reports

Walkthroughs

- Reconciliation procedures
- Alternative investment initial due diligence and on-going monitoring
- Compliance monitoring

Review custodial bank's SOC 1 report

- Walkthrough key controls

Substantive procedures

Confirmation of custodial and non-custodial investments

Price testing of equity and fixed income securities

Review of audited financial statements and roll-forwards of non-custodial (alternative) investments

- Approach to valuation (audited financial statements or alternative procedures)

Key Audit Areas - Contributions

Understanding of internal controls

Review of internal audit procedures and reports

Walkthroughs of contribution and purchase of service processes

Reliance on SOC1 Examination Testing

Substantive procedures

Reconciliation of contributions from G/L to Subsidiary

Confirmation of contributions with sample of employers

Analytical procedures including data analytics

Key Audit Areas – Benefit Payments

Understanding of internal controls

Review of internal audit procedures and reports

Walkthroughs of benefit payments processes; separate walkthroughs for disability, survivor, regular retirement and refund processes

Reliance on SOC1 Examination Testing

Substantive Procedures

Reconciliation of benefit payments between G/L and subsidiary Ledger

Analytical procedures including data analytics

Data Analytics

- Government retirement specific analytics
- Performed over 100% of the population
- Insights and results are incorporated into substantive audit procedures and discussed with management

Data Analytics Overview

Benefit Payments

- Two-year comparative trending and population analysis
- Searched for significant payment swings or unusual activity
- Performed various fraud-specific tests such as review of duplicate addresses, duplicate bank accounts, duplicate names, duplicate payees, and duplicate annuity numbers

Contributions

- Two-year comparative trending and population analysis
- Recalculated employee and employer pension contributions based on reported salary and individual employer rates
- Tested proper contribution limits for highly compensated employees

IT Approach – Major Components of IT Environment

- Program Change Management
- Infrastructure Security/Controls Risks
- Network Security/User Access
- Application Security/User Access
- Backup/Recovery
- Cybersecurity

Governance Communications

Overall

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- No significant new accounting policies
- No audit adjustments or passed audit adjustments
- Management was very cooperative and professional during the audit process
- No significant unusual transactions
- No disagreements with management

Difficulties

- None

Estimates

- Valuation of alternative investments

Other

- Management did not consult with other accountants on the application of GAAP or GAAS
- No major issues were discussed with management prior to retention
- Signed management representation letter

Questions and Feedback

We appreciate the opportunity to serve you and welcome any feedback relative to our performance and to the engagement.

Bill Early, CPA
Engagement Principal
bill.early@CLAconnect.com
410-453-5586

Brittany Smith, CPA, CIA
Engagement Manager
brittany.smith@CLAconnect.com
425-250-6023

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Texas Municipal Retirement System (TMRS), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the TMRS' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the TMRS as of December 31, 2025, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the TMRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the TMRS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TMRS' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TMRS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and money-weighted rate of return – pension trust fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the TMRS' basic financial statements. The combined schedule of changes in fiduciary net position, schedule of administrative expenses and investment expenses, and schedule of professional services (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial and statistical sections but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 15, 2026

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Schedule

Opinion

We have audited the fiduciary net position as of December 31, 2025, and the changes in fiduciary net position for the year then ended, included in the accompanying schedule of changes in fiduciary net position by participating city (Schedule) of the Texas Municipal Retirement System (TMRS) and the related notes.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the fiduciary net position of the Texas Municipal Retirement System as of December 31, 2025, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the TMRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the fiduciary net position and the changes in fiduciary net position included in the Schedule are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the fiduciary net position and the changes in fiduciary net position included in the Schedule.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedule.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TMRS' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit of the financial statements of TMRS was conducted for the purpose of forming an opinion on the financial statements as a whole. The individual employer information presented in each of the individual columns of the accompanying Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The individual employer information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Each column of individual employer information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the individual employer information presented in each individual column of the accompanying Schedule is stated fairly, in all material respects, in relation to the financial statements of TMRS as a whole. We do not express an opinion on the fiduciary net position or changes in fiduciary net position of each individual employer.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of TMRS as of and for the year ended December 31, 2025, and our report thereon, dated June 15, 2026, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of TMRS management, the Board of Trustees, TMRS' participating employers explicitly named in the Schedule, as of and for the year ended December 31, 2025, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 15, 2026

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Board of Trustees
Texas Municipal Retirement System
Austin, Texas

We have audited the financial statements and the schedule of changes in fiduciary net position by participating city of the Texas Municipal Retirement System (TMRS) as of and for the year ended December 31, 2025, and have issued our reports thereon dated June 15, 2026. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit orally during our discussion dated March 6, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the TMRS are described in Note 1 to the financial statements.

No new significant accounting policies were adopted and the application of existing policies was not changed during 2025.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the valuation of investments in private markets, including real estate, hedge funds and private equity investments. Management relied on the use of outside specialists to help derive these estimates. We evaluated the key factors and assumptions used to develop these estimates in determining that the estimates are reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this communication, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated June 15, 2026.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Required supplementary information

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Supplementary information in relation to the financial statements as a whole

With respect to the combined schedule of changes in fiduciary net position, schedule of administrative expenses and investment expenses, and schedule of professional services (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 15, 2026.

Other information included in the Annual Comprehensive Financial Report

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your Annual Comprehensive Financial Report (ACFR) and is comprised of introductory, investment, actuarial and statistical sections (collectively, the other information). Our responsibility for other information included in your ACFR does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your ACFR. We are required by professional standards to read the other information included in your ACFR and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the ACFR. We did not identify any material inconsistencies between the other information and the audited financial statements.

* * *

This communication is intended solely for the information and use of the Board of Trustees and management of the TMRS and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 15, 2026

TMRS

June 15, 2026

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, MD 21093

This representation letter is provided in connection with your audit of:

- the financial statements of the Texas Municipal Retirement System (TMRS), which comprise the fiduciary net position as of December 31, 2025, and the related changes in fiduciary net position for the year then ended, and the related notes to the financial statements,
- the schedule of changes in fiduciary net position by participating city, and the related notes for the year ended December 31, 2025

for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable person based on the financial statements.

We confirm, to the best of our knowledge and belief, as of June 15, 2026, the following representations made to you during your audits of the financial statements and schedule of changes in fiduciary net position by participating city as of and for the year ended December 31, 2025.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated March 23, 2026, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

4. Methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures, including those measured at fair value, are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.

5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

7. No significant plan amendments were adopted during the period or subsequent to the date of the financial statements.

8. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.

9. We have not identified or been notified of any uncorrected financial statement misstatements.

10. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning material litigation, claims, or assessments, except as we have disclosed to you.

11. Guarantees, whether written or oral, under which TMRS is contingently liable, if any, have been properly recorded or disclosed in accordance with U.S. GAAP.

12. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements, if any.

13. We have appropriately identified, recorded, and disclosed all leases, including any material embedded leases contained within other contracts, in accordance with GASB Statement No. 87.

14. We have appropriately identified, recorded, and disclosed all subscription-based information technology arrangements in accordance with GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

15. We have properly identified the various types of leave and have recorded a liability for compensated absences in accordance with the requirements of GASB Statement No. 101, *Compensated Absences*.

16. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Short-term investments are reported at cost, which approximates fair value. Fixed income securities are valued by pricing vendors using quoted market prices, broker prices or other valuation methodologies. Public equity securities are valued by TMRS' custodian bank using the last trade date quoted market price supplied by various pricing data vendors. Fair values of commingled public equity funds are determined based on the funds' net asset values at the date of valuation. Fair values of private equity, tactical opportunities, real assets and credit funds are reported at the net asset values as provided by the fund's investment manager, which are based on audited financial statements of the respective funds. Futures contracts are considered derivative financial instruments and are reported at fair value, with valuation changes reported as investment income. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

17. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.

18. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. No impairment loss or insurance recoveries were incurred.

19. We believe the plans and trusts established under the plans are qualified under the appropriate section of the Internal Revenue Code, and we intend to continue them as qualified plans and trusts.

20. We are not aware of any present legislative intentions to terminate the plans.

21. All material concentrations have been properly disclosed in accordance with U.S. GAAP. We understand that concentrations include the nature and type of investments held by TMRS, or markets for which events could occur which would significantly disrupt normal finances within the next year.

22. We are not aware of any concentrations or constraints that would require disclosure in accordance with GASB Statement No. 102, *Certain Risk Disclosures*.

Information Provided

1. We have provided you with:

   a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.

   b. Additional information that you have requested from us for the purpose of the audit.

   c. Unrestricted access to persons within TMRS from whom you determined it necessary to obtain audit evidence.

   d. Complete minutes of the meetings of the governing board and related committees that you requested from us, or summaries of actions of recent meetings for which minutes have not yet been prepared.

   e. All communications from regulatory agencies, received in the last fiscal year and through the date of this letter, concerning noncompliance with, or deficiencies in, financial reporting practices, if any.

   f. All communications from regulatory agencies concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

4. We have no knowledge of any fraud or suspected fraud that affects TMRS and involves:

    a. Management;

    b. Employees who have significant roles in internal control; or

    c. Others when the fraud could have a material effect on the financial statements.

5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting TMRS' financial statements communicated by employees, former employees, regulators, or others, except as we have disclosed to you.

6. We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts or abuse whose effects should be considered when preparing financial statements.

7. We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

9. There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.

10. TMRS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral.

11. We are responsible for compliance with the laws, regulations, and provisions of contracts applicable to TMRS; and we have identified and disclosed to you all laws, regulations, and provisions of contracts that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

12. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), or provisions of contracts whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

13. TMRS has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

14. We have followed applicable TMRS statute in adopting and approving the operating budget.

15. The values of non-readily marketable investments represent good faith estimates of fair value or lower of cost or market. The methods and significant assumptions used are appropriate for financial measurement and disclosure purposes.

16. Interfund activity and balances have been appropriately classified and reported.

17. Deposits, investment securities, and derivative instruments are properly classified as to risk and are disclosed.

18. Capital assets are properly capitalized, reported, and, if applicable, depreciated.

19. We have obtained the service auditor's report from our service organization State Street Bank. We have reviewed such report, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the year ended December 31, 2025.

20. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

21. We acknowledge our responsibility for presenting the combined schedules of changes in fiduciary net position, schedule of administrative and investment expenses, and schedule of professional services (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

22. We acknowledge our responsibility for the preparation of the other information included in our Annual Comprehensive Financial Report (ACFR), which is comprised of the introductory, investment, actuarial and statistical sections (other information). The other information is consistent with the financial statements and does not contain any material misstatements.

Sincerely,

Texas Municipal Retirement System

Signed by:

Debbie Munoz

7056FD90B82747A

Debbie Muñoz, Executive Director

Signed by:

7CC0BC9208B74BC...

Cindy Demers, Chief Financial Officer

June 15, 2026

To: **Board of Trustees**

From: **Cindy Demers, Chief Financial Officer**

Re: **Agenda Item No. 14: Receive and Approve Distribution of 2025 Annual Comprehensive Financial Report and Schedule of Changes in Fiduciary Net Position by Participating City (FNP)**

TMRS' Annual Comprehensive Financial Report for the Year Ended December 31, 2025 (ACFR) and Schedule of Changes in Fiduciary Net Position by Participating City (FNP) have been prepared in accordance with U.S. Generally Accepted Accounting Principles, all applicable Governmental Accounting Standards Board statements, and the Government Finance Officers Association Certificate of Achievement program guidelines.

The ACFR and FNP includes all information as required by the TMRS Act.

CliftonLarsonAllen LLP (CLA) audited TMRS' 2025 financial statements (located in the Financial Section of the ACFR) and the 2025 FNP and issued unmodified opinions for each document.

A presentation on the 2025 ACFR and FNP will be provided to the Budget and Compensation Committee on June 24.

RECOMMENDATION:

Staff recommends the Board receive and approve distribution of the ACFR and the FNP to TMRS participating cities and interested parties.

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June 15, 2026

To: **Board of Trustees**

From: **Debbie J. Munoz, Executive Director** Debbie J. Munoz

Re: **Agenda Item 15: Discuss Potential Legislative Topics**

In March, the Board requested suggestions for potential legislative topics to be considered for the 2027 session. The attached list outlines the topics proposed by staff.

I will offer a brief explanation of each topic and facilitate a discussion to obtain Board feedback on which topics, if any, should be assigned to the Board's Stakeholder Advisory Committee for further evaluation.

As the Board deliberates on these topics, it's important to note that there are no urgent priorities requiring legislative action at this time. If legislation is pursued, a decision should be made by December, though earlier bill filing is preferable. Drafts should be provided to potential bill sponsors by November to allow adequate review time by the Legislative Council.

Since there are no pressing legislative needs, I recommend the Board consider refraining from pursuing legislation in 2027. Instead, TMRS should focus on education, communication, and building relationships with legislators and stakeholders.

2027 Legislative Ideas

Benefit Changes

1. Decouple USC and COLA.
2. Add new COLA percentage options.
3. Add a non-retroactive COLA option.
4. Amend Qualified Domestic Relations Order (QDRO) provisions to allow former spouses to receive their awarded benefits immediately after QDRO has been deemed qualified.
5. Allow spouse beneficiaries in deferred retirement situations to (i) change their mind after initially deciding to delay receiving their benefits and begin receiving payments upon notification and (ii) calculate the beneficiary's benefit based only the beneficiary's life expectancy.
6. Allow retirees to make a change to their retirement option and/or beneficiary designation within 60 days of their effective retirement date.
7. Allow limited benefit payments due upon death of person to certain heirs in absence of beneficiary or formal estate proceedings.

Administrative Changes

1. Remove statutory maximum contribution rate for all cities.
2. Remove requirement for members to re-designate their beneficiary at vesting and require spousal consent on all beneficiary designations.
3. Delink SDB beneficiary designations from retirement beneficiary designations.
4. Amend the amount of the Supplemental Death Benefit to reflect the member's annual salary when the member has been employed less than a year.
5. Allow new cities to begin participation in TMRS the month after adoption.
6. Require cities to pay their payroll contributions electronically.
7. Increase the penalty fee for cities who submit their payroll contributions late.
8. Require retirees to receive their benefit payments electronically.
9. Repeal obsolete provisions.
10. Remove the 25-year retirement eligibility option.
11. Clarify language related to court venues and voucher payments.
12. Clarify language referring to "the board" and replace the phrase with "the system".
13. Incorporate contract and fund management provisions like those from Chapter 2260 of the Texas Government Code.

June 15, 2026

To: **Board of Trustees**

From: **Debbie Munoz, Executive Director** Debbie J. Munoz

Re: **Agenda Item 16: Consider and Act on Renewal of Governmental Relations Consultant Contract**

Ron Lewis & Associates, LLC (Consultant) has provided governmental consulting services to TMRS since 2004.

In June 2024, the Board approved a renewal of the Consultant's contract with TMRS for two years, with an option to renew for an additional two-year term, at the rate of $9,000/month. The current Consulting Services Agreement (Agreement) provides that its term expires on July 31, 2026, and TMRS has the option to renew the Agreement for an additional two-year term, to expire on July 31, 2028, upon written notice to Consultant. The Agreement also provides that TMRS can terminate the Agreement, with or without cause, upon 30 days written notice.

Given the firm's extensive and positive experience with TMRS and its efforts on TMRS' behalf, I recommend that TMRS exercise its option to renew the Agreement.

<u>RECOMMENDATION</u>:

Staff recommends the Board authorize exercising TMRS' option to renew the Consultant's Agreement for the additional two-year term.

June 15, 2026

To: **Board of Trustees**

From: **Madison Jechow, Assistant General Counsel**

Re: **Agenda Item 17: Consider and Act on Matters Regarding City of Red Oak Pension Obligation Bonds**

On June 15, 2026, the City Council ("Council") of the City of Red Oak ("City") adopted City Resolution No. 26-027R, whereby the Council authorized the City to issue one or more series of the City of Red Oak, Texas, General Obligation Pension Bonds, Taxable Series 2026 (the "Bonds") pursuant to Chapter 107 of the Texas Local Government Code ("Chapter 107"). Chapter 107 allows a city to issue pension obligation bonds for the purpose of funding all or any part of the unfunded accrued actuarial liabilities owing to a public pension fund – in this case, TMRS.

Chapter 107, Section 107.003 requires that, before authorizing issuance and delivery of the Bonds, the governing body of the City must enter into a written agreement with the governing body of the public pension fund which written agreement "must state the amount of the unfunded liability and the date or dates on which the public pension fund will accept the net proceeds of the obligations to be issued in payment of all or a portion of the unfunded liability." On June 15, 2026, the Council adopted City Resolution No. 26-027R, whereby the Council approved the proposed Agreement (defined below) between the City and TMRS and authorized the City Mayor or Mayor Pro Tem to execute the Agreement.

The City proposes to issue $14,500,000 in Bonds and from the proceeds thereof: (i) make a lump sum contribution to TMRS in the amount of $12,864,070 on or before October 15, 2026, and (ii) have the remaining $1,635,930 of Bond proceeds placed with an Escrow Agent to be used by the Escrow Agent to make payments to fund the "prior service portion" of the City's monthly required employer contributions to TMRS for the time period from October 2026 through December 2027.

Under TMRS Act §855.4065 and TMRS Rule §125.6, a city may make lump sum or periodic payments to TMRS in addition to, but not in replacement of, the city's monthly required employer contributions. However, under the Rule TMRS retains the right not to accept such a payment if, in the opinion of the Executive Director, acceptance of the payment would result in an unreasonable administrative or investment burden. TMRS staff have reviewed the City's proposed lump sum contribution and escrow payments, and the Executive Director and the Chief Investment Officer have determined that the additional payments would not cause an unreasonable investment burden nor would they cause an administrative burden. All such additional payments are to be deposited to the City's account in the TMRS Benefit Accumulation Fund ("BAF") and cannot be returned to the City.

TMRS Legal and Actuarial Staff have been working with the City's Finance Director and the City's Bond Counsel to provide the City with a clear explanation of the TMRS Act provisions and TMRS' operations that will allow the City to make a lump sum contribution in addition to, but not in replacement of, the City's monthly required employer contributions to TMRS.

The proposed Agreement Regarding City Pension Obligation Bonds between the TMRS Board and the City Council (the "Agreement") is attached as Attachment 1. The form of the Agreement is derived from Chapter 107 and is substantially similar to an agreement that TMRS entered in 2025 with the City of Garland. The Office of the Attorney General also must give its approval of the Agreement, and the OAG gave its approval for the City of Garland's substantially similar agreement in 2025.

The proposed TMRS Certificate of Authority and Resolution (the "Certificate") is attached as Attachment 2.

Although TMRS will not be a party to the Escrow Agreement between the City and the Escrow Agent, a copy of the draft Escrow Agreement is included as Attachment 3 for your information.

RECOMMENDATION

Staff recommends that the Board (i) approve the Agreement Regarding City Pension Obligation Bonds ("Agreement") and the Certificate of Authority and Resolution (the "Certificate"), in substantially the form presented; (ii) authorize the Board Chair to execute and deliver the Agreement by and on behalf of the Board; and (iii) authorize the Executive Director to execute and deliver the Certificate by and on behalf of TMRS; with such modifications or amendments to the Agreement or Certificate as are satisfactory to the Board Chair or Executive Director, respectively, such satisfactory terms and conditions to be conclusively evidenced by the execution thereof by the Board Chair and the Executive Director, respectively.

ATTACHMENTS - 3

1 - Agreement Regarding City Pension Obligation Bonds
2 - Certificate of Authority and Resolution
3 - Escrow Agreement

AGREEMENT REGARDING CITY PENSION OBLIGATION BONDS

This AGREEMENT REGARDING CITY PENSION OBLIGATION BONDS (the "Agreement") is entered into by and between the Board of Trustees ("Board") of the Texas Municipal Retirement System, a Texas public retirement system ("TMRS"), and the City Council ("City Council") of the City of Red Oak, Texas ("City"), and will be effective for all purposes as of the date this Agreement is signed by the latter party to do so below (the "Effective Date").

WHEREAS, pursuant to a City Ordinance passed and approved on October 19, 1992, the City became a participating municipality in TMRS for the benefit of its employees effective as of January 1, 1993; and

WHEREAS, the City Council expects to adopt an ordinance authorizing the City to issue one or more series of City of Red Oak, Texas, General Obligation Pension Bonds (the "Bonds") pursuant to Chapter 107, Texas Local Government Code, as amended ("Chapter 107"), for the purpose of funding all or any part of the unfunded actuarial accrued liabilities owing to TMRS; and

WHEREAS, Section 107.003 of Chapter 107 requires that, before authorizing issuance and delivery of the Bonds, the City Council must enter into a written agreement with the Board, which written agreement "must state the amount of the unfunded liability and the date or dates on which the public pension fund will accept the net proceeds of the obligations to be issued in payment of all or a portion of the unfunded liability";

NOW THEREFORE, the City Council and the Board enter into this Agreement pursuant to Section 107.003 of Chapter 107, as follows:

1. The Board certifies that:

   (a) TMRS is a statewide public retirement system qualified under section 401(a) of the Internal Revenue Code of 1986, as amended (the "IRC"), providing retirement, disability, and death benefits to active and retired employees of municipalities that participate in TMRS; and

   (b) TMRS is not:

      (i) a program that provides only workers' compensation benefits;
      (ii) a program administered by the federal government;
      (iii) a plan described by IRC Section 401(d);
      (iv) an individual retirement account consisting of an annuity contract described by IRC Section 403(b);
      (v) an individual retirement account as defined by IRC Section 408(a);
      (vi) an individual retirement annuity as defined by IRC Section 408(b);
      (vii) an eligible deferred compensation plan as defined by IRC Section 457(b); or
      (viii) a program for which benefits are administered by a life insurance company or for which the only funding agency is a life insurance company.

2. The City Council and the Board acknowledge and agree that the City has an Unfunded Actuarial Accrued Liability owing to TMRS in the amount of $15,159,175 as of the December 31, 2025, TMRS actuarial valuation (the "2025 UAAL").

3. The City Council acknowledges and agrees that:

(a) the 2025 UAAL calculation was done by TMRS' consulting actuaries, Gabriel, Roeder, Smith & Company ("GRS") and was approved by the TMRS Board at its June 25, 2026, meeting;

(b) the full actuarial valuation report can be found on the TMRS website at: https://www.tmrs.com/actuarial-valuations;

(c) the City's individual rate letter as provided by TMRS is attached hereto as **Exhibit A**;

(d) the City has requested to make a lump sum employer contribution to TMRS in the amount of $12,864,070 to fund a portion of the 2025 UAAL, from proceeds of the Bonds on the closing date of the Bonds, which shall be on or before October 15, 2026;

(e) the City's prior service portion of the 2025 UAAL equals $1,635,930 and shall be referred to as the "Prior Service Portion" for purposes of this Agreement;

(f) the City desires to fund the Prior Service Portion from the proceeds of the Bonds and pay the Prior Service Portion through its required monthly employer contributions for the time period October 2026 through December 31, 2027 from monthly contributions to TMRS made pursuant to an escrow agreement (the "Escrow Agreement") between the City and Wilmington Trust, National Association, as escrow agent (the "Escrow Agent"); provided, however, that the City shall remain responsible for paying to TMRS any portion of the Prior Service Portion of the required employer contribution rate that is not covered by the payments made pursuant to the Escrow Agreement;

(g) attached as **Exhibit B** is the City's schedule of estimated monthly payments for the Prior Service Portion;

(h) the deposit of $12,864,070 pursuant to Section 3(d) hereof and the total contributions of $1,635,930 pursuant to Sections 3(e) and 3(f) hereof equals an $14,500,000 portion of the total $15,159,175 2025 UAAL; and

(i) the monthly payments made by the Escrow Agent to TMRS pursuant to the terms of the Escrow Agreement shall be in furtherance of payment of the Prior Service Portion, which Prior Service Portion will be calculated by the City as a percentage of payroll based on the Prior Service Portion of the City's applicable required employer contribution rates for 2026 and 2027 calculated by GRS. The proceeds of the Bonds deposited pursuant to the Escrow Agreement shall be for the benefit of TMRS and used solely for the purpose of funding the Prior Service Portion; provided, all amounts remaining in the Escrow Fund in December 2027 shall be deposited with TMRS in December 2027 even if such amounts are in excess of the actual amounts required to be deposited in December 2027 based on the Prior Service Portion calculated as a percentage of payroll of the City's required employer contribution rate for December 2027 calculated by GRS.

4. The Board acknowledges and agrees that:

   (a) The Board agrees to accept the deposits set forth in Sections 3(d), 3(f) and 3(i) hereof when made;

   (b) The Board has fiduciary responsibility for the assets of TMRS and has the duty to oversee the investment and expenditure of the assets of TMRS; and

   (c) The Board agrees that such deposits, when made, shall be applied to the City's 2025 UAAL as determined in the annual actuarial valuation performed by TMRS' actuary.

5. The City Council and the Board acknowledge and agree that, under Section 855.4065 of the "TMRS Act" (Title 8, Subtitle G, Chapters 851-855 of the Texas Government Code) and "TMRS Rule" §125.6 (Title 34, Part 6, Chapter 125, Texas Administrative Code), the City may make a lump sum employer contribution, in the above amount requested by the City, to TMRS on or before December 31, 2026, to be deposited in the City's account in the TMRS Benefit Accumulation Fund ("BAF").

6. The City Council further acknowledges and agrees, for itself and on behalf of the City, that:

   (a) TMRS Act §855.4065 and TMRS Rule §125.6 only authorize a lump sum employer contribution in addition to, not in substitution of, the monthly contributions the City is actuarially required to make to TMRS under the TMRS Act;

   (b) in accordance with TMRS Rule §125.6, any such lump sum employer contribution deposited in the City's BAF account will be held in trust by TMRS and cannot be returned to the City;

   (c) the City's required monthly employer contributions to TMRS, which include a portion attributable to the Prior Service Portion, must continue to be made during the remainder of calendar year 2026, as well as all of calendar year 2027, and in any future year or years that the TMRS actuaries determine an employer contribution is required under the terms of the TMRS Act;

   (d) the City must still contribute its required monthly employer contributions to TMRS based on the full actuarially determined contribution rate of 19.50% and 20.61% for calendar years 2026 and 2027, respectively, and these rates reflect rates for both the TMRS retirement plan and the supplemental death benefit plan selected by the City under the TMRS Act;

(e) because there is a one-year lag between the TMRS actuarial valuation date and when the City employer contribution rates become effective, any lump sum employer contribution made in calendar year 2026 would first impact the City's calendar year 2028 employer contribution rates and first be reflected in the City's prior service portion contribution rate for 2028 as determined in the December 31, 2026, TMRS actuarial valuation; and

(f) even if the City makes one or more lump sum employer contributions, the City will also be required to contribute the full actuarially determined employer contribution rate for future years beyond 2026.

7. In any lawsuit or legal dispute arising from the operation of this Agreement, the parties agree that the laws of the State of Texas shall govern, without regard to the principles of conflicts of laws. Subject to TMRS' sovereign immunity, to the extent it is necessary to resolve any dispute under this Agreement in a court, and if resolution by a court is consistent with the provisions hereof, courts of the State of Texas shall have jurisdiction over any and all disputes between the parties hereto, whether in law or equity, and exclusive venue in any such dispute shall be laid in Travis County, Texas.

8. This Agreement may be amended only by a written instrument executed by the parties hereto. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same agreement.

9. The City acknowledges and agrees that in the event the deposit of $12,864,070 pursuant to 3(d) is made after December 31, 2026, and during calendar year 2027, there will be an additional one-year lag beyond that specified in subsection 6(e) so that any lump sum employer contribution made in calendar year 2027 would first impact the City's calendar year 2029 employer contribution rates and first be reflected in the City's prior service portion contribution rate for 2029 as determined in the December 31, 2027 TMRS actuarial valuation.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date(s) set forth opposite the signatures of their authorized representatives to be effective for all purposes on the date first written above.

CITY COUNCIL OF THE CITY OF RED OAK, TEXAS	BOARD OF TRUSTEES OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM
BY: ______________________________	BY: ______________________________
NAME: ____________________________	NAME: ____________________________
TITLE: ____________________________	TITLE: ____________________________
DATE: ____________________________	DATE: ____________________________

EXHIBIT A

CITY OF RED OAK RATE LETTER

June 4, 2026 City # 01061

City of Red Oak
101 Live Oak St., Building 3.
Red Oak, TX 75154

Subject: 2027 City Contribution Rate

Your city's 2027 total contribution rate is shown below. This rate includes your city's full retirement rate and supplemental death benefit rate, if applicable. These rates were determined by your city's December 31, 2025 actuarial valuation to achieve a 100% or greater funded ratio over time.

Normal Cost	12.17 %
Prior Service	8.31
Full Retirement	20.48 %
Supplemental Death Benefit	0.13
Total Contribution	**20.61 %**

These rates are final pending the TMRS Board's approval at their June 25 meeting.

Detailed information on your city's TMRS plan is contained in the attached actuarial valuation report. If you are interested in learning how to potentially pay off your unfunded liability sooner and/or increase the stability of your city's contribution rate, please review the "Rate Stabilization Techniques" section on page 1.

If you have questions about your city's contribution rate, please contact me at 512-225-3798 or koliver@tmrs.com.

Sincerely,

Kenneth Oliver

Kenneth Oliver, FCA, EA, MAAA
Director of Actuarial Services

Actuarial Valuation Report

As of December 31, 2025

City of Red Oak

Table of Contents

Rate Stabilization Techniques

Contribution rate stabilization for cities is a funding goal of the TMRS Board of Trustees. Since 2007, the Board has approved many actuarial changes to minimize short-term volatility in contribution rates while maximizing long-term System sustainability. Under the current funding policy in which rates are actuarially determined each year, contribution rate stabilization is fully optimized at the System level; therefore, any further rate stabilization must be achieved at the city level.

Cities with an Unfunded Liability - For cities with an Unfunded Actuarial Accrued Liability (UAAL), the most effective way for a city to stabilize its TMRS contribution rate is to determine an affordable rate that exceeds the required rate and continue to pay that same rate even when the calculated rate decreases in subsequent valuations. These additional contributions at a predetermined fixed rate accomplish the following:

- Provide a stable annual contribution rate for budgeting purposes;
- Directly reduce the UAAL dollar for dollar;
- Pay off the UAAL quicker;
- Produce cost savings over the long run; and
- Provide a cushion for future adverse plan experience.

Cities with a Surplus - For cities with an Overfunded Actuarial Accrued Liability (surplus), the contribution rate is determined by decreasing the Normal Cost Rate (the cost of the current year accruals for active Members) by a Prior Service Rate calculated to keep the funded ratio at approximately the same level. The result is a required contribution rate less than the Normal Cost. It is important to note that adverse plan experience could still result in the funded ratio dropping below 100%. TMRS encourages cities in a surplus position to consider paying the full Normal Cost Rate (or as much as possible toward the full Normal Cost Rate) until the funded ratio is at least 110%. Doing so will dampen contribution rate volatility and increase the likelihood of maintaining a funded ratio greater than 100%.

How to make Additional Contributions - No formal action needs to be taken by a city to contribute at a higher level than the required monthly minimum. Additional monthly contributions may be made during the normal payroll reporting process by simply providing the increased rate in the “Optional Employer Rate” field. Because additional contributions are entirely voluntary, a city may revert to paying the minimum required rate at any time during the year if financial circumstances change.

If your city would like to explore the impact of any of these rate stabilization techniques on your TMRS plan, please contact Actuarial Services at ActuarialServices@tmrs.com.

Executive Summary

Valuation as of	12/31/2025	12/31/2024
Membership as of the Valuation Date		
• Number of Accounts		
- Active Members	139	143
- Retirees and beneficiaries	54	50
- Inactive Members	126	114
- Total	319	307
• Prior year's payroll provided by TMRS	$ 14,651,770	$ 12,773,845
• Valuation Payroll	13,710,361	12,425,481
Benefit Accumulation Fund (BAF) Assets		
• Market BAF Balance	$ 23,376,470	$ 19,284,904
• BAF crediting rate	13.54 %	10.81 %
• Interest credited on beginning BAF balance	$ 2,611,037	$ 1,761,899
• Employer contributions	994,855	825,190
• Employee contributions	1,025,624	894,169
• Benefit and refund payments	539,950	502,603
Actuarial Value of Assets (AVA)		
• Market BAF Balance	$ 23,376,470	$ 19,284,904
• Actuarial Value of Assets (AVA)	21,854,011	19,024,284
• AVA as a Percentage of BAF	93.5 %	98.6 %
• Return on AVA	7.09	6.81
Actuarial Information		
• Actuarial Accrued Liability (AAL)	$ 37,013,186	$ 31,564,327
• Actuarial Value of Assets (AVA)	21,854,011	19,024,284
• Unfunded Actuarial Accrued Liability (UAAL)	15,159,175	12,540,043
• UAAL as % of pay	103.5 %	98.2 %
• Funded Ratio (AVA/AAL)	59.0	60.3
• Employer Normal Cost Rate	12.17	11.96
• Prior Service Rate	8.31	7.38
Contribution Rates	2027	2026
• Employee	7.00 %	7.00 %
• Full Retirement (ADEC)	20.48	19.34
• Supplemental Death Benefit	0.13	0.16
Total Employer Contribution Estimates	2027	2026
• Projected payroll	$ 14,087,396	$ 12,767,182
• Total Contribution Rate	20.61 %	19.50 %
• Estimated employer contribution	$ 2,903,412	$ 2,489,600

Note: Results from prior year reflect the plan provisions shown on the next page.

Your City's TMRS Benefits

Plan provisions are adopted by your city's governing body from the options available in the TMRS Act. Your city's plan provisions in effect as of April 1, 2026 were as follows:

Employee Contribution Rate	7%
City Matching Ratio	2 : 1
Years Required for Vesting	5
Retirement Eligibility (Age/Service)	60/5, AnyAge/20
Updated Service Credit	100% Repeating Transfers
Retiree Cost of Living Adjustment (COLA)	50% of CPI Non-retroactive Repeating
Supplemental Death Benefit to Active Members	Yes
Supplemental Death Benefit to Retirees	Yes

If you have any questions about your city's benefit provisions or would like to discuss plan changes, please contact the City Services Department at cityservices@tmrs.com.

Calculation of Contribution Requirements

		From Valuation Report as of	
		December 31, 2025	December 31, 2024
1.	Prior year's payroll reported to TMRS	$ 14,651,770	$ 12,773,845
2.	Valuation Payroll	13,710,361	12,425,481
3.	Employer Normal Cost Rate	12.17 %	11.96 %
4.	Actuarial Accrued Liability		
	a. Active Members	$ 27,580,428	$ 23,445,016
	b. Inactive Members	4,569,964	3,698,690
	c. Annuitants	4,862,794	4,420,621
	d. Total Actuarial Accrued Liability	$ 37,013,186	$ 31,564,327
5.	Actuarial Value of Assets	21,854,011	19,024,284
6.	Unfunded Actuarial Accrued Liability (4d - 5)	$ 15,159,175	$ 12,540,043
7.	Funded Ratio (5 / 4d)	59.0 %	60.3 %
8.	Equivalent single amortization period*	19.0 Years	19.7 Years
9.	Assumed payroll growth rate	2.75 %	2.75 %
	Contribution Rates:	2027	2026
10.	Full Retirement		
	a. Normal Cost	12.17 %	11.96 %
	b. Prior Service	8.31	7.38
	c. Full Retirement	20.48 %	19.34 %
11.	Supplemental Death Benefit	0.13	0.16
12.	Total Contribution	20.61 %	19.50 %

* New losses are laddered over a 20-year period.

UAAL/OAAL Amortization Bases and Payments

Year Established	Description	Years Remaining	Remaining Base	Payment
2013	2013 Valuation (Fresh Start)	18	$ 557,977	$ 43,445
2014	2014 Experience	18	(3,673)	(286)
2015	2015 Experience	15	87,054	7,727
2015	2015 Actuarial Changes	15	258,717	22,964
2016	2016 Experience	16	107,738	9,121
2017	2017 Experience	17	3,689	299
2017	2017 Benefit Change	17	143,041	11,594
2018	2018 Experience	18	89,312	6,954
2019	2019 Experience	19	104,588	7,846
2019	2019 Actuarial Changes	19	10,451	784
2020	2020 Experience	18	(171,664)	(13,366)
2021	2021 Experience	18	(180,358)	(14,043)
2022	2022 Experience	17	114,073	9,246
2023	2023 Experience	18	270,814	21,086
2023	2023 Actuarial Changes	18	(83,212)	(6,479)
2024	2024 Experience	19	256,391	19,234
2024	2024 Benefit Change	19	10,874,282	815,769
2025	2025 Experience	20	2,719,955	197,118
	Total		15,159,175	1,139,013

TMRS amortizes the UAAL/OAAL through the process of laddering each base created during the valuation process. The city's UAAL/OAAL equals the total of the remaining amortization bases. The city's Prior Service Rate equals the total amortization payments divided by the Valuation Payroll (Item 2 of the prior page).

Reconciliation of Full Retirement Rate from Prior Actuarial Valuation Report

Actuarial valuations are based on long-term assumptions, and results in a specific year can, and almost certainly will, differ as actual plan experience deviates from the assumptions. The following table provides a detailed breakdown of changes in your city's Full Retirement Rate (ADEC) from 2026 to 2027. A brief description of such changes follows the table.

Change in Full Retirement Rate		
Full Retirement Rate from 12/31/2024 Valuation (2026 Rate)		6.82 %
Benefit Changes	12.52 %	
Return on Actuarial Value of Assets	(0.04)	
Contributions/Fully Amortized Prior Bases	0.80	
Payroll Growth	(0.61)	
Normal Cost	0.21	
Liability Growth	0.78	
Total Change	13.66 %	
Full Retirement Rate from 12/31/2025 Valuation (2027 Rate)		20.48 %

Benefit Changes - Shows the increase or decrease in the contribution rate associated with any plan changes.

Return on Actuarial Value of Assets (AVA) - Shows the change in the contribution rate associated with the return on the AVA being different than the assumed 6.75%. For the year ending December 31, 2025, the return on an AVA basis was 7.09%. The impact may show as 0.00% due to rounding.

Contributions/Fully Amortized Prior Bases - Shows the total increase or decrease in the contribution rate associated with contributions different than the Full Retirement Rate, the contribution lag (see below), and the impact of the amortization bases which become fully amortized as of this valuation since payments for those bases are no longer part of the Prior Service Rate calculation. Contributions different from the Full Retirement Rate may include contributions in excess of the Full Retirement Rate and/or lump sum contributions. The effect of the contribution lag refers to the time delay between the actuarial valuation date and the date the contribution rate becomes effective (i.e., the Actuarial Valuation as of December 31, 2025 sets the rate effective for 2027). Once the Full Retirement Rate stabilizes, this impact is expected to be immaterial for most cities.

Payroll Growth - Shows the increase or decrease in the contribution rate associated with higher or lower than expected growth in the city's overall payroll. The amortization payments were calculated assuming payroll grows at 2.75% per year. Overall payroll growth greater (less) than 2.75% will typically cause a decrease (increase) in the Prior Service Rate.

Normal Cost - Shows the increase or decrease in the contribution rate associated with changes in the average Normal Cost Rate for the city's active Members. The Normal Cost Rate for a Member is the contribution rate which, if applied to a Member's compensation throughout their period of anticipated covered service with the city, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the city's total Normal Cost Rate. The employer Normal Cost Rate is the pay-weighted average of the individual Normal Cost Rates less the Member Contribution Rate and will generally increase (decrease) as the average entry age of the group increases (decreases).

Liability Growth - Shows the increase or decrease in the contribution rate associated with larger or lower than expected growth in the city's overall plan liabilities. The most significant sources for variance will be turnover and individual salary increases differing from the assumptions.

Historical and Projected Accumulation of the BAF Balance

Year Ending December 31 (1)	Payroll for the Year (2)	Effective Retirement Contribution Rate [a] (3)	Employer Contributions for the Year (4)	Employee Contributions for the Year (5)	Benefit Payments (6)	External Cash Flow for the Year (7)	Interest Credit (8)	BAF Balance [b] (9)
		(4) / (2)				(4) + (5) + (6)		
2023	$ 11,281,203	6.43%	$ 725,381	$ 789,684	$ (340,842)	$ 1,174,223	$ 1,611,816	$ 16,306,249
2024	12,773,845	6.46%	825,190	894,169	(502,603)	1,216,756	1,761,899	19,284,904
2025	14,651,770	6.79%	994,855	1,025,624	(539,950)	1,480,529	2,611,037	23,376,470
2026	13,710,361	19.34%	2,651,584	959,725	(972,759)	2,638,550	1,577,912	27,592,931
2027	14,087,396	20.48%	2,885,099	986,118	(1,016,348)	2,854,869	1,862,523	32,310,323

a. Effective retirement contribution rate is the employer contribution received divided by the payroll paid.
b. BAF Balance may not sum due to rounding.

Risks Associated with Measuring the Actuarial Accrued Liability and Actuarially Determined Employer Contribution

Risk measures help with illustrating the potential volatility in the Actuarial Accrued Liability and the Actuarially Determined Employer Contribution that results from the differences between actual plan experience and the actuarial assumptions. Risks facing a pension plan evolve over time. A young plan with virtually no investments and paying few benefits may experience little investment risk. An older plan with a large number of Members in payment status and a significant trust may be much more exposed to investment risk. Generally accepted plan maturity measures include the following:

Ratio of Market Value of Assets to Payroll	1.6	
Ratio of Actuarial Accrued Liability to Payroll	2.5	
Ratio of Active Members to Retirees and Beneficiaries	2.6	
Net Cash Flow as a Percentage of Market Value of Assets	6.3	%
Duration of Liabilities	22.4	
Change in Contribution Rate with 10% Decline in Assets (Smoothed)	0.12	%
Change in Contribution Rate with 10% Decline in Assets (Unsmoothed)	1.16	%

Ratio of Market Value of Assets to Payroll - The relationship between assets and payroll is a useful indicator of the potential volatility of contributions. For example, if the Market Value of Assets is 4 times the payroll, a return on assets 5% different than assumed would equal 20% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in city contributions as a percentage of payroll.

Ratio of Actuarial Accrued Liability to Payroll - The ratio of liability to payroll may also be used as a measure of sensitivity of the liability itself. For example, if the Actuarial Accrued Liability is 5 times the payroll, a change in liability 2% different than assumed would equal 10% of payroll. A higher (lower) or increasing (decreasing) level of this maturity measure generally indicates a higher (lower) or increasing (decreasing) volatility in liability (and also city contributions) as a percentage of payroll.

The relationship between the Actuarial Accrued Liability and payroll is a useful indicator of the potential longer term asset-related volatility once the current UAAL is fully amortized. A funding policy that targets a funded ratio of 100% is expected to result in the ratio of assets to payroll and the ratio of liability to payroll converging over time.

Ratio of Active Members to Retirees and Beneficiaries - A young plan with many active Members and few retirees will have a high ratio of active Members to retirees. A mature open plan may have close to the same number of active Members to retirees resulting in a ratio near 1. A very mature or closed plan may have significantly more retirees than active Members resulting in a ratio below 1.

Net Cash Flow as a Percentage of Market Value of Assets - A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a very mature plan or a need for additional contributions.

Duration of Liabilities - The duration of the Present Value of Future Benefits (PVFB) may be used to approximate the sensitivity to a 1% change in the assumed rate of return. For example, duration of 10 indicates that the PVFB would increase approximately 10% if the assumed rate of return were lowered 1%.

Change in Contribution Rate with 10% Decline in Assets (Smoothed) - This shows the rate impact in one year if the Actuarial Value of Assets (AVA) was 10% lower than in the current actuarial valuation with the asset loss smoothed over a 10-year period as is done in the system-wide calculation of the AVA.

Change in Contribution Rate with 10% Decline in Assets (Unsmoothed): This shows the rate impact if the AVA was 10% lower than in the current actuarial valuation with the full asset loss recognized in the current valuation.

Low-Default-Risk Obligation Measure: Actuarial Standards of Practice No. 4 (ASOP No. 4) was revised and reissued in December 2021 by the Actuarial Standards Board (ASB). It includes a new calculation called a low-default-risk obligation measure (LDROM) to be prepared and issued annually for defined benefit pension plans. The transmittal memorandum for ASOP No. 4 includes the following explanation:

"The ASB believes that the calculation and disclosure of this measure provides appropriate, useful information for the intended user regarding the funded status of a pension plan. The calculation and disclosure of this additional measure is not intended to suggest that this is the "right" liability measure for a pension plan. However, the ASB does believe that this additional disclosure provides a more complete assessment of a plan's funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date."

The LDROM estimates the amount of money the plan would need to invest in low risk securities to provide the benefits with greater certainty. The current model expects lower costs but with higher risk, which creates less certainty and a possibility of higher costs. The LDROM model creates higher expected costs but more predictability when compared to the current model. Thus, the difference between the two measures (Valuation and LDROM) is one illustration of the possible costs the city could incur if there was a reduction in the investment risk in comparison to the current diversified portfolio. However, the downside risk would be limited in the scenarios where the current portfolio would fail to achieve returns in excess of the low-default-risk discount, in this case 5.46%.

The following information has been prepared in compliance with this new requirement. Unless otherwise noted, the measurement date, actuarial cost methods, and assumptions used are the same as for the funding valuation covered in this actuarial valuation report.

A.	LDROM measure of benefits earned as of the measurement date:	$	45,716,718
B.	Valuation liability at 6.75% on measurement date:		37,013,186
C.	Cost to mitigate investment risk in the System's portfolio:	$	8,703,532

Disclosures: Discount rate used to calculate LDROM: 5.46% Intermediate FTSE Pension Discount Curve as of December 31, 2025. This measure may not be appropriate for assessing the need for or amount of future contributions as the current portfolio is expected to generate significantly more investment earnings than the low-default-risk portfolio. This measure is also not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the city's benefit obligation as this measure includes projections of salary increases and the ability for current members to continue to accrue eligibility and vesting service.

EXHIBIT B

CITY OF RED OAK SCHEDULE OF ESTIMATED MONTHLY PAYMENTS FOR PRIOR SERVICE PORTION*

Month	Date	Payroll Periods	Amount Per Pay Period	UAAL Amounts	
October 2026	10/15/2026	2	$ 44,272	$ 88,544	
November 2026	11/15/2026	2	44,272	88,544	
December 2026	12/15/2026	3	44,272	132,816	
January 2027	1/15/2027	2	49,851	99,702	
February 2027	2/15/2027	2	49,851	99,702	
March 2027	3/15/2027	2	49,851	99,702	
April 2027	4/15/2027	2	51,346	102,692	
May 2027	5/15/2027	2	51,346	102,692	
June 2027	6/15/2027	2	51,346	102,692	
July 2027	7/15/2027	3	51,346	154,038	
August 2027	8/15/2027	2	51,346	102,692	
September 2027	9/15/2027	2	51,346	102,692	
October 2027	10/15/2027	2	51,346	102,692	
November 2027	11/15/2027	2	51,346	102,692	
December 2027	12/15/2027	3	51,346	154,038	
				$1,635,930	**City Prior Service Portion**

* Actual monthly payment will vary depending on payroll.

CERTFICATE OF AUTHORITY AND RESOLUTION

The undersigned officer(s) of the Texas Municipal Retirement System ("TMRS") hereby certifies as follows with respect to that certain Agreement Regarding City Pension Obligation Bonds ("Agreement"), between the Board of Trustees of TMRS (the "Board") and the City Council of the City of Red Oak (the "Council"), pertaining to the issuance by the City of Red Oak of one or more series of its City of Red Oak, Texas, General Obligation Pension Bonds, Taxable Series 2026 (the "Bonds"):

1. At its Board meeting on June 25, 2026, the Board, by the affirmative vote of _______ of its five current Trustees (one vacancy exists), authorized the Chairman of the Board, Jim Parrish, to execute and deliver the Agreement, and authorized the Executive Director to execute and deliver this Certificate of Authority and Resolution, based on the following recommendation:

> "Staff recommends that the Board (i) approve the Agreement Regarding City Pension Obligation Bonds ("Agreement") and the Certificate of Authority and Resolution (the "Certificate"), in substantially the form presented; (ii) authorize the Board Chair to execute and deliver the Agreement by and on behalf of the Board; and (iii) authorize the Executive Director to execute and deliver the Certificate by and on behalf of TMRS; with such modifications or amendments to the Agreement or Certificate as are satisfactory to the Board Chair or Executive Director, respectively, such satisfactory terms and conditions to be conclusively evidenced by the execution thereof by the Board Chair and the Executive Director, respectively."

2. The following persons are the duly qualified and acting members of the Board:

Jim Parrish	Chairman
Tommy Gonzalez	Vice Chairman
Jaime Reyes	Trustee
Isaac Tawil	Trustee
Pamela Williams	Trustee
(Vacancy)	Trustee

3. The Agreement was executed on behalf of TMRS by the person named below and said person was at the time of executing the Agreement, and is now, the duly qualified

and acting incumbent of such office and the signature appearing after such person's name is a true and correct specimen of such person's genuine signature.

NAME	TITLE	SPECIMEN SIGNATURE
Jim Parrish	**Board Chairman**	_______________________

TEXAS MUNICIPAL RETIREMENT SYSTEM

By: _________________________________

Name: Debbie J. Muñoz

Title: Executive Director

Date: June 25, 2026

ESCROW AGREEMENT

Between

CITY OF RED OAK, TEXAS

and

WILMINGTON TRUST, NATIONAL ASSOCIATION

Pertaining to

City of Red Oak, Texas,
General Obligation Pension Bonds,
Taxable Series 2026

Dated as of August 15, 2026

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ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of August 15, 2026 (herein, together with any amendments or supplements hereto, called the "Agreement"), entered into by and between the CITY OF RED OAK, TEXAS (the "Issuer"), and Wilmington Trust, National Association, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent").

W I T N E S S E T H

WHEREAS, the Issuer has determined to issue its General Obligation Pension Bonds, Taxable Series 2026 (the "Bonds") in order to fund an $14,500,000 portion of its $15,159,175 Unfunded Accrued Actuarial Liability owing to Texas Municipal Retirement System ("TMRS") as of the December 31, 2025 TMRS actuarial valuation (the "2025 UAAL") pursuant to Chapter 107, Local Government Code, as amended, and an ordinance approved by the Issuer on August 10, 2026 (the "Bond Ordinance") and the pricing certificate (the "Pricing Certificate") authorized therein (the Bond Ordinance and Pricing Certificate together, the "Ordinance"); and

WHEREAS, the Issuer will make a lump sum employer contribution to TMRS in the amount of $12,864,070 to fund a portion of the 2025 UAAL from proceeds of the Bonds; and

WHEREAS, the Issuer's prior service portion of the 2025 UAAL equals $1,635,930 and is referred to as the "Prior Service Portion"; and

WHEREAS, the Ordinance authorizes the Issuer enter into an escrow agreement with a trust company or commercial bank that does not act as a depository of the Issuer with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such trust company or commercial bank may agree, provided that such deposits, if invested, may be invested only in securities (the "Authorized Securities") authorized under Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and this Agreement and which may be in book entry form, and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payments to TMRS as set forth herein; and

WHEREAS, the Issuer desires that, concurrently with the delivery of the Bonds to the purchasers thereof, a portion of the proceeds of the Bonds (the "Bond Proceeds") in an amount equal to the Prior Service Portion shall be deposited to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

WHEREAS, the Authorized Securities shall mature and the interest thereon shall be payable at such times and in such amounts as will provide moneys which, together with the cash and cash balances from time to time on deposit in the Escrow Fund, will be sufficient to make the payments to TMRS to fund the Prior Service Portion as set forth in this Agreement; and

WHEREAS, to facilitate the receipt and transfer of Bond Proceeds, the Issuer desires to establish the Escrow Fund at the designated office of the Escrow Agent; and

WHEREAS, the Escrow Agent is a party to this Agreement and hereby acknowledges its acceptance of the terms and provisions hereof;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby is acknowledged, and to secure the full and timely payment the amounts due to be paid to TMRS as provided herein, the Issuer and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Authorized Securities" means (1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States; (2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of hereof, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date hereof, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent.

"Beginning Cash Balance" means the funds described in Exhibit A.

"Escrow Fund" means the fund created in Section 3.01 of this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

Section 1.02. Other Definitions. The terms "Agreement," "Issuer," "Escrow Agent," "TMRS," "Bonds," "2025 UAAL," and "Prior Service Portion" when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the payment of the Prior Service Portion of the Issuer's 2025 UAAL in accordance with applicable law.

ARTICLE II

DEPOSIT OF FUNDS AND AUTHORIZED SECURITIES

Section 2.01. Deposits in the Escrow Fund. Concurrently with the sale and delivery of the Bonds the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the Beginning Cash Balance, if any, and the Bond Proceeds described in Exhibit A, if any, and incorporated by reference as a part of this Agreement for all purposes. The Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing.

Section 2.02. Initial Authorized Securities. Upon receipt of the Bond Proceeds at closing of the Bonds, such proceeds shall be invested in Authorized Securities as directed in writing by the Issuer.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent hereby creates on its books an irrevocable escrow account to be administered in accordance with the terms hereof and to be known as the "CITY OF RED OAK, TEXAS POB 2026 ESCROW FUND" (the "Escrow Fund") for the purpose of making payments to TMRS as set forth in Section 3.06 herein in order to pay the Prior Service Portion of the Issuer's 2025 UAAL. The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the Beginning Cash Balance and the Bond Proceeds set forth in Exhibit A hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to TMRS. Payment of such amounts shall be made by timely transfers of such amounts at such times as are provided for in Section 3.06 hereof. When the final transfers have been made as set forth herein in Sections 3.06, 3.07 and 3.08, as applicable, the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer, from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to make the payments to TMRS as set forth in Section 3.06.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that the deposit of the Bond Proceeds will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide for the payments to TMRS as set forth in Section 3.06. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Issuer's failure to make additional deposits thereto.

Section 3.04. Trust Funds. The Escrow Agent shall hold at all times the Escrow Fund, the Bond Proceeds and all other assets of the Escrow Fund wholly segregated on its books and records from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Bond Proceeds or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Bond Proceeds and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as funds held in trust for the benefit of TMRS, and a special account thereof shall at all times be maintained on the books and records of the Escrow Agent. TMRS shall be entitled to a preferred claim and first lien upon the Bond Proceeds and all other assets of the Escrow Fund. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right or title with respect thereto except as a trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly herein provided, by a place of payment for TMRS.

Section 3.05. <u>Security for Cash Balances</u>. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct noncallable obligations of, or noncallable obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

Section 3.06. <u>Payments to TMRS</u>. On or before the first (1) day of each month beginning in October 2026 and continuing through December 2027, the Issuer shall provide payment instructions to the Escrow Agent and certify in writing to the Escrow Agent the Issuer's calculation of the Issuer's Prior Service Portion of the Issuer's monthly required contribution to TMRS, based on its payroll for the immediately preceding month, to be paid from the Escrow Fund. The certification shall state the amount to be paid to TMRS for payment toward the Prior Service Portion (on or before the next succeeding fifteenth (15) calendar day of that same month). Such monthly payments shall be made to TMRS until the Escrow Fund is depleted. The payment instructions from the Issuer shall also include the specific TMRS account information necessary for the Escrow Agent to deposit the monthly contributions to TMRS.

> <u>For example</u>. The following example is solely for illustration purposes under Section 3.06. The actual amounts will be provided by the Issuer in accordance with Section 3.06. If the Issuer certifies to the Escrow Agent on October 1, 2026, that the amount due to TMRS on October 15, 2026, for the Issuer's Prior Service Portion is $50,000 as calculated by the Issuer, then the Escrow Agent shall pay $50,000 to TMRS on or before October 15, 2026, from funds on deposit the Escrow Fund to be paid toward the Prior Service Portion.

Section 3.07. <u>Shortfalls in Escrow Fund</u>. No less than five (5) business day before the first (1) day of each month, the Escrow Agent shall notify the Issuer of the amount on deposit in the Escrow Fund and available for transfer to TMRS pursuant to Section 3.06 above. If the Issuer's written calculation of the amount due to TMRS in the next succeeding month is more than the amount available in the Escrow Fund for payment, then (i) the Escrow Agent shall deposit the funds on deposit in the Escrow Fund to TMRS on or before the next succeeding fifteenth (15) calendar day of the month and (ii) the Issuer shall be required to make a deposit to TMRS no later than the next succeeding fifteenth (15) calendar day of the month, in an amount that would, together with the amount transferred or to be transferred by the Escrow Agent pursuant to (i), be sufficient to make the next payment to TMRS identified in the Issuer's calculation.

> For example. The following example is solely for illustration purposes under Section 3.07. The actual amounts will be provided by the Issuer in accordance with Section 3.07. On September 26th, the Escrow Agent notifies the Issuer that there is cash available in the Escrow Fund of $40,000 for payment to TMRS. On October 1, the Issuer certifies to the Escrow Agent that the amount to be paid to TMRS for that month is $50,000, as calculated by the Issuer. On or before the fifteenth calendar day of October (i) the Issuer deposits $10,000 with TMRS from available revenues, and (ii) the Escrow Agent transfers $40,000 to TMRS from funds on deposit in the Escrow Fund.

Section 3.08. Payment of All Remaining Funds in December 2027. If, after determining the amount to be paid from the Escrow Fund on December 15, 2027, pursuant to Section 3.06 above, there are excess funds to be remaining in the Escrow Fund, the Escrow Agent is directed to deposit all such remaining funds with TMRS on December 15, 2027, to be applied by TMRS toward the Prior Service Portion or, if the Prior Service Portion has been paid in full, toward the Issuer's account in the TMRS Benefit Accumulation Fund.

Section 3.09. Termination Escrow Fund. Once all funds on deposit in the Escrow Fund have been expended as set forth in Sections 3.06, 3.07 and 3.08 above, as applicable, the Agreement shall terminate, except for those terms stated to survive the termination of this Agreement.

ARTICLE IV

SUBSTITUTION OF AUTHORIZED SECURITIES

Section 4.01. In General. Except as provided in Section 4.02 and 4.03 hereof, the Escrow Agent shall not have any power or duty to purchase Authorized Securities or make substitutions for the Authorized Securities, if any, or to sell, transfer, or otherwise dispose of such Authorized Securities.

Section 4.02. Purchase of Authorized Securities at Bond Closing. Concurrently with the sale and delivery of the Bonds, the Issuer, at its option, may substitute Authorized Securities for the deposit of Bond Proceeds.

Section 4.03. Purchase of Authorized Securities Following Bond Closing. (a) At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall purchase the Authorized Securities identified by the Issuer in such written request. Any such transaction may be effected by the Escrow Agent only if the Escrow Agent shall have received a certification from the Issuer (i) that the Authorized Securities to be purchased are in compliance with Chapter 1207 and the Issuer's investment policy and (ii) that such transaction complies with the Constitution and laws of the State of Texas.

Section 4.04. Substitution of Authorized Securities. (a) At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer, otherwise dispose of or request the redemption of all or any portion of the Authorized Securities, if any, and apply the proceeds therefrom to purchase other Authorized Securities. Any such transaction may be effected by the Escrow Agent only if the Escrow Agent shall have received a certification from the Issuer (i) that the Authorized Securities to be purchased are in compliance with Chapter 2256 and the Issuer's investment policy and (ii) that such transaction complies with the Constitution and laws of the State of Texas.

(b) The foregoing provisions of substitution notwithstanding, the Escrow Agent shall be under no obligation to effect the substitution of the Authorized Securities in the manner contemplated by Subsection 4.04(a) if the Issuer fails to deliver or cause to be delivered to the Escrow Agent no later than three Business Days prior to the proposed date such substitution is to be effected a written certificate setting forth in reasonable detail the maturity dates and maturity amounts of the Authorized Securities to be substituted and the proposed date such substitution is to occur.

Section 4.05. Allocation of Certain Authorized Securities. The maturing principal of and interest on the Authorized Securities may be applied to the payments to TMRS as set forth in Section 3.06 herein and no allocation or segregation of the receipts of principal or interest from such Authorized Securities is required.

ARTICLE V

APPLICATION OF CASH BALANCES

Section 5.01. In General. Except as provided in Section 2.01 with respect to the investment of the initial cash deposit with the Escrow Agent and in Sections 5.02 and 5.03 hereof, neither the Issuer nor the Escrow Agent shall reinvest any moneys deposited to or held as part of the Escrow Fund.

Section 5.02. Reinvestment in Authorized Securities. Cash balances in the Escrow Fund shall be reinvested as directed by the Issuer in written direction to the Escrow Agent. Absent such instructions, the Escrow Fund shall not be interest-bearing.

Section 5.03. Reinvestment of Cash Balances. At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall permit or cause the reinvestment of cash balances in the Escrow Fund, pending the use thereof for payment to TMRS, in Authorized Securities which obligations must mature on or before the respective dates needed for payments to TMRS. Any such modification must include a certification from the Issuer (i) that the Authorized Securities to be purchased are in compliance with Chapter 1207 and the Issuer's investment policy and (ii) that such transaction complies with the Constitution and laws of the State of Texas.

ARTICLE VI

RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Authorized Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and TMRS.

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent shall, at least annually, prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Authorized Securities and transfers from the Escrow Fund for payments to TMRS, together with a detailed statement of all Authorized Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII

CONCERNING THE ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for payments to TMRS as set forth herein shall be limited to the proceeds of the Authorized Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall not have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Authorized Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Bonds and is not responsible for nor bound by any of the provisions thereof. In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination, the Escrow Agent shall be liable only for its own willful misconduct or its negligence. In determining the occurrence of any such event or contingency, the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

The Escrow Agent may consult with counsel reasonably acceptable to the Issuer, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

The Escrow Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Escrow Agent. The Escrow Agent shall not be liable for the acts or omissions of its nominees, correspondents, designees, subagents or subcustodians selected by it in good faith.

The Escrow Agent may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

The Escrow Agent shall not incur any liability for not performing any act or fulfilling any duty, obligation or responsibility hereunder by reason of any occurrence beyond the control of the Escrow Agent (including, but not limited to, any act or provision of any present or future law or regulation or governmental authority, any act of God or war or terrorism, or the unavailability of the Federal Reserve Bank wire or telex or other wire or communication facility).

Section 7.03. Compensation. Concurrently with the sale and delivery of the Bonds, the Issuer shall pay to the Escrow Agent the sum of $_____, the sufficiency of which is hereby acknowledged by the Escrow Agent to pay its fee for performing the services of Escrow Agent hereunder and for all expenses incurred or to be incurred by it as Escrow Agent in the administration of this Agreement (including, but not limited to, fees and expenses of counsel to the Escrow Agent). In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses; provided, however, notwithstanding anything herein to the contrary, the aggregate value of this Agreement shall be less than the dollar limitation set forth in Sections 2271.002, 2274.002 and 2276.002, Texas Government Code, as amended. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

Section 7.04. Successor Escrow Agents. (a) If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the Issuer or TMRS may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

(b) The Escrow Agent may at any time resign and be discharged from the trust hereby created by giving not less than 60 days' written notice to the Issuer; provided, however, no such resignation shall take effect unless: (i) a successor Escrow Agent shall have been appointed by the Issuer or by TMRS as herein provided; (ii) such successor Escrow Agent shall have accepted such appointment; (iii) the successor Escrow Agent shall have agreed to accept the fees currently in effect for this Agreement; and (iv) the Escrow Agent shall have paid over to the successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder. Such resignation shall take effect immediately upon compliance with the foregoing requirements. If within 60 days following the resignation of the Escrow Agent, no successor Escrow Agent shall have been appointed, the Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent.

(c) Any successor Escrow Agent shall be: (i) a corporation organized and doing business under the laws of the United States or the State of Texas; (ii) authorized under such laws to exercise corporate trust powers; (iii) have its principal office and place of business in the State of Texas; (iv) have a combined capital and surplus of at least $5,000,000; (v) subject to the supervision or examination by Federal or State authority and (vi) qualified to serve as Escrow Agent under the provisions of Chapter 1207.

(d) Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder, shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Escrow Agent:	Wilmington Trust, National Association 15950 North Dallas Parkway, Suite 200 Dallas, Texas 75248 Attention: Corporate Trust Department
To the Issuer:	City of Red Oak 101 S. Live Oak St. Red Oak, Texas 75154 Attention: City Manager

The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Either party hereto may change the address to which notices are to be delivered by giving to the other party not less than ten (10) days prior notice thereof.

Section 8.02. Verifications of Statutory Representations and Covenants. The Escrow Agent makes the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276. Texas Government Code, as amended (the "Government Code"), in entering into this Agreement. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the Escrow Agent within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this Agreement shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Agreement, notwithstanding anything in this Agreement to the contrary.

(a) *Not a Sanctioned Company*. The Escrow Agent represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes the Agent and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(b) *No Boycott of Israel*. The Escrow Agent hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel during the term of this Agreement. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(c) *No Discrimination Against Firearm Entities*. The Escrow Agent hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of this Agreement. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(d) *No Boycott of Energy Companies*. The Escrow Agent hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies during the term of this Agreement. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

Section 8.03. Attorney General Standing Letter. The Escrow Agent represents that it has, or will have prior to the closing date, on file with the Texas Attorney General a standing letter addressing the representations and verifications contained in Section 8.02 of this Agreement in a form accepted by the Texas Attorney General. In addition, the Escrow Agent or the parent company, a wholly- or majority owned subsidiary or another affiliate of such Agent receives or has received a letter from the Texas Comptroller of Public Accounts pursuant to Chapter 809, Texas Government Code seeking written verification that it does not boycott energy companies (a "Comptroller Request Letter"), the Agent shall promptly notify the Issuer and the Issuer's bond counsel (if it has not already done so) and provide to the Issuer or the Issuer's bond counsel, prior to the closing date and additionally upon request by the Issuer or the Issuer's bond counsel, written verification to the effect that its standing letter described in the preceding sentence remains in effect and may be relied upon by the Issuer and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the Agent (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the Agent that received the Comptroller Request Letter) intends to timely respond or has timely responded to the Comptroller Request Letter. The Bringdown Verification may be in the form of an e-mail.

Section 8.04. Form 1295 Exemption. The Escrow Agent represents that it is a wholly owned subsidiary of a publicly traded business entity, and therefore this Agreement is exempt from

Section 2252.908, Texas Government Code, as amended.

Section 8.05. Patriot Act Compliance, Etc. In order to comply with laws, rules, regulations and executive orders in effect from time to time applicable to banking institutions, including those relating to the funding of terrorist activities and money laundering and the Customer Identification Program ("CIP") requirements under the USA PATRIOT Act and its implementing regulations, pursuant to which the Escrow Agent must obtain, verify and record information that allows the Escrow Agent to identify customers ("Applicable Law"), the Escrow Agent is required to obtain, verify and record certain information relating to individuals and entities which maintain a business relationship with the Escrow Agent. Accordingly, the Issuer agrees to provide to the Escrow Agent upon its request from time to time such identifying information and documentation as may be available for such party in order to enable the Escrow Agent to comply with Applicable Law, including, but not limited to, information as to name, physical address, tax identification number and other information that will help the Escrow Agent to identify and verify the Issuer such as organizational documents, certificates of good standing, licenses to do business or other pertinent identifying information. The Issuer understands and agrees that the Escrow Agent cannot open the Escrow Fund unless and until the Escrow Agent verifies the identity of the Issuer in accordance with its CIP.

Section 8.06. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, TMRS or to any other person or persons in connection with this Agreement.

Section 8.07. Binding Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of TMRS, the Issuer, the Escrow Agent and their respective successors and legal representatives.

Section 8.08. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.09. Texas Law Governs. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Texas.

Section 8.10. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.11. Effective Date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds and the Authorized Securities described in Exhibit A, together with the specific sums stated in Section 7.03 for Escrow Agent fees, expenses, and services.

Section 8.12. Modification of Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives and shall inure solely to the benefit of TMRS, the Issuer, the Escrow Agent and their respective successors and legal representatives. Furthermore, no alteration, amendment or modification of any provision of this Agreement (i) shall alter the financial arrangements made for the payment of Bond proceeds to TMRS hereunder or (ii) shall be effective unless such alteration, amendment or modification is in writing and signed by the parties hereto.

Section 8.13. Indemnification. To the extent permitted by law, the Issuer agrees to indemnify the Escrow Agent, its officers, directors, employees and agents for, and hold them harmless against, any loss, liability, or expense incurred without negligence or willful misconduct on their part arising out of or in connection with its acceptance or administration of the Escrow Agent's duties under this Agreement, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement, regardless of the whether such claim is brought by the Issuer, TMRS or any third party. The rights of the Escrow Agent under this Section 8.12 shall survive termination of this Agreement or the resignation or replacement of the Escrow Agent.

Section 8.14. Successors and Assigns of Escrow Agent. Notwithstanding anything herein to the contrary, any corporation or other company into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation or other company resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any corporation or other company succeeding to the business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto, except where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

[Execution pages follow]

IN WITNESS WHEREOF, this Agreement has been executed in multiple counterparts, each one of which shall constitute one and the same original Agreement, as of the date and year appearing on the first page of this Agreement.

CITY OF RED OAK, TEXAS

BY: ______________________________________
Pricing Officer

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Escrow Agent

By: ______________________________________

Name: ____________________________________

Title:_____________________________________

EXHIBIT A

DESCRIPTION OF BEGINNING CASH BALANCES AND AUTHORIZED SECURITIES

I. Cash

$1,635,930

II. Authorized Securities

N/A

June 15, 2026

To: **Board of Trustees**

From: **Debbie Munoz, Executive Director** Debbie J. Munoz

Re: **Agenda Item 18: Discuss Board Bylaws Review and Consider and Act on Potential Amendments to the Bylaws and Other Board Policies**

At the March 26, 2026 Board meeting, TMRS' Fiduciary Counsel, Bob Klausner, discussed his review of the Board's existing Bylaws. Mr. Klausner commented that TMRS operates in accordance with its fiduciary responsibilities, but the Bylaws were due for updates to reflect changes in statutes and operations, and he would propose revisions for the Board's consideration in June.

Attached is a red-lined draft of the Bylaws marked to show the proposed changes to the current Bylaws. Also attached is a clean copy with all proposed changes accepted. Some of the proposed changes are substantive, some clarifying, and some clerical. Additionally, changes were made to incorporate pertinent provisions of a 2007 Administrative Governance Policy and a 2008 Strategic Planning Policy into the Bylaws to allow for the repeal of those outdated stand-alone policies. Mr. Klausner will discuss the proposed changes at the Board meeting.

RECOMMENDATION:

Fiduciary Counsel recommends that the Board adopt the proposed amendments to the Bylaws and repeal the 2007 Administrative Governance Policy and the 2008 Strategic Planning Policy, all to be effective upon approval by the Board.

ATTACHMENTS:

1 – Red-lined revised Bylaws
2 - Clean revised Bylaws

Bylaws of the
Board of Trustees of the
Texas Municipal Retirement System
Amended As Of ____________, 2026 ~~17, 2020~~

CONTENTS

Additional Board Policies Referenced in the Bylaws~~APPENDICES (to be attached in Governance Manual)~~:

- ~~1 - TMRS Administrative Governance Policy~~
- ~~2 - TMRS Board of Trustees Strategic Planning Policy~~
- ~~3 -~~ **TMRS Board Orientation and Education Policy**
- ~~4 -~~ **TMRS Communications Policy**
- ~~5 -~~ **TMRS Board of Trustees Ethics Policy**
- ~~6 -~~ **TMRS Investment Policy Statement**

BYLAWS OF THE BOARD OF TRUSTEES
OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM
(As Amended Effective as of ________________, 2026~~May 28, 2020~~)

CHAPTER 1

ORGANIZATION OF THE BOARD OF TRUSTEES

1.1. Authority and Fiduciary Standards. The Texas Municipal Retirement System ("TMRS" or "System") is a statewide public retirement system established pursuant to Article 16, Section 67 of the Texas Constitution, and is organized and existing pursuant to Texas Government Code, Title 8, Subtitle G, Chapters 851 - 855 (the "TMRS Act"). Article 16, Section 67 requires TMRS to have a board of trustees to administer TMRS and invest its funds. Section 855.101 of the TMRS Act provides that the Board of Trustees of TMRS (the "Board") is responsible for the administration of the retirement system. The assets of the TMRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of its participants and beneficiaries.[1] The Board is the trustee of all assets of TMRS, is responsible for the general administration and operation of TMRS, and is authorized by law to adopt rules for the administration of TMRS and the transaction of the business of the Board.[2] The Board appoints the Executive Director, who manages and administer TMRS under the supervision and direction of the Board and invest the System's assets, and the Board may delegate additional powers and duties to the Executive Director.[3]

All powers of trusteeship are held in the Board's fiduciary capacity. The exercise or non-exercise of the Board's powers are subject to the fundamental duties of prudence, loyalty (sometimes also called the exclusive benefit rule), and impartiality; to a duty to respect the terms and purposes of the trust; and to other fiduciary duties of trusteeship. Although a trustee's duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship. In addition to the Texas Constitution and TMRS Act, the Board is guided by the Texas Trust Code[4] and in particular ~~the~~, Chapter 117, the Texas Uniform Prudent Investor Act.

1.2. Composition. The Board is composed of six members (each a "Trustee"), who serve staggered terms of six years each, two of which expire on February 1 of each odd-numbered year. Trustees are appointed by the Governor, with the advice and consent of the Senate. The TMRS Act provides that three Trustees are to be "executive trustees" (the chief executive

[1] See Texas Constitution Art. 16, Section 67(a); Texas Government Code, Sections 851.002, ~~and~~ 855.101, and 802.201; United States Internal Revenue Code, Section 401(a).
[2] See Texas Government Code, Chapter 855, including Sections 855.101, 855.102
[3] Texas Government Code, Sec. 855.201
[4] Texas Property Code, Title 9, Subtitle B, Chapters 112-117~~)~~

officer, chief finance officer, or other officer, executive, or department head of a participating municipality) and the other three Trustees are to be "employee trustees" (an employee of a participating municipality); two or more Trustees serving concurrently may not be employed by or serve the same municipality.[5]

A Trustee whose term expires shall continue to perform the duties of the office until his or her successor shall be duly qualified.[6] Similarly, in general, a Trustee who tenders his or her resignation nonetheless holds over until his or her successor is duly qualified for the office.[7] Although Section 855.003 of the TMRS Act provides that a Trustee is immediately disqualified from serving as a trustee if the Trustee ceases to satisfy the requirements of Section 855.003, it is possible that the constitutional holdover provision might allow a Trustee to continue to serve until a successor is appointed.

1.3. Officers of the Board.

1.3.1. Chairman of the Board. In addition to helping to fulfill the general Responsibilities of the Board set forth in Section 1.7, the Chairman of the Board shall:

a) preside over meetings of the Board, and while presiding, direct the order of the meeting, recognize persons to be heard, limit time, and take action to clarify issues, and preserve order;
b) work with the Board to guide management on the ~~retirement s~~System's mission and vision, strategic issues, and long-term planning;
c) serve as an accountability partner, as well as a principal source of advice and counsel, to the Executive Director;
d) facilitate effective communications between the Board and Executive Director, and serve as a liaison among the Board, the Executive Director, and senior management;
e) jointly with the Executive Director, (i) develop and approve Board meeting agendas, ~~in accordance with the Board's Administrative Governance Policy (a copy of which is attached as an Appendix),~~ and (ii) discuss resources needed to attend/support the Board meetings, including members of management and outside advisers;
f) perform the legislative responsibilities described in Section 1.3.3, and partner with the Executive Director, Government Relations staff, and the Vice Chairman in maintaining productive Legislative and Congressional relations;
g) leads the Executive Director performance evaluation process, including mid-year performance alignment discussions with the Executive Director;
h) presides over the annual self-evaluation of the Board and its committees;
i) partner with the Executive Director, and, if desired, with the Board's governance consultant, if any, to lead the performance evaluation process for the System's chief legal officer (hereafter "General Counsel"), and coordinate with the chair of the Internal Audit Committee with regard to the Committee's performance review of the Director of Internal Audit;

[5] See Texas Government Code, Sections 855.001 - ~~-~~855.004

[6] Texas Constitution, Art. 16, Section 17; also see Government Code, Section 572.0211.

[7] Limited exceptions may arise, one of which is the removal of an office holder in a quo warranto proceeding (Civ. Prac. & Rem. Code Section 66.001).

j) coordinate with the chair and/or vice chair of each Board Committee to monitor the ongoing work of each Committee (it being the Board's intent that the chair and vice chair of any Board Committee are primarily responsible for conducting the work of the Committee);
k) lead the short- and long-term succession planning process for the Executive Director position;
l) receive and review periodic information on TMRS related travel by the Executive Director;
m) serve as the official spokesperson for the Board on such matters, if any, as the Board has expressly authorized the Chair to speak on behalf of TMRS pursuant to Bylaws Section 1.9.6;
n) serve as a point of Board contact for the General Counsel, the Board's fiduciary counsel, and the Board's governance consultant, if any; and
o) perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.

1.3.2. Vice-Chairman of the Board. In addition to helping to fulfill the general Responsibilities of the Board set forth in Section 1.7, the Vice-Chairman of the Board shall:

a) in the absence of the Chairman, preside over meetings of the Board;
b) upon request, provide support and assistance to the Chairman in fulfilling the responsibilities of the Chairman;
c) in absence of the Chairman, fulfill the roles, responsibilities and duties of the Chairman;
d) perform the legislative responsibilities described in Section 1.3.3, and partner with the Executive Director, Government Relations staff, and the Chairman in maintaining productive Legislative and Congressional relations; and
e) perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.

1.3.3. Legislative Responsibilities of Chairman and Vice-Chairman. With regard to Legislative and Congressional matters, the Chairman and Vice-Chairman will:

a) Provide direction to Staff in implementing any applicable legislative agenda that has been adopted by the Board;
b) Review, consider and recommend to the Board action, if any, to be taken regarding any draft legislation developed by Staff at the request of the Board; and
c) Be available to Staff to provide input on, and participate in when appropriate or desirable, legislative related communication issues. Such participation in legislative related communications may occur at any time, whether during or outside of any legislative session, and with regard to any legislative related matter(s), whether

initiated by TMRS or by any other person or entity, subject to the parameters set forth in the Board's B~~b~~ylaws and policies[8].

For these purposes, if the Board adopts any resolution(s) relating to the Board's position(s) on any potential legislative topics that might affect TMRS (each "Legislative Resolution"), then the Board hereby authorizes the Board Chairman and Vice Chairman, and their respective designees, to communicate (orally and in writing) with members of any legislative body and their staff, on behalf of TMRS, for the purpose of advancing the Board's position(s) as reflected in the Legislative Resolution(s). Any designee of the Board Chairman or Vice-Chairman must be another member of the Board. The Board Chairman or Vice-Chairman will report to the Board regarding such communication at the next Board meeting. The Executive Director and Director of Governmental Relations may also provide more frequent reports to the Board on such communications. This limited authority given to the Board Chairman and Vice-Chairman, and their designees, is in addition to the authority previously given by the Board to the Executive Director and his/her designees to represent TMRS to legislative bodies and their staff.

d) During any legislative session, review and recommend to the Board action, if any, to be taken regarding proposed legislation, the filing of which was initiated or requested by persons or entities other than TMRS, that may impact the System (collectively, "Other Legislation").

i. The Chairman and Vice-Chairman may consider how an item of Other Legislation may impact:
   a. the sustainability of the System;
   b. the actuarial or fiscal health or reputation of the System;
   c. participating municipalities in TMRS;
   d. TMRS members, retirees, and beneficiaries and/or their benefits;
   e. the tax status of the System and its tax deferred treatment of contributions and related earnings;
   f. the Board's investment structure or authority;
   g. the Board's administrative structure or authority; and
   h. any other aspect of the System and/or its operations.

ii. The Chairman and Vice-Chairman may develop positions, on any TMRS initiated legislation and on any Other Legislation, that are consistent with the Board's Legislative Resolution(s) and communicate such positions with members of the legislature and their staff, subject to the provisions of Section c) above, and may also direct Staff to develop alternatives to any Other Legislation or to any

[8] Section 1.9.6 of these Bylaws provides that no member of the Board of Trustees shall purport to speak or act as a representative of the retirement system on any matter unless expressly authorized to do so by the Board of Trustees. Further, Bylaws Section 1.7(h) provides that the Board may establish committees to make recommendations to the Board and help carry out responsibilities – however, committees may not speak or act for the Board except when formally given such authority.

amendments, modifications, or substitutes proposed for any TMRS initiated legislation for consideration and action by the Board.

e) Report to the Board on their legislative activities

1.4. Absence of Chairman and Vice-Chairman. If, for any reason(s), both the Chairman and Vice-Chairman are unable to fulfill the duties of their positions, the member of the Board with the longest service on the Board, as certified by the Executive Director, shall exercise the duties of the Chairman, as Acting Chairman, until the Chairman or Vice Chairman shall resume his or her office or until a successor Chairman or Vice Chairman has been elected. In the event there are two or more members with equal length of service, the Executive Director shall designate one of those members to serve as the Acting Chairman. If the absence or incapacity of the Chairman and the Vice-Chairman is likely to be permanent, the Acting Chairman shall cause a meeting of the Board to be called at the earliest practicable time for the purpose of electing a Chairman and Vice-Chairman.

1.5. Elections.

1.5.1. The members of the Board shall annually elect a Chairman and a Vice-Chairman to serve for a term of one (1) year. There is no limit on the number of times a Board member may be elected by the Board to serve as Chairman and/or Vice-Chairman. Despite the terms for which they are elected, the Chairman and the Vice-Chairman serve at the pleasure of the Board and may be removed and a new Chairman or Vice-Chairman selected at any time by a majority vote of the Board.

1.5.2. The Board's goal will be to conduct the annual elections before the terms of the Chairman and Vice Chairman expire, but, in the event that does not occur, then the Chairman and Vice Chairman will holdover and remain in those positions until the next meeting of the Board and the elections will be placed on the agenda for that meeting.

1.5.3. When a Chairman or Vice Chairman position becomes vacant, a special election for the position shall be held as soon thereafter as practicable.

1.5.4. Nominations for the Chairman and Vice Chairman will be made from the floor by Board members at a meeting of the Board. A Board member may self-nominate for any such position.

1.5.5. Elections conducted in Board meetings shall be conducted in an open meeting by a vote pursuant to a motion that has been seconded. A majority vote of the Board is required to elect a nominee for each election required by these Bylaws.

1.6. Voting. Each Trustee is entitled to one vote on all matters coming before the Board. At any meeting of the Board of Trustees, four or more concurring votes are necessary for a decision or action by the Board.[9]

[9] See Texas Government Code, Section 855.009

1.7. Responsibilities of the Board. The Board responsibilities described below are set forth under the following major areas of oversight: (i) Governance, (ii) Funding and Actuarial Matters; (iii) Finance and Accounting; (iv) Investments, (v) Personnel, and (vi) Benefits Administration and Operations. The TMRS Board responsibilities include, but are not limited to, the following:

Governance

a) establish and periodically review the System's mission in light of the Board's constitutional and statutory authority and adopt strategic plan goals and objectives for accomplishing the mission, including adopting and overseeing implementation of periodic Strategic Plans for the System~~in accordance with the TMRS Board of Trustees Strategic Planning Policy, a copy of which is attached as an Appendix~~;
b) adopt rules, regulations, and bylaws as deemed appropriate;
c) adopt and periodically review policies according to a reasonable schedule established for evaluation of ~~for~~ sound Board governance and the operation of the System;
d) engage in healthy and respectful debates of issues brought before the Board;
e) act as a cohesive decision-making body, following the rule of the majority;
f) monitor and evaluate the effectiveness of the System;
g) ~~M~~monitor and evaluate federal and state legislative and regulatory issues and legislation of potential impact to TMRS;
h) establish committees to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not speak or act for the Board except when formally given such authority;
i) delegate authority to the staff through the Executive Director;
j) select, review, and terminate (if necessary) investment consultants, governance consultants, governmental relations consultants, and other consultants or service providers to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
k) ensure that legal and ethical standards are adhered to;
l) see that new Board members are provided a prompt and thorough orientation;
m) assess the Board's performance annually in accordance with a uniform evaluation process;
n) protect the System's reputation with the membership and the general public;
o) select and evaluate fiduciary legal counsel to the Board[10];

Funding and Actuarial Matters

p) select and evaluate the System's external consulting actuary[11];
q) adopt and periodically review a written actuarial funding policy, and ensure the policy and any amendments to it are timely filed with the Pension Review Board and provided to participating cities in accordance with applicable statutory requirements[12];
r) annually certify the cities' normal contribution rates and prior service contribution rates, as determined by the System's actuary[13];
s) adopt mortality tables and other actuarial tables, based on actuary recommendations[14];

[10] See Texas Government Code, Section 855.202
[11] See Texas Government Code, Section 855.205
[12] See Texas Government Code, Section 802.2011
[13] See Texas Government Code, Section 855.111
[14] See Texas Government Code, Section 855.110

Finance and Accounting

t) approve and monitor an annual operating budget, in consultation with the Budget and Compensation Committee and the Executive Director, to assure that the budget monitoring process remains current with TMRS needs;

u) select and evaluate the System's external auditor to conduct the annual audit of the System's accounts pursuant to Texas Government Code, Section 855.107;

Investments

v) adopt and periodically review an investment policy statement regarding the System's investment portfolio ~~(a current copy of the Board's Investment Policy Statement as attached as an Appendix)~~;

w) review investment performance, asset mix, portfolio characteristics, cash flow, and receive reports from the Executive Director, staff, investment consultants, and others regarding the System's assets, and monitor compliance with investment policies and guidelines;

x) select custodian(s) of the investment portfolio, provided that, for avoidance of doubt, this requirement does not apply to regulated brokerage, clearing, exchange, or similar accounts into which TMRS is required to deposit assets or collateral;

y) select an independent consulting firm to perform the evaluation of and reporting on the System's investment practices and performance in accordance with applicable the requirements of Texas Government Code, Section 802.109, and ensure that such reports received by the Board are timely submitted to the Pension Review Board[15];

z) select a securities lending agent for the System, if the Board, in its discretion, determines it wants to lend System securities as provided in Section 855.3011 of the TMRS Act;

Personnel

aa) be responsible for the search process, selection, assignment of duties, annual performance and compensation reviews, and discipline, including dismissal, of the Executive Director[16];

bb) provide oversight, support, and direction to the Executive Director to ensure that effective management practices are followed in the organization;

cc) ensure the establishment of a program for equitable and effective hiring, evaluation, compensation, and termination of System employees;

dd) ensure a collaborative ~~n adequate~~ working environment for staff members;

ee) select and evaluate the System's internal General Counsel, in consultation with the Executive Director;

ff) select and evaluate the System's internal Director of Internal Audit, in consultation with the Board's ~~Internal~~ Audit Committee and the Executive Director;

gg) set "not-to-exceed" or "range max" amounts in the System's salary schedules in consultation with the Budget and Compensation Committee and the Executive Director[17];

Benefits Administration and Operations

hh) approve, or confirm the director's approval of, applications for benefits[18];

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[15] See Texas Government Code, Section 802.109

[16] See Texas Government Code, Sections 855.201

[17] See Texas Government Code, Section 855.207

[18] See Texas Government Code, Section 855.106 and TMRS Rule §121.8, 34 Texas Administrative Code

ii) consider appeals of benefit determinations as provided in Board rules[19];
jj) appoint members of the TMRS Medical Board[20];
kk) determine, monitor, evaluate and strengthen the System's services to members and participating cities;
ll) verify that procedures are in place to ensure the security of member specific information and other confidential information;
mm) verify that a disaster recovery plan is in place in order to help protect the beneficiaries of the System;
nn) monitor external factors that impact the System and take action on legislation, as deemed appropriate; and
oo) ensure that appropriate internal controls are in place.

Beyond the responsibilities listed above, all other responsibilities related to the daily management of the System are delegated to the Executive Director, subject to the policies of the Board.

1.8. Board Compensation and Travel.

1.8.1. Reimbursement. Each Trustee serves without compensation, but is entitled to reimbursement for reasonable, actual expenses[21] in accordance with the System's travel policy for its employees~~Board's Administrative Governance Policy,~~ while on official TMRS business as defined in this Section 1.8~~1.7~~.

1.8.2. Official Business. Official TMRS business is defined as travel while acting as a designated representative of the Board (such as meeting with elected officials or Board consultants and advisors on behalf of the Board whether within or outside the state) and travel to and from meetings of the Board, meetings of Board committees, System orientation meetings, or other travel in the capacity of a member of the Board.

1.8.3. Other Travel. In addition to travel on official TMRS business as defined in subsection 1.8.2 of this Section, it is anticipated that each Board member will receive reimbursement established through the budget process of allowable Board travel expenses to attend professional and educational conferences and other activities meeting the following criteria:
a) the purpose of the expense is related to the business of TMRS and the Board; and
b) attendance at the function will benefit the Board or a Board member in the exercise of TMRS responsibilities.

1.8.4. Not Compensation. Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred.

1.8.5. Procedures. The Executive Director shall be responsible for developing and administering procedures for travel under sections 1.8.2 and 1.8.3.

[19] See TMRS Rules in 34 Texas Administrative Code, Chapter 121
[20] See Texas Government Code, Section 855.203
[21] See Texas Government Code, Section 855.008

1.9. Service as a Trustee.

1.9.1. Oath. Before taking office as a Trustee, a person appointed to the position shall present to the Board a certified copy of an oath of office subscribed before the clerk of the municipality that the person serves.[22]

1.9.2. Orientation. As soon as practicable after having first been appointed to the Board (and, if possible, prior to attending the first meeting of the Board), a person shall attend an orientation and training session at the System's offices in Austin, Texas. The Executive Director should contact a newly-appointed Trustee as soon as possible after being appointed in order that arrangements for the session can be made. The orientation and training of new Trustees will be conducted in accordance with the TMRS Board of Trustees Orientation and Education Policy ~~, a copy of which is attached as an Appendix,~~ and the Pension Review Board's minimum educational training requirements.[23]

1.9.3. Trustee Education. The Board recognizes the need for individual Trustees to receive proper training to assist them in carrying out their duties. The Board strongly encourages each Trustee to engage in educational activities, such as self-study, meetings with TMRS staff and Board consultants, online education events, and attendance at professional development conferences, workshops, and training seminars, in accordance with ~~the Board's Administrative Governance Policy and~~ the Board's Orientation and Education Policy. The Executive Director will develop a list of educational courses, seminars, or certification programs appropriate for retirement system trustees that are recognized for their superior educational content and will provide an updated list to the Trustees annually.

1.9.4. TMRS Training Events. Attendance by Board members at the System's annual training seminar and at other System sponsored training seminars is encouraged.

1.9.5. Attendance at Meetings. The members of the Board serve an important function, and it therefore is important that they prepare for and attend all meetings of the Board except when it is impossible for them to do so.

1.9.6. Representing the Board. No member of the Board shall purport to speak or act as a representative of the System on any matter unless expressly authorized to do so by these Bylaws or otherwise by the Board. The TMRS Communications Policy~~, a copy of which is attached as an Appendix,~~ sets forth some of the Board's communication policies.

1.9.7. Responsibilities of Individual Board Members. Each Trustee has the responsibility to:

a) be informed about the System's mission, duties, authority, and policies;

[22] See Texas Government Code, Section 855.005

[23] See Texas Government Code, Section 801.211 and 40 Texas Administrative Code, Chapter 607

b) work constructively with other Board members to set the strategic direction and oversee TMRS activities;
c) interact appropriately with TMRS staff, outside service providers, employers, members, retirees, beneficiaries, and others;
d) be prepared and attend Board meetings and Committee meetings, when a member of the Committee;
e) review agendas and supporting materials prior to Board and Committee meetings;
f) share personal experiences and expertise with other Board members during discussions and decision-making;
g) respect open meetings laws by not convening meetings with fellow Board members to discuss TMRS business outside the properly noticed meetings;
h) follow conflict of interest, disclosure, and confidentiality rules and policies, including, without limitation, the TMRS Board of Trustees Ethics Policy~~, a copy of which is attached as an Appendix~~;
i) discharge duties solely in the interest of the members and beneficiaries for their exclusive benefit[24];
j) incur only reasonable expenses in carrying out duties as a Board member;
k) be mindful of co-fiduciary responsibility, which means that all Trustees are responsible for the adherence to TMRS Act, Bylaws and Board policies by their fellow Trustees;
l) live up to high ethical standards consistent with state ethics laws and principles of fiduciary duty and avoid the appearance of impropriety;
m) become educated and maintain a level of knowledge in the areas necessary to fulfill fiduciary duties;
n) keep up-to-date on developments in the retirement and institutional investor industry;
o) be a sounding board and provide advice to the Executive Director, as appropriate; and
p) refrain from making individual time-consuming requests to staff without a directive of the full Board.

CHAPTER 2

MEETINGS OF THE BOARD

2.1. Meetings of the Board.

2.1.1. Regularly Scheduled Meetings. The Board of Trustees shall hold at least four meetings each year and additional meetings when called by the Executive Director.[25] The dates for regular meetings will be approved annually in advance by the Board.

2.1.2. Additional Meetings. The Executive Director shall call an additional meeting whenever the Chairman or a majority of the members of the Board of Trustees request

[24] See Texas Constitution Art. 16, Section 67(a); Texas Government Code, Sections 851.002, 855.101, and 802.201; United States Internal Revenue Code, Section 401(a).
[25] See Texas Government Code, Section 855.007

such a meeting or when the Executive Director deems an additional meeting to be in the best interest of the System.

2.1.3. Notice to Trustees. Before the fifth day preceding the day of a meeting, the Executive Director shall give written notice of the meeting to each Trustee unless notice is waived.[26] ~~(see Texas Government Code, Section 855.007).~~

2.1.4. Open Meetings. Except as otherwise provided by the TMRS Act, the Texas Open Meetings Act[27] ("TOMA" or "Open Meetings Act"), or other law, all meetings of the Board must be open to the public.[28]

2.1.5. Location. The Board shall hold its meetings in the TMRS offices in Austin, Texas, or in a place specified by the notice of the meeting.[29]

2.1.6. Meetings by Telephone Conference Call and Videoconference. Meetings (open or closed) may be held by telephone conference call, videoconference call, or other similar telecommunication method in accordance with the requirements of the TMRS Act[30] or TOMA, as applicable. In general, it is the Board's preference that Board members attend meetings in person, but if it is necessary or desirable to conduct a meeting by telephone conference call or videoconference, then the following guidelines will be observed when conducting such meeting:

- If the Board Chairman attends the meeting remotely, then the Vice Chairman will preside over the meeting; provided, however, that if the Vice Chairman is unable to attend the meeting in person, then the Chairman may appoint another Trustee who will be present at the meeting location that is open to the public to preside over the meeting;
- Any votes taken at the meeting will be done by roll call of the Trustees; and
- The minutes of the meeting should note which, if any, Trustee(s) participated remotely.

2.1.7. Time of Meetings. Meetings shall begin at a time designated by the Chairman or other presiding officer.

2.1.8. Emergency Meetings. Emergency meetings may be called in the same manner as additional meetings. The Trustee(s) responsible for calling an emergency meeting shall provide ~~to~~ the Executive Director with an explanation of the reason for the emergency or urgent public necessity. An emergency meeting is one which cannot be posted with the advance notice normally required by the Open Meetings Act, and which "exists only if immediate action is required of a governmental body because of: (1) an imminent threat

[26] See Texas Government Code, Section 855.007
[27] See Texas Government Code, Chapter 551
[28] See Texas Government Code, Section 855.007
[29] See Texas Government Code, Section 855.007
[30] Meetings by telephone conference call under the TMRS Act first became available effective January 1, 2020, as a result of statutory changes made by Senate Bill 1337 in 2019. See Texas Government Code, Section 855.007

to public health and safety, including a threat described by Subdivision (2) if imminent; or (2) a reasonably unforeseeable situation, including:

(A) fire, flood, earthquake, hurricane, tornado, or wind, rain, or snow storm;
(B) power failure, transportation failure, or interruption of communication facilities;
(C) epidemic; or
(D) riot, civil disturbance, enemy attack, or other actual or threatened act of lawlessness or violence."[31]

~~but which is needed because of "imminent threats to public health and safety or reasonably unforeseeable situations requiring immediate action by the government body~~or as otherwise defined by the Open Meetings Act, court decision, or other applicable law. Emergency meetings shall be posted in accordance with applicable law, including TOMA Section 551.045 (or its successor statute) requiring posting for at least one hour before the meeting is convened.

~~2.1.8.~~2.1.9. **Cancellation or Rescheduling.** Any previously scheduled meeting may be rescheduled or canceled by the Chairman, except that meetings called at the request of a majority of the Board may be rescheduled or canceled only by the consent of a majority of the members of the Board.

2.2. Public Comment at Meetings.

2.2.1. Comments Allowed. The Board will allow reasonable time for public comment to the Board regarding items included on the agenda for the meeting and ensure that consideration is shown to all members of the public attending any public meeting of the Board.

2.2.2. Requirements. Persons wishing to offer comments at a Board meeting in reference to a specific agenda item or on other matters under the jurisdiction of the Board of Trustees for which action by the Board is necessary must notify the Executive Director at least 48 hours ~~on or~~ before the day of the Board meeting. The person chairing the meeting of the Board will specify the length of time for individual comments, not to exceed three (3) minutes. Persons wishing to appear before the Board shall provide the following information:

a) Name and address of the person wishing to appear;
b) The name of the person or group, if any, the person appearing is representing;
c) The agenda item upon which the person wishes to speak; and
d) Other matters to be discussed by the speaker, which fall under the jurisdiction of the Board of Trustees for which action by the Board is necessary.

Speakers may not yield their time to another speaker nor may public comments be aggregated to a single speaker beyond the single presentation time.

2.3. Meeting Agendas.

[31] See Texas Government Code, Section 551.045

2.3.1. Setting Agenda. Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the Executive Director prior to posting. Development and distribution of each meeting's agenda is the joint responsibility of the Executive Director and the Chairman. The Executive Director shall advise the Chairman as to the necessary or desired timing of regularly occurring agenda items that are needed for the administration and operations of the System. The Executive Director shall prepare and distribute to the Board the agenda and relevant written materials.

2.3.2. Adding Items. Items may be added to the agenda of any meeting by any Trustee or by the Executive Director, provided that the proposed addition is submitted to the Executive Director in time to post the amendment to the agenda in compliance with the TOMA requirements. Board members desiring to add an agenda item should normally submit it to the Executive Director three weeks prior to the meeting.

2.3.3. Emergency Items. Emergency agenda items may be added by the Chairman, Executive Director, or by the written request of any three Board members, provided a reason for the emergency meets the requirements of 2.1.8 and is submitted in time to post the amendment to the agenda in compliance with the Open Meetings Act.

2.4. Notice to Public. The Executive Director will cause meeting notices to be posted in compliance with these Bylaws and the Open Meetings Act. The Executive Director shall transmit to the Board, in the manner the Executive Director deems most effective, copies of all notices of meetings, agendas, and changes thereto when such notices are delivered to the Secretary of State.

2.5. Auxiliary Aids or Assistance at Meetings. Persons who do not speak English or persons with disabilities who plan to attend a meeting of the Board and who may need auxiliary aids or services such as language interpreters or interpreters for persons who are deaf or hearing impaired, readers, large print or Braille, are requested to contact the System's staff at least two working days or more prior to the meeting so that appropriate arrangements can be made. If the request is made to the System with adequate advance notice to allow for the arrangement of reasonable accommodations before the meeting, the Executive Director shall cause reasonable accommodations to be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

2.6. Procedure.

2.6.1. Quorum. ~~Under the TMRS Act, a~~A quorum of the Board is a majority of the number of members; therefore, four (4) Board members are required for a quorum.[32]

2.6.2. Voting. As described in Section 1.6, at any meeting of the Board, four or more concurring votes are necessary for a decision or action by the Board.[33]

2.6.3. Procedural Rules. The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with Board-adopted rules or rules of procedure, these

[32] See Texas Government Code, Section 551.001

[33] See Texas Government Code, Section 855.009

Bylaws, or applicable law, shall be the rules of parliamentary procedure for the Board and its committees.

2.6.4. Minutes. The minutes of the Board shall contain each subject of deliberation, all motions, and the vote, if any, on such motions. Each Board member shall be given an opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote on a motion.

CHAPTER 3

COMMITTEES

3.1. Committees of the Board. Committees may be created by action of the Board, which shall establish the purpose, membership, and responsibilities of the committee and may establish the term for which it shall exist. The responsibilities and structure of each committee will be in accordance with the committee charter adopted by the Board, as amended from time to time; provided, however, that the Board, in its discretion, may determine that a particular committee(s) will not have a charter. Section 3.3 sets forth existing standing committees of the Board. The Board may establish ad hoc committees and additional standing committees pursuant to these Bylaws.

3.2. Composition of Committees. Any committees created by the Board shall consist of two members, unless the Board otherwise provides by Board action or these Bylaws. The Chairman of the Board shall annually appoint committee members subject to the approval of the Board. The Chairman of the Board shall designate the chairman of each committee. Committee chairmen serve as chairmen at the pleasure of the Chairman of the Board. The terms of committee members expire as of the end of December of each year unless otherwise provided by Board action. In the event that the annual appointment of committee members does not occur before the members' terms expire, then the then-current committee members will holdover and remain in those positions until the next meeting of the Board and the appointment of committee members will be placed on the agenda for that meeting. The Chairman of the Board may appoint an interim successor to the committee for a member whose has resigned or created a vacancy in his or her committee position. Any such interim successor member of a committee may serve until the meeting of the Board at which the Board votes to consent to the appointment of committee members.

3.3. Standing Committees. Standing committees of the Board are set forth below. Each committee is an advisory committee to the Board and does not have delegated authority to act on behalf of the Board unless, and then only to the extent, expressly stated in its committee charter as approved by the Board.

3.3.1. Stakeholder Advisory Committee ~~on Benefit Design~~. The Stakeholder Advisory Committee ~~on Benefit Design~~ ("Advisory Committee") is to provide input to the Board on benefit design issues and other matters determined by the Board relating to the System and to provide an additional conduit for communication between the System and its members, participating ~~member~~ cities, retirees, and elected officials. ~~As noted in the Advisory Committee's charter, the~~ The Trustees appointed to this committee will be ex-officio, non-voting members of the Advisory Committee. The Advisory Committee is otherwise composed of two TMRS active members, one TMRS retiree, and one representative from each of the organizations named in the Advisory Committee Charter. The Advisory Committee members will be appointed in accordance with the provisions of the Committee Charter. ~~classes of members, Individual Class members and Group Class members, who are selected or approved by the Board.~~ The Advisory Committee shall be entitled to have its members reimbursed for travel expenses incurred in attending meetings of the Advisory Committee (if those expenses are not paid by the city or organization they represent) on the same basis that members of the Board are reimbursed under these Bylaws.

3.3.2. Budget and Compensation Committee. The Budget and Compensation Committee ("Budget Committee") is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to (i) the annual budget process; (ii) any special assignments relating to TMRS budget matters; (iii) the System's compensation policies to support the successful recruitment~~,~~ and retention of talent to meet the strategic goals and objectives of the System, including, without limitation, succession planning goals and objectives; (iv) the TMRS Compensation Administration Guidelines ("Compensation Guidelines") approved by the Board; and (v) any special assignments relating to TMRS compensation matters.

3.3.3. ~~Internal~~ Audit Committee. The ~~Internal~~ Audit Committee (or successor committee, the "Audit Committee") is to advise and assist the Board in fulfilling its fiduciary responsibilities with respect to the adequacy of TMRS initiatives for fraud prevention and ethics, risk management, internal control framework, oversight of the internal audit activity, external auditors, and other providers of assurance, ~~and~~ audit-related investigations, governance structure, and financial statements and public accountability reporting.

~~3.3.3.~~3.3.4. Investment Committee. The Investment Committee is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to the investment of TMRS assets. The Executive Director and Chief Investment Officer shall attend each meeting of the Investment Committee together with such other investment staff as deemed necessary for the agenda items of a particular committee meeting. The System's outside investment consultant(s) may also attend the meetings of the Investment Committee. The Investment Committee was created by the Board in December 2025 to advance the Trustees' level of investment knowledge to make them better stewards of TMRS trust assets. The Investment Committee is not intended to substitute the Trustees for investment staff on ultimate investment decisions for which decision-making authority has been delegated to investment staff or the Executive Director. Rather the Investment Committee is intended to enable the Trustees to more effectively shape the TMRS Investment Policy Statement, in partnership with the Executive Director and TMRS investment staff and outside investment consultants.

3.4. **Committee Agendas**. The agenda for each committee meeting shall be set by the committee chairman.

CHAPTER 4

EXECUTIVE DIRECTOR

4.1. **Responsibilities of the Executive Director**. The Board shall employ an Executive Director pursuant to Texas Government Code, Section 855.201, with such duties as may be required by law and with such other duties as may be established by the Board in its policies, resolutions and other actions.[34]

4.1.1. Operations of the Board. With respect to the operations of the Board itself, the Executive Director shall:

a) make preparations, including Trustee travel arrangements, for all meetings of the Board and its committees;
b) under the direction of the Chairman of the Board or chairman of a relevant committee, prepare and distribute the agenda and appropriate documentation for all meetings of the Board and its committees;
c) under the direction of the Chairman of the Board or chairman of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;
f) ensure proper custody of the TMRS official seal, affixing it to ~~, and attesting it to,~~ and attesting when necessary or desirable, all documents executed by or on behalf of the System, the Board and its committees;
g) maintain the official copy of these Bylaws;
h) as directed by the Board, establish routine reporting mechanisms and procedures to the Board, to identify institutional risks as observed by the Internal Auditor, and prepare special reports to the Board; and
i) carry out other policies adopted by the Board.

4.1.2. Operations of the System. The Executive Director is the chief executive officer of the System and is responsible to the Board of Trustees for the general administration of TMRS and investment of the System's assets in accordance with applicable state laws and policies adopted by the Board.[35] The Executive Director shall:

a) manage the daily operations of TMRS as its chief executive officer, in accordance with the System's mission, vision and core values, and applicable state and federal laws;

[34] See Texas Government Code, Section 855.201
[35] See Texas Government Code, Section 855.201

b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;
c) assume authority and responsibility for developing and implementing an employee policy manual and for the selection, performance evaluation, compensation, succession planning, and discipline, including dismissal, of all TMRS personnel except for :
   (1) the Director of Internal Audit as provided in subsections 1.7 (ff) and 5.2 of these Bylaws; and
   (2) the General Counsel as provided in subsections 1.7(ee) and 5.2 of these Bylaws;
d) prepare and submit an annual operating and capital outlay budget for consideration by the Board[36];
e) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;
f) make transfers between line items in the annual budget (excluding personnel) ~~not to exceed 10% of the total budget~~. To assure transparency to the Board, the ~~The~~ Executive Director shall seek Board approval for transfers involving personnel~~, new programs not anticipated in the budget or transfers exceeding 10% of the total budget~~;
g) recommend to the Board the selection of the actuary, custodian for securities, securities lending agent (if desired), external auditor for financial audits, investment consultants, governance consultant (if desired), ~~and~~ governmental relations consultant to the Board, members of the TMRS medical board, and fiduciary counsel to the Board[37];
h) ~~W~~work closely with the Board to ensure the financial stability and long-term viability of the System; monitor the performance of the investment portfolio, ensure assets are invested in accordance with established policies, and that proper~~proposer~~ controls are in place to safeguard assets;
i) ~~A~~advise and confer with the Board on financial, economic and political trends and developments affecting the System;
j) ~~E~~ensure sufficient resources are requested through the budget process and that resources are properly aligned to execute and accomplish the System's strategic plan and goals;
k) ~~M~~maintain effective relationships with participating cities, member groups, key political leaders, media, and other stakeholders;
l) ~~R~~represent TMRS as a subject matter expert on System programs and activities and, as necessary, interact with legislators and testify as a resource on proposed legislation affecting TMRS; and
m) annually brief the Board on the completion of the Executive Director's goals for the past year and the setting of his or her goals for the coming year.

4.2. **Absence of Executive Director**. If the Executive Director will be away from the TMRS headquarters for a brief period, then as contemplated by Section 4.3 of these Bylaws, the Executive Director may designate one or more senior level staff member(s) to act in his or her stead generally or for a particular purpose. In the absence of the Executive Director due to

[36] See Texas Government Code, Section 855.201
[37] See Texas Government Code, Sections 855.107, 855.109, 855.202, 855.203, 855.205, 855.301

incapacity or otherwise when the Executive Director has not previously designated a person(s) to fulfill his duties and the duration of the absence is unknown and the absence may be extended or permanent, the Chief Investment Legal and Compliance Officer~~Deputy Executive Director~~ shall perform such duties as are necessary to the administration of the System and shall have the responsibility and authority of the Executive Director until the Board designates the person succeeding to the responsibilities and authority of the Executive Director. In an emergency situation in the absence or incapacity of the both the Executive Director and the Chief Investment Legal and Compliance Officer~~Deputy Executive Director~~, the Chairman of the Board shall designate the person succeeding to the responsibilities and authority of the Executive Director pending approval by the Board of Trustees. The Chairman of the Board or the Chief Investment Legal and Compliance Officer~~Deputy Executive Director~~ shall immediately notify the Texas Ethics Commission whenever there is a change in the person named to the position of Executive Director.[38]

4.3. Delegating Responsibilities. The Executive Director shall designate an employee of TMRS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 and may assign or delegate to other employees of TMRS as necessary to assist in carrying out these and other duties.

CHAPTER 5

MISCELLANEOUS ORGANIZATIONAL PROVISIONS

5.1. Administration of TMRS. The administration of TMRS is governed by these Bylaws, Board policies, and applicable state law. In the event of a conflict between these Bylaws and applicable state law, the applicable state law shall govern to the extent necessary to resolve the conflict.

5.2. Employees. All employees of the System serve on an 'at will' basis and may be hired or terminated by the Executive Director, except for the Director of Internal Audit and General Counsel, who may be hired or terminated by the Board. Employees' positions and responsibilities are governed by the ~~Employee Policies and Benefits Manual and~~ the Salary Schedules adopted by the Board, by the System's Employee Handbook, and by applicable state law. The Employee Handbook does not create individual contract rights for TMRS employees. It is intended as a guide to management for the sound exercise of its discretion and shall be periodically reviewed and updated by the Executive Director.

5.3. Investments. The investments of the System are authorized to be made only in accordance with investment goals, objectives, and policies adopted by the Board of Trustees and authorized by applicable state, federal, and foreign law. The Executive Director, or his/her designee, may, from time to time, approve and adopt procedures for implementing such investment goals, objectives, and policies adopted by the Board; provided, however, that the Board, in its sole discretion and by Board vote or resolution, may revoke all or any part of such authority delegated to the Executive Director, or his/her designee, and retain the authority to approve and adopt some or all such investment procedures from time to time. The investment of

[38] See Texas Government Code, Section 572.026

TMRS assets is intended to be delegated to the Executive Director, the Chief Investment Officer, and TMRS outside investment managers. While the Board is the sole judge of the Investment Policy Statement, the execution of that policy is the responsibility of the Executive Director and her/his designees. The Board must determine accountability by the internal Investment Staff and external managers for their execution of the Board's investment goals and objectives as set forth in the Investment Policy Statement.

5.4. **Custody of TMRS Assets.** TMRS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold TMRS assets.

5.5. **Budget and Fiscal Year**. The budget of the System shall be adopted by the Board and may be amended by the Board at any subsequent meeting(s). The System's fiscal year shall begin January 1 and shall end the following December 31.

5.6. **Title to and Ownership of Assets.** Accounts or assets of the System may be held in the name of TMRS, ~~a~~ nominees, depository trust companies, or other agent in accordance with Texas Government Code, Section 855.301. The assets of the System shall not be considered at any time to be assets of the State of Texas or of any participating municipality or of the System's members, annuitants, and beneficiaries; but are to be held in trust for the exclusive benefit of TMRS members, annuitants and beneficiaries.

5.7. **Authority to Act**. The Board delegates authority for the following matters to the Executive Director or such person as the Executive Director may designate, subject to applicable law, and actions and policies of the Board:

a) certain investment decisions, provided they are otherwise consistent with the Investment Policy Statement;
b) contracts for the purchase of goods and services, in accordance with the budget;
c) release of assets held in the name of the System, its nominees, or other agents;
d) signing checks and authorizing fund transfers for payments from the assets of the System;
e) initiation, defense, and settlement of lawsuits and other claims subject to applicable actions of the Board. The Executive Director, after consultation with legal counsel, is authorized to settle benefit or employment related lawsuits and other claims without Board approval. The Executive Director, after consultation with legal counsel, is authorized to settle non-benefit and non-employment related lawsuits and other claims without Board approval for amounts not exceeding $100,000;
f) the development and approval of policies and procedures concerning the day-to-day operations of the System; and
g) ~~B~~beyond the responsibilities listed in Section 1.7, all other responsibilities related to the daily management of the System are delegated to the Executive Director.

5.8. **TMRS Rules**. The Executive Director is authorized to draft and submit proposed rules for the System to the Secretary of State to be considered by the Board for adoption in accordance with state law.

5.9. Protection of Trustees and Others. System will indemnify, defend, and hold harmless its current and former Trustees, officers, employees, and members of the TMRS medical board in accordance with the following provisions.

5.9.1. Permissive Indemnification. The System shall indemnify any person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a trustee, officer, employee, or member of the medical board of the System or is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity, as follows:

5.9.1.1. Such person shall be indemnified against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but, if the person is found liable to the System or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding excluding a judgment, penalty, fine, or excise or similar tax and (2) shall not be made (even as to expenses) in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the System, for breach of his duty of loyalty owed to the System, or for an act or omission not committed in good faith that constitutes a breach of a duty owed by him to the System.

5.9.1.2. Such a person shall be indemnified under this Section 5.9 if it is determined that such person conducted himself or herself in good faith and reasonably believed, in the case of conduct in his or her official capacity, that his or her conduct was in the System's best interest, and in all other cases that his or her conduct was at least not opposed to the System's best interests. In the case of any criminal proceeding, an additional determination must be made that such person had no reasonable cause to believe his or her conduct was unlawful.

5.9.1.3. The determinations regarding conduct required under Section 5.9.1.2 shall be made by:

(1) a majority vote of the Trustees who at the time of the vote are disinterested and independent, regardless of whether the Trustees who are disinterested and independent constitute a quorum;

(2) a majority vote of a committee of the Board if the committee:

(A) is designated by a majority vote of the Trustees who at the time of the vote are disinterested and independent, regardless of whether the governing persons who are disinterested and independent constitute a quorum; and

(B) is composed solely of one or more Trustees who are disinterested and independent; or

(3) special legal counsel selected by the Board, or selected by a committee of the Board, by vote in accordance with Subdivision (1) or (2);

If special legal counsel determines under Subsection 5.9.1.3(3) that a person meets the standard under Section 5.9.1.2, the special legal counsel shall determine whether the amount of expenses other than a judgment is reasonable but may not determine whether indemnification should be paid. The provisions of Section 5.9.1.2 requires the indemnification of a person who meets the standard under Section 5.9.1.2.

5.9.2. Mandatory Indemnification for Reasonable Expenses. The System shall indemnify a person who is or was a trustee, officer, employee, or member of the medical board of the System or a person who is or was serving at the request of the System as a trustee, director, officer, employee or agent of any other entity against reasonable expenses incurred by such person in connection with a proceeding in which such person is a party as a result of his or her position as such a person, if such person has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

5.9.3. Expenses Advanced. The System may pay or reimburse, in advance of the final disposition of a proceeding without making the determinations required under Section 5.9.1.2, any reasonable expenses incurred by a person who is or was a trustee, officer, employee, or member of the medical board of the System, or by a person who is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity who was, is, or is threatened to be, made a named defendant or respondent in such a proceeding after the System receives (i) a written affirmation by such person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article 5.9 and (ii) a written undertaking by or on behalf of such person, to repay the amount paid or reimbursed if it is ultimately determined that he or she has not met those requirements.

5.9.4. Expenses as a Witness. The System may pay or advance or reimburse as set forth in Sections 5.9.2 and 5.9.3 of these Bylaws reasonable expenses incurred by a trustee, officer, employee, or member of the medical board of the System, or by a person serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity in connection with the appearance of such person as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

5.9.5. No Presumption. The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent, is not of itself determinative that the person did not meet the requirements set forth in this Article 5.9. A person shall be deemed to have been found liable in respect of any claim, issue, or matter only after the person shall have been so adjudged by a court of competent jurisdiction and after exhaustion of all appeals therefrom.

5.9.6. Insurance. The System may purchase and maintain insurance or another arrangement on behalf of any person who is or was a trustee, officer, employee, or member of the medical board of the System or who is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his status as such a person, whether or not the System would have the power to indemnify him or her against that liability under these Bylaws. Without limiting the power of the System to procure or maintain any kind of insurance or other arrangement, the System may, for the benefit of persons indemnified by the System establish any form of self-insurance. In the absence of fraud, the judgment of the Board and/or the Executive Director as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the Trustees or Executive Director approving the insurance or arrangement to liability, on any ground, regardless of whether Trustees and/or the Executive Director participating in the approval are beneficiaries of the insurance or arrangement.

5.9.7. Other Protection. The protection and indemnification provided hereunder (i) shall not be deemed exclusive of any other rights to which such person may be entitled under law, any agreement, any insurance policy, or otherwise; (ii) shall continue as to any person who has ceased to serve in the capacity which initially entitled such person to indemnity and advancement of expenses; and (iii) shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of such person. The rights granted by this Article 5.9 shall be deemed to be contract rights, and no amendment, modification, or repeal of any provision of this Article 5.9 shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification, or repeal. Nothing in this section is intended as a waiver or compromise of sovereign immunity as determined by Texas law or the 11th Amendment of the U.S. Constitution.

5.9.8. Notice of Indemnification of or Advance of Expenses. Any indemnification of or advance of expenses to a Trustee in accordance with this Article 5.9 shall be reported in writing to the Board with or before the next Board meeting.

5.10. Insurance. The System may, in accordance with the budget, ~~at the discretion of the Board~~ purchase and maintain insurance on behalf of the System and its current and former Trustees, officers, employees, and members of the TMRS medical board.

5.11. Official Seal of TMRS. The form of the official seal of TMRS shall consist of a five-point star surrounded by a pair of branches and two concentric circles with the name "Texas Municipal Retirement System" and the word "Austin" displayed in the space between the two circles. The seal may be either embossed or stamped. Affixing the TMRS seal is not necessary to authenticate or attest a TMRS document unless the seal is required by applicable law.

CHAPTER 6

AMENDMENT OF BYLAWS

Section 6.1 Amendment of Bylaws.

These Bylaws may be amended by majority vote of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act.

Bylaws Review and History.

Effective beginning May 28, 2020, these Bylaws will be reviewed at least every four years.

The Board adopted these Bylaws of the Board of Trustees of the Texas Municipal Retirement System on September 16, 1995.

The Board subsequently amended these Bylaws by vote of the Board on:

- March 19, 2004
- September 18, 2004
- September 7, 2007
- December 4, 2014
- December 5, 2019~~,~~
- May 28, 2020, ~~and~~
- September 17, 2020
- ________________, 2026

____

Chairman, Board of Trustees

ATTEST:

____

Executive Director

Bylaws of the
Board of Trustees of the
Texas Municipal Retirement System
Amended As Of ___________, 2026

CONTENTS

<u>Additional Board Policies Referenced in the Bylaws:</u>

- **TMRS Board Orientation and Education Policy**
- **TMRS Communications Policy**
- **TMRS Board of Trustees Ethics Policy**
- **TMRS Investment Policy Statement**

BYLAWS OF THE BOARD OF TRUSTEES
OF THE TEXAS MUNICIPAL RETIREMENT SYSTEM
(As Amended Effective as of ______________, 2026)

CHAPTER 1

ORGANIZATION OF THE BOARD OF TRUSTEES

1.1. Authority and Fiduciary Standards. The Texas Municipal Retirement System ("TMRS" or "System") is a statewide public retirement system established pursuant to Article 16, Section 67 of the Texas Constitution, and is organized and existing pursuant to Texas Government Code, Title 8, Subtitle G, Chapters 851 - 855 (the "TMRS Act"). Article 16, Section 67 requires TMRS to have a board of trustees to administer TMRS and invest its funds. Section 855.101 of the TMRS Act provides that the Board of Trustees of TMRS (the "Board") is responsible for the administration of the retirement system. The assets of the TMRS pension fund are required by state and federal law to be held in trust for the exclusive benefit of its participants and beneficiaries.[1] The Board is the trustee of all assets of TMRS, is responsible for the general administration and operation of TMRS, and is authorized by law to adopt rules for the administration of TMRS and the transaction of the business of the Board.[2] The Board appoints the Executive Director, who manages and administer TMRS under the supervision and direction of the Board and invest the System's assets, and the Board may delegate additional powers and duties to the Executive Director.[3]

All powers of trusteeship are held in the Board's fiduciary capacity. The exercise or non-exercise of the Board's powers are subject to the fundamental duties of prudence, loyalty (sometimes also called the exclusive benefit rule), and impartiality; to a duty to respect the terms and purposes of the trust; and to other fiduciary duties of trusteeship. Although a trustee's duties, like trustee powers, may be affected by the terms of the trust, the fiduciary duties of trusteeship are subject to minimum standards that require the trustee to act in good faith and in a manner consistent with the purposes of the trust and the interests of the beneficiaries. These fundamental standards of trusteeship are implicit in and normally essential to the trust relationship. In addition to the Texas Constitution and TMRS Act, the Board is guided by the Texas Trust Code[4] and in particular, Chapter 117, the Texas Uniform Prudent Investor Act.

1.2. Composition. The Board is composed of six members (each a "Trustee"), who serve staggered terms of six years each, two of which expire on February 1 of each odd-numbered year. Trustees are appointed by the Governor, with the advice and consent of the Senate. The TMRS Act provides that three Trustees are to be "executive trustees" (the chief executive

[1] See Texas Constitution Art. 16, Section 67(a); Texas Government Code, Sections 851.002, 855.101, and 802.201; United States Internal Revenue Code, Section 401(a).
[2] See Texas Government Code, Chapter 855, including Sections 855.101, 855.102
[3] Texas Government Code, Sec. 855.201
[4] Texas Property Code, Title 9, Subtitle B, Chapters 112-117

officer, chief finance officer, or other officer, executive, or department head of a participating municipality) and the other three Trustees are to be "employee trustees" (an employee of a participating municipality); two or more Trustees serving concurrently may not be employed by or serve the same municipality.[5]

A Trustee whose term expires shall continue to perform the duties of the office until his or her successor shall be duly qualified.[6] Similarly, in general, a Trustee who tenders his or her resignation nonetheless holds over until his or her successor is duly qualified for the office.[7] Although Section 855.003 of the TMRS Act provides that a Trustee is immediately disqualified from serving as a trustee if the Trustee ceases to satisfy the requirements of Section 855.003, it is possible that the constitutional holdover provision might allow a Trustee to continue to serve until a successor is appointed.

1.3. Officers of the Board.

1.3.1. Chairman of the Board. In addition to helping to fulfill the general Responsibilities of the Board set forth in Section 1.7, the Chairman of the Board shall:

a) preside over meetings of the Board, and while presiding, direct the order of the meeting, recognize persons to be heard, limit time, and take action to clarify issues, and preserve order;
b) work with the Board to guide management on the System's mission and vision, strategic issues, and long-term planning;
c) serve as an accountability partner, as well as a principal source of advice and counsel, to the Executive Director;
d) facilitate effective communications between the Board and Executive Director, and serve as a liaison among the Board, the Executive Director, and senior management;
e) jointly with the Executive Director, (i) develop and approve Board meeting agendas, and (ii) discuss resources needed to attend/support the Board meetings, including members of management and outside advisers;
f) perform the legislative responsibilities described in Section 1.3.3, and partner with the Executive Director, Government Relations staff, and the Vice Chairman in maintaining productive Legislative and Congressional relations;
g) leads the Executive Director performance evaluation process, including mid-year performance alignment discussions with the Executive Director;
h) presides over the annual self-evaluation of the Board and its committees;
i) partner with the Executive Director, and, if desired, with the Board's governance consultant, if any, to lead the performance evaluation process for the System's chief legal officer (hereafter "General Counsel"), and coordinate with the chair of the Internal Audit Committee with regard to the Committee's performance review of the Director of Internal Audit;

[5] See Texas Government Code, Sections 855.001 - 855.004
[6] Texas Constitution, Art. 16, Section 17; also see Government Code, Section 572.0211.
[7] Limited exceptions may arise, one of which is the removal of an office holder in a quo warranto proceeding (Civ. Prac. & Rem. Code Section 66.001).

j) coordinate with the chair and/or vice chair of each Board Committee to monitor the ongoing work of each Committee (it being the Board's intent that the chair and vice chair of any Board Committee are primarily responsible for conducting the work of the Committee);
k) lead the short- and long-term succession planning process for the Executive Director position;
l) receive and review periodic information on TMRS related travel by the Executive Director;
m) serve as the official spokesperson for the Board on such matters, if any, as the Board has expressly authorized the Chair to speak on behalf of TMRS pursuant to Bylaws Section 1.9.6;
n) serve as a point of Board contact for the General Counsel, the Board's fiduciary counsel, and the Board's governance consultant, if any; and
o) perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.

1.3.2. Vice-Chairman of the Board. In addition to helping to fulfill the general Responsibilities of the Board set forth in Section 1.7, the Vice-Chairman of the Board shall:

a) in the absence of the Chairman, preside over meetings of the Board;
b) upon request, provide support and assistance to the Chairman in fulfilling the responsibilities of the Chairman;
c) in absence of the Chairman, fulfill the roles, responsibilities and duties of the Chairman;
d) perform the legislative responsibilities described in Section 1.3.3, and partner with the Executive Director, Government Relations staff, and the Chairman in maintaining productive Legislative and Congressional relations; and
e) perform such other duties as are assigned by statute, these Bylaws, or other action of the Board.

1.3.3. Legislative Responsibilities of Chairman and Vice-Chairman. With regard to Legislative and Congressional matters, the Chairman and Vice-Chairman will:

a) Provide direction to Staff in implementing any applicable legislative agenda that has been adopted by the Board;
b) Review, consider and recommend to the Board action, if any, to be taken regarding any draft legislation developed by Staff at the request of the Board; and
c) Be available to Staff to provide input on, and participate in when appropriate or desirable, legislative related communication issues. Such participation in legislative related communications may occur at any time, whether during or outside of any legislative session, and with regard to any legislative related matter(s), whether

initiated by TMRS or by any other person or entity, subject to the parameters set forth in the Board's Bylaws and policies[8].

For these purposes, if the Board adopts any resolution(s) relating to the Board's position(s) on any potential legislative topics that might affect TMRS (each "Legislative Resolution"), then the Board hereby authorizes the Board Chairman and Vice Chairman, and their respective designees, to communicate (orally and in writing) with members of any legislative body and their staff, on behalf of TMRS, for the purpose of advancing the Board's position(s) as reflected in the Legislative Resolution(s). Any designee of the Board Chairman or Vice-Chairman must be another member of the Board. The Board Chairman or Vice-Chairman will report to the Board regarding such communication at the next Board meeting. The Executive Director and Director of Governmental Relations may also provide more frequent reports to the Board on such communications. This limited authority given to the Board Chairman and Vice-Chairman, and their designees, is in addition to the authority previously given by the Board to the Executive Director and his/her designees to represent TMRS to legislative bodies and their staff.

d) During any legislative session, review and recommend to the Board action, if any, to be taken regarding proposed legislation, the filing of which was initiated or requested by persons or entities other than TMRS, that may impact the System (collectively, "Other Legislation").

i. The Chairman and Vice-Chairman may consider how an item of Other Legislation may impact:
   a. the sustainability of the System;
   b. the actuarial or fiscal health or reputation of the System;
   c. participating municipalities in TMRS;
   d. TMRS members, retirees, and beneficiaries and/or their benefits;
   e. the tax status of the System and its tax deferred treatment of contributions and related earnings;
   f. the Board's investment structure or authority;
   g. the Board's administrative structure or authority; and
   h. any other aspect of the System and/or its operations.

ii. The Chairman and Vice-Chairman may develop positions, on any TMRS initiated legislation and on any Other Legislation, that are consistent with the Board's Legislative Resolution(s) and communicate such positions with members of the legislature and their staff, subject to the provisions of Section c) above, and may also direct Staff to develop alternatives to any Other Legislation or to any

[8] Section 1.9.6 of these Bylaws provides that no member of the Board of Trustees shall purport to speak or act as a representative of the retirement system on any matter unless expressly authorized to do so by the Board of Trustees. Further, Bylaws Section 1.7(h) provides that the Board may establish committees to make recommendations to the Board and help carry out responsibilities – however, committees may not speak or act for the Board except when formally given such authority.

amendments, modifications, or substitutes proposed for any TMRS initiated legislation for consideration and action by the Board.

e) Report to the Board on their legislative activities

1.4. Absence of Chairman and Vice-Chairman. If, for any reason(s), both the Chairman and Vice-Chairman are unable to fulfill the duties of their positions, the member of the Board with the longest service on the Board, as certified by the Executive Director, shall exercise the duties of the Chairman, as Acting Chairman, until the Chairman or Vice Chairman shall resume his or her office or until a successor Chairman or Vice Chairman has been elected. In the event there are two or more members with equal length of service, the Executive Director shall designate one of those members to serve as the Acting Chairman. If the absence or incapacity of the Chairman and the Vice-Chairman is likely to be permanent, the Acting Chairman shall cause a meeting of the Board to be called at the earliest practicable time for the purpose of electing a Chairman and Vice-Chairman.

1.5. Elections.

1.5.1. The members of the Board shall annually elect a Chairman and a Vice-Chairman to serve for a term of one (1) year. There is no limit on the number of times a Board member may be elected by the Board to serve as Chairman and/or Vice-Chairman. Despite the terms for which they are elected, the Chairman and the Vice-Chairman serve at the pleasure of the Board and may be removed and a new Chairman or Vice-Chairman selected at any time by a majority vote of the Board.

1.5.2. The Board's goal will be to conduct the annual elections before the terms of the Chairman and Vice Chairman expire, but, in the event that does not occur, then the Chairman and Vice Chairman will holdover and remain in those positions until the next meeting of the Board and the elections will be placed on the agenda for that meeting.

1.5.3. When a Chairman or Vice Chairman position becomes vacant, a special election for the position shall be held as soon thereafter as practicable.

1.5.4. Nominations for the Chairman and Vice Chairman will be made from the floor by Board members at a meeting of the Board. A Board member may self-nominate for any such position.

1.5.5. Elections conducted in Board meetings shall be conducted in an open meeting by a vote pursuant to a motion that has been seconded. A majority vote of the Board is required to elect a nominee for each election required by these Bylaws.

1.6. Voting. Each Trustee is entitled to one vote on all matters coming before the Board. At any meeting of the Board of Trustees, four or more concurring votes are necessary for a decision or action by the Board.[9]

[9] See Texas Government Code, Section 855.009

1.7. Responsibilities of the Board. The Board responsibilities described below are set forth under the following major areas of oversight: (i) Governance, (ii) Funding and Actuarial Matters; (iii) Finance and Accounting; (iv) Investments, (v) Personnel, and (vi) Benefits Administration and Operations. The TMRS Board responsibilities include, but are not limited to, the following:

Governance

a) establish and periodically review the System's mission in light of the Board's constitutional and statutory authority and adopt strategic plan goals and objectives for accomplishing the mission, including adopting and overseeing implementation of periodic Strategic Plans for the System;
b) adopt rules, regulations, and bylaws as deemed appropriate;
c) adopt and periodically review policies according to a reasonable schedule established for evaluation of sound Board governance and the operation of the System;
d) engage in healthy and respectful debates of issues brought before the Board;
e) act as a cohesive decision-making body, following the rule of the majority;
f) monitor and evaluate the effectiveness of the System;
g) monitor and evaluate federal and state legislative and regulatory issues and legislation of potential impact to TMRS;
h) establish committees to make recommendations to the Board and help carry out the Board's responsibilities; however, such committees may not speak or act for the Board except when formally given such authority;
i) delegate authority to the staff through the Executive Director;
j) select, review, and terminate (if necessary) investment consultants, governance consultants, governmental relations consultants, and other consultants or service providers to provide such expert advice and assistance to the Board as the Board deems necessary to exercise its investment and trust administration responsibilities;
k) ensure that legal and ethical standards are adhered to;
l) see that new Board members are provided a prompt and thorough orientation;
m) assess the Board's performance annually in accordance with a uniform evaluation process;
n) protect the System's reputation with the membership and the general public;
o) select and evaluate fiduciary legal counsel to the Board[10];

Funding and Actuarial Matters

p) select and evaluate the System's external consulting actuary[11];
q) adopt and periodically review a written actuarial funding policy, and ensure the policy and any amendments to it are timely filed with the Pension Review Board and provided to participating cities in accordance with applicable statutory requirements[12];
r) annually certify the cities' normal contribution rates and prior service contribution rates, as determined by the System's actuary[13];
s) adopt mortality tables and other actuarial tables, based on actuary recommendations[14];

[10] See Texas Government Code, Section 855.202
[11] See Texas Government Code, Section 855.205
[12] See Texas Government Code, Section 802.2011
[13] See Texas Government Code, Section 855.111
[14] See Texas Government Code, Section 855.110

Finance and Accounting

t) approve and monitor an annual operating budget, in consultation with the Budget and Compensation Committee and the Executive Director, to assure that the budget monitoring process remains current with TMRS needs;

u) select and evaluate the System's external auditor to conduct the annual audit of the System's accounts pursuant to Texas Government Code, Section 855.107;

Investments

v) adopt and periodically review an investment policy statement regarding the System's investment portfolio;

w) review investment performance, asset mix, portfolio characteristics, cash flow, and receive reports from the Executive Director, staff, investment consultants, and others regarding the System's assets, and monitor compliance with investment policies and guidelines;

x) select custodian(s) of the investment portfolio, provided that, for avoidance of doubt, this requirement does not apply to regulated brokerage, clearing, exchange, or similar accounts into which TMRS is required to deposit assets or collateral;

y) select an independent consulting firm to perform the evaluation of and reporting on the System's investment practices and performance in accordance with applicable the requirements of Texas Government Code, Section 802.109, and ensure that such reports received by the Board are timely submitted to the Pension Review Board[15];

z) select a securities lending agent for the System, if the Board, in its discretion, determines it wants to lend System securities as provided in Section 855.3011 of the TMRS Act;

Personnel

aa) be responsible for the search process, selection, assignment of duties, annual performance and compensation reviews, and discipline, including dismissal, of the Executive Director[16];

bb) provide oversight, support, and direction to the Executive Director to ensure that effective management practices are followed in the organization;

cc) ensure the establishment of a program for equitable and effective hiring, evaluation, compensation, and termination of System employees;

dd) ensure a collaborative working environment for staff members;

ee) select and evaluate the System's internal General Counsel, in consultation with the Executive Director;

ff) select and evaluate the System's internal Director of Internal Audit, in consultation with the Board's Audit Committee and the Executive Director;

gg) set "not-to-exceed" or "range max" amounts in the System's salary schedules in consultation with the Budget and Compensation Committee and the Executive Director[17];

Benefits Administration and Operations

hh) approve, or confirm the director's approval of, applications for benefits[18];

ii) consider appeals of benefit determinations as provided in Board rules[19];

jj) appoint members of the TMRS Medical Board[20];

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[15] See Texas Government Code, Section 802.109
[16] See Texas Government Code, Section 855.201
[17] See Texas Government Code, Section 855.207
[18] See Texas Government Code, Section 855.106 and TMRS Rule §121.8, 34 Texas Administrative Code
[19] See TMRS Rules in 34 Texas Administrative Code, Chapter 121

kk) determine, monitor, evaluate and strengthen the System's services to members and participating cities;
ll) verify that procedures are in place to ensure the security of member specific information and other confidential information;
mm) verify that a disaster recovery plan is in place in order to help protect the beneficiaries of the System;
nn) monitor external factors that impact the System and take action on legislation, as deemed appropriate; and
oo) ensure that appropriate internal controls are in place.

Beyond the responsibilities listed above, all other responsibilities related to the daily management of the System are delegated to the Executive Director, subject to the policies of the Board.

1.8. Board Compensation and Travel.

1.8.1. Reimbursement. Each Trustee serves without compensation, but is entitled to reimbursement for reasonable, actual expenses[21] in accordance with the System's travel policy for its employees, while on official TMRS business as defined in this Section 1.8.

1.8.2. Official Business. Official TMRS business is defined as travel while acting as a designated representative of the Board (such as meeting with elected officials or Board consultants and advisors on behalf of the Board whether within or outside the state) and travel to and from meetings of the Board, meetings of Board committees, System orientation meetings, or other travel in the capacity of a member of the Board.

1.8.3. Other Travel. In addition to travel on official TMRS business as defined in subsection 1.8.2 of this Section, it is anticipated that each Board member will receive reimbursement established through the budget process of allowable Board travel expenses to attend professional and educational conferences and other activities meeting the following criteria:
a) the purpose of the expense is related to the business of TMRS and the Board; and
b) attendance at the function will benefit the Board or a Board member in the exercise of TMRS responsibilities.

1.8.4. Not Compensation. Travel allocations are not compensation, nor are they in the nature of an allowance paid regardless of whether travel expenses are incurred.

1.8.5. Procedures. The Executive Director shall be responsible for developing and administering procedures for travel under sections 1.8.2 and 1.8.3.

[20] See Texas Government Code, Section 855.203
[21] See Texas Government Code, Section 855.008

1.9. Service as a Trustee.

1.9.1. Oath. Before taking office as a Trustee, a person appointed to the position shall present to the Board a certified copy of an oath of office subscribed before the clerk of the municipality that the person serves.[22]

1.9.2. Orientation. As soon as practicable after having first been appointed to the Board (and, if possible, prior to attending the first meeting of the Board), a person shall attend an orientation and training session at the System's offices in Austin, Texas. The Executive Director should contact a newly-appointed Trustee as soon as possible after being appointed in order that arrangements for the session can be made. The orientation and training of new Trustees will be conducted in accordance with the TMRS Board of Trustees Orientation and Education Policy and the Pension Review Board's minimum educational training requirements.[23]

1.9.3. Trustee Education. The Board recognizes the need for individual Trustees to receive proper training to assist them in carrying out their duties. The Board strongly encourages each Trustee to engage in educational activities, such as self-study, meetings with TMRS staff and Board consultants, online education events, and attendance at professional development conferences, workshops, and training seminars, in accordance with the Board's Orientation and Education Policy. The Executive Director will develop a list of educational courses, seminars, or certification programs appropriate for retirement system trustees that are recognized for their superior educational content and will provide an updated list to the Trustees annually.

1.9.4. TMRS Training Events. Attendance by Board members at the System's annual training seminar and at other System sponsored training seminars is encouraged.

1.9.5. Attendance at Meetings. The members of the Board serve an important function, and it therefore is important that they prepare for and attend all meetings of the Board except when it is impossible for them to do so.

1.9.6. Representing the Board. No member of the Board shall purport to speak or act as a representative of the System on any matter unless expressly authorized to do so by these Bylaws or otherwise by the Board. The TMRS Communications Policy sets forth some of the Board's communication policies.

1.9.7. Responsibilities of Individual Board Members. Each Trustee has the responsibility to:

a) be informed about the System's mission, duties, authority, and policies;
b) work constructively with other Board members to set the strategic direction and oversee TMRS activities;
c) interact appropriately with TMRS staff, outside service providers, employers, members, retirees, beneficiaries, and others;

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[22] See Texas Government Code, Section 855.005
[23] See Texas Government Code, Section 801.211 and 40 Texas Administrative Code, Chapter 607

d) be prepared and attend Board meetings and Committee meetings, when a member of the Committee;
e) review agendas and supporting materials prior to Board and Committee meetings;
f) share personal experiences and expertise with other Board members during discussions and decision-making;
g) respect open meetings laws by not convening meetings with fellow Board members to discuss TMRS business outside the properly noticed meetings;
h) follow conflict of interest, disclosure, and confidentiality rules and policies, including, without limitation, the TMRS Board of Trustees Ethics Policy;
i) discharge duties solely in the interest of the members and beneficiaries for their exclusive benefit[24];
j) incur only reasonable expenses in carrying out duties as a Board member;
k) be mindful of co-fiduciary responsibility, which means that all Trustees are responsible for the adherence to TMRS Act, Bylaws and Board policies by their fellow Trustees;
l) live up to high ethical standards consistent with state ethics laws and principles of fiduciary duty and avoid the appearance of impropriety;
m) become educated and maintain a level of knowledge in the areas necessary to fulfill fiduciary duties;
n) keep up-to-date on developments in the retirement and institutional investor industry;
o) be a sounding board and provide advice to the Executive Director, as appropriate; and
p) refrain from making individual time-consuming requests to staff without a directive of the full Board.

CHAPTER 2

MEETINGS OF THE BOARD

2.1. <u>Meetings of the Board</u>.

2.1.1. Regularly Scheduled Meetings. The Board of Trustees shall hold at least four meetings each year and additional meetings when called by the Executive Director.[25] The dates for regular meetings will be approved annually in advance by the Board.

2.1.2. Additional Meetings. The Executive Director shall call an additional meeting whenever the Chairman or a majority of the members of the Board of Trustees request such a meeting or when the Executive Director deems an additional meeting to be in the best interest of the System.

[24] See Texas Constitution Art. 16, Section 67(a); Texas Government Code, Sections 851.002, 855.101, and 802.201; United States Internal Revenue Code, Section 401(a).
[25] See Texas Government Code, Section 855.007

2.1.3. Notice to Trustees. Before the fifth day preceding the day of a meeting, the Executive Director shall give written notice of the meeting to each Trustee unless notice is waived.[26]

2.1.4. Open Meetings. Except as otherwise provided by the TMRS Act, the Texas Open Meetings Act[27] ("TOMA" or "Open Meetings Act"), or other law, all meetings of the Board must be open to the public.[28]

2.1.5. Location. The Board shall hold its meetings in the TMRS offices in Austin, Texas, or in a place specified by the notice of the meeting.[29]

2.1.6. Meetings by Telephone Conference Call and Videoconference. Meetings (open or closed) may be held by telephone conference call, videoconference call, or other similar telecommunication method in accordance with the requirements of the TMRS Act[30] or TOMA, as applicable. In general, it is the Board's preference that Board members attend meetings in person, but if it is necessary or desirable to conduct a meeting by telephone conference call or videoconference, then the following guidelines will be observed when conducting such meeting:

- If the Board Chairman attends the meeting remotely, then the Vice Chairman will preside over the meeting; provided, however, that if the Vice Chairman is unable to attend the meeting in person, then the Chairman may appoint another Trustee who will be present at the meeting location that is open to the public to preside over the meeting;
- Any votes taken at the meeting will be done by roll call of the Trustees; and
- The minutes of the meeting should note which, if any, Trustee(s) participated remotely.

2.1.7. Time of Meetings. Meetings shall begin at a time designated by the Chairman or other presiding officer.

2.1.8. Emergency Meetings. Emergency meetings may be called in the same manner as additional meetings. The Trustee(s) responsible for calling an emergency meeting shall provide the Executive Director with an explanation of the reason for the emergency or urgent public necessity. An emergency meeting is one which cannot be posted with the advance notice normally required by the Open Meetings Act, and which "exists only if immediate action is required of a governmental body because of: (1) an imminent threat to public health and safety, including a threat described by Subdivision (2) if imminent; or (2) a reasonably unforeseeable situation, including:

(A) fire, flood, earthquake, hurricane, tornado, or wind, rain, or snow storm;
(B) power failure, transportation failure, or interruption of communication facilities;

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[26] See Texas Government Code, Section 855.007
[27] See Texas Government Code, Chapter 551
[28] See Texas Government Code, Section 855.007
[29] See Texas Government Code, Section 855.007
[30] Meetings by telephone conference call under the TMRS Act first became available effective January 1, 2020, as a result of statutory changes made by Senate Bill 1337 in 2019. See Texas Government Code, Section 855.007

(C) epidemic; or
(D) riot, civil disturbance, enemy attack, or other actual or threatened act of lawlessness or violence."[31]

or as otherwise defined by the Open Meetings Act, court decision, or other applicable law. Emergency meetings shall be posted in accordance with applicable law, including TOMA Section 551.045 (or its successor statute) requiring posting for at least one hour before the meeting is convened.

2.1.9. Cancellation or Rescheduling. Any previously scheduled meeting may be rescheduled or canceled by the Chairman, except that meetings called at the request of a majority of the Board may be rescheduled or canceled only by the consent of a majority of the members of the Board.

2.2. Public Comment at Meetings.

2.2.1. Comments Allowed. The Board will allow reasonable time for public comment to the Board regarding items included on the agenda for the meeting and ensure that consideration is shown to all members of the public attending any public meeting of the Board.

2.2.2. Requirements. Persons wishing to offer comments at a Board meeting in reference to a specific agenda item or on other matters under the jurisdiction of the Board of Trustees for which action by the Board is necessary must notify the Executive Director at least 48 hours before the day of the Board meeting. The person chairing the meeting of the Board will specify the length of time for individual comments, not to exceed three (3) minutes. Persons wishing to appear before the Board shall provide the following information:

a) Name and address of the person wishing to appear;
b) The name of the person or group, if any, the person appearing is representing;
c) The agenda item upon which the person wishes to speak; and
d) Other matters to be discussed by the speaker, which fall under the jurisdiction of the Board of Trustees for which action by the Board is necessary.

Speakers may not yield their time to another speaker nor may public comments be aggregated to a single speaker beyond the single presentation time.

2.3. Meeting Agendas.

2.3.1. Setting Agenda. Items may be submitted for inclusion on the agenda of any Board meeting by any Board member or by the Executive Director prior to posting. Development and distribution of each meeting's agenda is the joint responsibility of the Executive Director and the Chairman. The Executive Director shall advise the Chairman as to the necessary or desired timing of regularly occurring agenda items that are needed

[31] See Texas Government Code, Section 551.045

for the administration and operations of the System. The Executive Director shall prepare and distribute to the Board the agenda and relevant written materials.

2.3.2. Adding Items. Items may be added to the agenda of any meeting by any Trustee or by the Executive Director, provided that the proposed addition is submitted to the Executive Director in time to post the amendment to the agenda in compliance with the TOMA requirements. Board members desiring to add an agenda item should normally submit it to the Executive Director three weeks prior to the meeting.

2.3.3. Emergency Items. Emergency agenda items may be added by the Chairman, Executive Director, or by the written request of any three Board members, provided a reason for the emergency meets the requirements of 2.1.8 and is submitted in time to post the amendment to the agenda in compliance with the Open Meetings Act.

2.4. Notice to Public. The Executive Director will cause meeting notices to be posted in compliance with these Bylaws and the Open Meetings Act. The Executive Director shall transmit to the Board, in the manner the Executive Director deems most effective, copies of all notices of meetings, agendas, and changes thereto when such notices are delivered to the Secretary of State.

2.5. Auxiliary Aids or Assistance at Meetings. Persons who do not speak English or persons with disabilities who plan to attend a meeting of the Board and who may need auxiliary aids or services such as language interpreters or interpreters for persons who are deaf or hearing impaired, readers, large print or Braille, are requested to contact the System's staff at least two working days or more prior to the meeting so that appropriate arrangements can be made. If the request is made to the System with adequate advance notice to allow for the arrangement of reasonable accommodations before the meeting, the Executive Director shall cause reasonable accommodations to be provided to persons with disabilities to the extent required by law and may exercise discretion to determine any other accommodations to be provided.

2.6. Procedure.

2.6.1. Quorum. A quorum of the Board is a majority of the number of members; therefore, four (4) Board members are required for a quorum.[32]

2.6.2. Voting. As described in Section 1.6, at any meeting of the Board, four or more concurring votes are necessary for a decision or action by the Board.[33]

2.6.3. Procedural Rules. The most recent edition of *Robert's Rules of Order Newly Revised*, when not in conflict with Board-adopted rules or rules of procedure, these Bylaws, or applicable law, shall be the rules of parliamentary procedure for the Board and its committees.

2.6.4. Minutes. The minutes of the Board shall contain each subject of deliberation, all motions, and the vote, if any, on such motions. Each Board member shall be given an

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[32] See Texas Government Code, Section 551.001
[33] See Texas Government Code, Section 855.009

opportunity to record in the minutes his or her vote on a motion and to have included in the minutes the reasons stated in the meeting for his or her vote on a motion.

CHAPTER 3

COMMITTEES

3.1. Committees of the Board. Committees may be created by action of the Board, which shall establish the purpose, membership, and responsibilities of the committee and may establish the term for which it shall exist. The responsibilities and structure of each committee will be in accordance with the committee charter adopted by the Board, as amended from time to time; provided, however, that the Board, in its discretion, may determine that a particular committee(s) will not have a charter. Section 3.3 sets forth existing standing committees of the Board. The Board may establish ad hoc committees and additional standing committees pursuant to these Bylaws.

3.2. Composition of Committees. Any committees created by the Board shall consist of two members, unless the Board otherwise provides by Board action or these Bylaws. The Chairman of the Board shall annually appoint committee members subject to the approval of the Board. The Chairman of the Board shall designate the chairman of each committee. Committee chairmen serve as chairmen at the pleasure of the Chairman of the Board. The terms of committee members expire as of the end of December of each year unless otherwise provided by Board action. In the event that the annual appointment of committee members does not occur before the members' terms expire, then the then-current committee members will holdover and remain in those positions until the next meeting of the Board and the appointment of committee members will be placed on the agenda for that meeting. The Chairman of the Board may appoint an interim successor to the committee for a member whose has resigned or created a vacancy in his or her committee position. Any such interim successor member of a committee may serve until the meeting of the Board at which the Board votes to consent to the appointment of committee members.

3.3. Standing Committees. Standing committees of the Board are set forth below. Each committee is an advisory committee to the Board and does not have delegated authority to act on behalf of the Board unless, and then only to the extent, expressly stated in its committee charter as approved by the Board.

3.3.1. Stakeholder Advisory Committee. The Stakeholder Advisory Committee ("Advisory Committee") is to provide input to the Board on benefit design issues and other matters determined by the Board relating to the System and to provide an additional conduit for communication between the System and its members, participating cities, retirees, and elected officials. The Trustees appointed to this committee will be ex-officio, non-voting members of the Advisory Committee. The Advisory Committee is otherwise composed of two TMRS active members, one TMRS retiree, and one representative from each of the organizations named in the Advisory Committee Charter. The Advisory Committee members will be appointed in accordance with the provisions of the Committee Charter. The Advisory Committee shall be entitled to have its members reimbursed for travel expenses incurred in attending meetings of the Advisory Committee (if those expenses are not paid by the city or organization they represent) on the same basis that members of the Board are reimbursed under these Bylaws.

3.3.2. Budget and Compensation Committee. The Budget and Compensation Committee ("Budget Committee") is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to (i) the annual budget process; (ii) any special assignments relating to TMRS budget matters; (iii) the System's compensation policies to support the successful recruitment and retention of talent to meet the strategic goals and objectives of the System, including, without limitation, succession planning goals and objectives; (iv) the TMRS Compensation Administration Guidelines ("Compensation Guidelines") approved by the Board; and (v) any special assignments relating to TMRS compensation matters.

3.3.3. Audit Committee. The Audit Committee (or successor committee, the "Audit Committee") is to advise and assist the Board in fulfilling its fiduciary responsibilities with respect to the adequacy of TMRS initiatives for fraud prevention and ethics, risk management, internal control framework, oversight of the internal audit activity, external auditors, and other providers of assurance, audit-related investigations, governance structure, and financial statements and public accountability reporting.

3.3.4. Investment Committee. The Investment Committee is to advise and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to the investment of TMRS assets. The Executive Director and Chief Investment Officer shall attend each meeting of the Investment Committee together with such other investment staff as deemed necessary for the agenda items of a particular committee meeting. The System's outside investment consultant(s) may also attend the meetings of the Investment Committee. The Investment Committee was created by the Board in December 2025 to advance the Trustees' level of investment knowledge to make them better stewards of TMRS trust assets. The Investment Committee is not intended to substitute the Trustees for investment staff on ultimate investment decisions for which decision-making authority has been delegated to investment staff or the Executive Director. Rather the Investment Committee is intended to enable the Trustees to more effectively shape the TMRS Investment Policy Statement, in partnership with the Executive Director and TMRS investment staff and outside investment consultants.

3.4. <u>Committee Agendas</u>. The agenda for each committee meeting shall be set by the committee chairman.

CHAPTER 4

EXECUTIVE DIRECTOR

4.1. Responsibilities of the Executive Director. The Board shall employ an Executive Director pursuant to Texas Government Code, Section 855.201, with such duties as may be required by law and with such other duties as may be established by the Board in its policies, resolutions and other actions.[34]

4.1.1. Operations of the Board. With respect to the operations of the Board itself, the Executive Director shall:

a) make preparations, including Trustee travel arrangements, for all meetings of the Board and its committees;
b) under the direction of the Chairman of the Board or chairman of a relevant committee, prepare and distribute the agenda and appropriate documentation for all meetings of the Board and its committees;
c) under the direction of the Chairman of the Board or chairman of a relevant committee, post notices of all meetings and the subject matter thereof as may be required by law;
d) cause the secretary to the Board to record, prepare, and index the official minutes of the Board and its committees;
e) file and preserve all official documents, correspondence, and proceedings of the Board and its committees;
f) ensure proper custody of the TMRS official seal, affixing it to and attesting when necessary or desirable, all documents executed by or on behalf of the System, the Board and its committees;
g) maintain the official copy of these Bylaws;
h) as directed by the Board, establish routine reporting mechanisms and procedures to the Board, to identify institutional risks as observed by the Internal Auditor, and prepare special reports to the Board; and
i) carry out other policies adopted by the Board.

4.1.2. Operations of the System. The Executive Director is the chief executive officer of the System and is responsible to the Board of Trustees for the general administration of TMRS and investment of the System's assets in accordance with applicable state laws and policies adopted by the Board.[35] The Executive Director shall:

a) manage the daily operations of TMRS as its chief executive officer, in accordance with the System's mission, vision and core values, and applicable state and federal laws;
b) assume managerial responsibility and leadership for the planning, operation, supervision, and evaluation of programs and services;
c) assume authority and responsibility for developing and implementing an employee policy manual and for the selection, performance evaluation, compensation,

[34] See Texas Government Code, Section 855.201
[35] See Texas Government Code, Section 855.201

succession planning, and discipline, including dismissal, of all TMRS personnel except for :

(1) the Director of Internal Audit as provided in subsections 1.7 (ff) and 5.2 of these Bylaws; and

(2) the General Counsel as provided in subsections 1.7(ee) and 5.2 of these Bylaws;

d) prepare and submit an annual operating and capital outlay budget for consideration by the Board[36];

e) prepare recommendations for policies to be considered by the Board and oversee the implementation of adopted policies;

f) make transfers between line items in the annual budget (excluding personnel). To assure transparency to the Board, the Executive Director shall seek Board approval for transfers involving personnel;

g) recommend to the Board the selection of the actuary, custodian for securities, securities lending agent (if desired), external auditor for financial audits, investment consultants, governance consultant (if desired), governmental relations consultant to the Board, members of the TMRS medical board, and fiduciary counsel to the Board[37];

h) work closely with the Board to ensure the financial stability and long-term viability of the System; monitor the performance of the investment portfolio, ensure assets are invested in accordance with established policies, and that proper controls are in place to safeguard assets;

i) advise and confer with the Board on financial, economic and political trends and developments affecting the System;

j) ensure sufficient resources are requested through the budget process and that resources are properly aligned to execute and accomplish the System's strategic plan and goals;

k) maintain effective relationships with participating cities, member groups, key political leaders, media, and other stakeholders;

l) represent TMRS as a subject matter expert on System programs and activities and, as necessary, interact with legislators and testify as a resource on proposed legislation affecting TMRS; and

m) annually brief the Board on the completion of the Executive Director's goals for the past year and the setting of his or her goals for the coming year.

4.2. <u>Absence of Executive Director</u>. If the Executive Director will be away from the TMRS headquarters for a brief period, then as contemplated by Section 4.3 of these Bylaws, the Executive Director may designate one or more senior level staff member(s) to act in his or her stead generally or for a particular purpose. In the absence of the Executive Director due to incapacity or otherwise when the Executive Director has not previously designated a person(s) to fulfill his duties and the duration of the absence is unknown and the absence may be extended or permanent, the Chief Investment Legal and Compliance Officer shall perform such duties as are necessary to the administration of the System and shall have the responsibility and authority of the Executive Director until the Board designates the person succeeding to the responsibilities

[36] See Texas Government Code, Section 855.201

[37] See Texas Government Code, Sections 855.107, 855.109, 855.202, 855.203, 855.205, 855.301

and authority of the Executive Director. In an emergency situation in the absence or incapacity of the both the Executive Director and the Chief Investment Legal and Compliance Officer, the Chairman of the Board shall designate the person succeeding to the responsibilities and authority of the Executive Director pending approval by the Board of Trustees. The Chairman of the Board or the Chief Investment Legal and Compliance Officer shall immediately notify the Texas Ethics Commission whenever there is a change in the person named to the position of Executive Director.[38]

4.3. <u>Delegating Responsibilities</u>. The Executive Director shall designate an employee of TMRS to serve as secretary to the Board to assist in the execution of duties enumerated in subsection 4.1.1 and may assign or delegate to other employees of TMRS as necessary to assist in carrying out these and other duties.

CHAPTER 5

MISCELLANEOUS ORGANIZATIONAL PROVISIONS

5.1. <u>Administration of TMRS</u>. The administration of TMRS is governed by these Bylaws, Board policies, and applicable state law. In the event of a conflict between these Bylaws and applicable state law, the applicable state law shall govern to the extent necessary to resolve the conflict.

5.2. <u>Employees</u>. All employees of the System serve on an 'at will' basis and may be hired or terminated by the Executive Director, except for the Director of Internal Audit and General Counsel, who may be hired or terminated by the Board. Employees' positions and responsibilities are governed by the the Salary Schedules adopted by the Board, by the System's Employee Handbook, and by applicable state law. The Employee Handbook does not create individual contract rights for TMRS employees. It is intended as a guide to management for the sound exercise of its discretion and shall be periodically reviewed and updated by the Executive Director.

5.3. <u>Investments</u>. The investments of the System are authorized to be made only in accordance with investment goals, objectives, and policies adopted by the Board of Trustees and authorized by applicable state, federal, and foreign law. The Executive Director, or his/her designee, may, from time to time, approve and adopt procedures for implementing such investment goals, objectives, and policies adopted by the Board; provided, however, that the Board, in its sole discretion and by Board vote or resolution, may revoke all or any part of such authority delegated to the Executive Director, or his/her designee, and retain the authority to approve and adopt some or all such investment procedures from time to time. The investment of TMRS assets is intended to be delegated to the Executive Director, the Chief Investment Officer, and TMRS outside investment managers. While the Board is the sole judge of the Investment Policy Statement, the execution of that policy is the responsibility of the Executive Director and her/his designees. The Board must determine accountability by the internal Investment Staff and

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[38] See Texas Government Code, Section 572.026

external managers for their execution of the Board's investment goals and objectives as set forth in the Investment Policy Statement.

5.4. <u>Custody of TMRS Assets</u>. TMRS trust assets shall be entrusted to one or more custodians only in accordance with policies and other actions of the Board and applicable state law. The Board shall select the custodian or custodians to hold TMRS assets.

5.5. <u>Budget and Fiscal Year</u>. The budget of the System shall be adopted by the Board and may be amended by the Board at any subsequent meeting(s). The System's fiscal year shall begin January 1 and shall end the following December 31.

5.6. <u>Title to and Ownership of Assets</u>. Accounts or assets of the System may be held in the name of TMRS, nominees, depository trust companies, or other agent in accordance with Texas Government Code, Section 855.301. The assets of the System shall not be considered at any time to be assets of the State of Texas or of any participating municipality or of the System's members, annuitants, and beneficiaries; but are to be held in trust for the exclusive benefit of TMRS members, annuitants and beneficiaries.

5.7. <u>Authority to Act</u>. The Board delegates authority for the following matters to the Executive Director or such person as the Executive Director may designate, subject to applicable law, and actions and policies of the Board:

a) certain investment decisions, provided they are otherwise consistent with the Investment Policy Statement;
b) contracts for the purchase of goods and services, in accordance with the budget;
c) release of assets held in the name of the System, its nominees, or other agents;
d) signing checks and authorizing fund transfers for payments from the assets of the System;
e) initiation, defense, and settlement of lawsuits and other claims subject to applicable actions of the Board. The Executive Director, after consultation with legal counsel, is authorized to settle benefit or employment related lawsuits and other claims without Board approval. The Executive Director, after consultation with legal counsel, is authorized to settle non-benefit and non-employment related lawsuits and other claims without Board approval for amounts not exceeding $100,000;
f) the development and approval of policies and procedures concerning the day-to-day operations of the System; and
g) beyond the responsibilities listed in Section 1.7, all other responsibilities related to the daily management of the System are delegated to the Executive Director.

5.8. <u>TMRS Rules</u>. The Executive Director is authorized to draft and submit proposed rules for the System to the Secretary of State to be considered by the Board for adoption in accordance with state law.

5.9. <u>Protection of Trustees and Others</u>. System will indemnify, defend, and hold harmless its current and former Trustees, officers, employees, and members of the TMRS medical board in accordance with the following provisions.

5.9.1. Permissive Indemnification. The System shall indemnify any person who was, is, or is threatened to be made a named defendant or respondent in a proceeding because the person is or was a trustee, officer, employee, or member of the medical board of the System or is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity, as follows:

5.9.1.1. Such person shall be indemnified against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the person in connection with the proceeding; but, if the person is found liable to the System or is found liable on the basis that personal benefit was improperly received by the person, the indemnification (1) is limited to reasonable expenses actually incurred by the person in connection with the proceeding excluding a judgment, penalty, fine, or excise or similar tax and (2) shall not be made (even as to expenses) in respect of any proceeding in which the person shall have been found liable for willful or intentional misconduct in the performance of his duty to the System, for breach of his duty of loyalty owed to the System, or for an act or omission not committed in good faith that constitutes a breach of a duty owed by him to the System.

5.9.1.2. Such a person shall be indemnified under this Section 5.9 if it is determined that such person conducted himself or herself in good faith and reasonably believed, in the case of conduct in his or her official capacity, that his or her conduct was in the System's best interest, and in all other cases that his or her conduct was at least not opposed to the System's best interests. In the case of any criminal proceeding, an additional determination must be made that such person had no reasonable cause to believe his or her conduct was unlawful.

5.9.1.3. The determinations regarding conduct required under Section 5.9.1.2 shall be made by:

(1) a majority vote of the Trustees who at the time of the vote are disinterested and independent, regardless of whether the Trustees who are disinterested and independent constitute a quorum;

(2) a majority vote of a committee of the Board if the committee:

(A) is designated by a majority vote of the Trustees who at the time of the vote are disinterested and independent, regardless of whether the governing persons who are disinterested and independent constitute a quorum; and

(B) is composed solely of one or more Trustees who are disinterested and independent; or

(3) special legal counsel selected by the Board, or selected by a committee of the Board, by vote in accordance with Subdivision (1) or (2);

If special legal counsel determines under Subsection 5.9.1.3(3) that a person meets the standard under Section 5.9.1.2, the special legal counsel shall determine whether the amount of expenses other than a judgment is reasonable but may not determine whether indemnification should be paid. The provisions of Section 5.9.1.2 requires the indemnification of a person who meets the standard under Section 5.9.1.2.

5.9.2. Mandatory Indemnification for Reasonable Expenses. The System shall indemnify a person who is or was a trustee, officer, employee, or member of the medical board of the System or a person who is or was serving at the request of the System as a trustee, director, officer, employee or agent of any other entity against reasonable expenses incurred by such person in connection with a proceeding in which such person is a party as a result of his or her position as such a person, if such person has been wholly successful, on the merits or otherwise, in the defense of the proceeding.

5.9.3. Expenses Advanced. The System may pay or reimburse, in advance of the final disposition of a proceeding without making the determinations required under Section 5.9.1.2, any reasonable expenses incurred by a person who is or was a trustee, officer, employee, or member of the medical board of the System, or by a person who is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity who was, is, or is threatened to be, made a named defendant or respondent in such a proceeding after the System receives (i) a written affirmation by such person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article 5.9 and (ii) a written undertaking by or on behalf of such person, to repay the amount paid or reimbursed if it is ultimately determined that he or she has not met those requirements.

5.9.4. Expenses as a Witness. The System may pay or advance or reimburse as set forth in Sections 5.9.2 and 5.9.3 of these Bylaws reasonable expenses incurred by a trustee, officer, employee, or member of the medical board of the System, or by a person serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity in connection with the appearance of such person as a witness or other participation in a proceeding at a time when he or she is not a named defendant or respondent in the proceeding.

5.9.5. No Presumption. The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent, is not of itself determinative that the person did not meet the requirements set forth in this Article 5.9. A person shall be deemed to have been found liable in respect of any claim, issue, or matter only after the person shall have been so adjudged by a court of competent jurisdiction and after exhaustion of all appeals therefrom.

5.9.6. Insurance. The System may purchase and maintain insurance or another arrangement on behalf of any person who is or was a trustee, officer, employee, or member of the medical board of the System or who is or was serving at the request of the System as a trustee, director, officer, employee, or agent of any other entity against any liability asserted against him or her and incurred by him or her in such a capacity or arising out of his status as such a person, whether or not the System would have the power to indemnify him or her against that liability under these Bylaws. Without limiting the power of the System to procure or maintain any kind of insurance or other arrangement, the System may, for the benefit of persons indemnified by the System establish any form of self-insurance. In the absence of fraud, the judgment of the Board and/or the Executive Director as to the terms and conditions of the insurance or other arrangement and the identity of the insurer or other person participating in an arrangement shall be conclusive and the insurance or arrangement shall not be voidable and shall not subject the Trustees or Executive Director approving the insurance or arrangement to liability, on any ground, regardless of whether Trustees and/or the Executive Director participating in the approval are beneficiaries of the insurance or arrangement.

5.9.7. Other Protection. The protection and indemnification provided hereunder (i) shall not be deemed exclusive of any other rights to which such person may be entitled under law, any agreement, any insurance policy, or otherwise; (ii) shall continue as to any person who has ceased to serve in the capacity which initially entitled such person to indemnity and advancement of expenses; and (iii) shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of such person. The rights granted by this Article 5.9 shall be deemed to be contract rights, and no amendment, modification, or repeal of any provision of this Article 5.9 shall have the effect of limiting or denying any such rights with respect to actions taken or proceedings arising prior to any such amendment, modification, or repeal. Nothing in this section is intended as a waiver or compromise of sovereign immunity as determined by Texas law or the 11th Amendment of the U.S. Constitution.

5.9.8. Notice of Indemnification of or Advance of Expenses. Any indemnification of or advance of expenses to a Trustee in accordance with this Article 5.9 shall be reported in writing to the Board with or before the next Board meeting.

5.10. <u>Insurance</u>. The System may, in accordance with the budget, purchase and maintain insurance on behalf of the System and its current and former Trustees, officers, employees, and members of the TMRS medical board.

5.11. <u>Official Seal of TMRS</u>. The form of the official seal of TMRS shall consist of a five-point star surrounded by a pair of branches and two concentric circles with the name "Texas Municipal Retirement System" and the word "Austin" displayed in the space between the two circles. The seal may be either embossed or stamped. Affixing the TMRS seal is not necessary to authenticate or attest a TMRS document unless the seal is required by applicable law.

CHAPTER 6

AMENDMENT OF BYLAWS

Section 6.1 Amendment of Bylaws.

These Bylaws may be amended by majority vote of the Board at any duly posted meeting of the Board for which notice of consideration of the proposed amendment has been properly given under the Open Meetings Act.

Bylaws Review and History.

Effective beginning May 28, 2020, these Bylaws will be reviewed at least every four years.

The Board adopted these Bylaws of the Board of Trustees of the Texas Municipal Retirement System on September 16, 1995.

The Board subsequently amended these Bylaws by vote of the Board on:

- March 19, 2004
- September 18, 2004
- September 7, 2007
- December 4, 2014
- December 5, 2019
- May 28, 2020,
- September 17, 2020
- _______________, 2026

____
Chairman, Board of Trustees

ATTEST:

____
Executive Director

June 15, 2026

To: **Board of Trustees**

From: **Tom Masthay, Chief Investment Officer** TMM

Re: **Agenda Item 19: Report on Investment Committee Meeting**

Trustee Pamela Williams and Tom Masthay will report on the Investment Committee meeting.

June 15, 2026

To: **Board of Trustees**

From: **Tom Masthay, Chief Investment Officer** TMM

Re: **Agenda Item 20: Consider and Act on Potential Private Markets Investment**

Staff requests the Board waive the Investment Guidelines Percentage of Assets Under Management Limitation to allow for a $300 million commitment to Conifer Infrastructure Partners. The subject provision limits staff-delegated authority for an investment with Conifer to $225 million, 25% of the manager's $900 million of assets under management. TMRS would represent 33.3% of Conifer's AUM if the larger commitment amount is permitted.

June 15, 2026

To: **Board of Trustees**

From: **Tom Masthay, Chief Investment Officer** TMM

Re: **Agenda Item 21: Consider and Act on Potential Amendments to the Investment Policy Statement**

The Investment Policy Statement (IPS) establishes the overall governance structure of the TMRS investment program. In service of goals to strengthen governance transparency, clarify standards of accountability, and enhance Board visibility, revisions to the IPS are being proposed.

ATTACHMENTS:

1. Investment Policy Statement (clean revised version)

INVESTMENT POLICY STATEMENT

Effective July 1, 2026

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SECTION I: INTRODUCTION

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS or the System) has adopted this Investment Policy Statement (IPS) to govern the System's Trust Fund investments. The IPS, along with its Exhibits, outlines TMRS' investment objectives and beliefs, Board and staff responsibilities and limitations, and asset allocation. The IPS also establishes accountability for the Board, staff, investment consultants, and investment managers. Board approval is required for any action that deviates from the IPS.

The objective of TMRS' investment program is to ensure that members, retirees and beneficiaries receive the benefits they have been promised by participating cities at a reasonable and predictable cost to those cities. To achieve this objective, the Board, in consultation with its Consulting Actuary, is responsible for adopting an actuarial return assumption (ARA). Trust Fund assets will be invested to achieve a total return that meets or exceeds the current ARA of 6.75%.

The Board will review the IPS annually.

SECTION II: STANDARD OF CARE

Standard of Care. As System fiduciaries, the Board and staff must:

1. Exercise the degree of judgment and care, under the circumstances, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, considering the probable income from the securities and probable safety of their capital.

2. Evaluate investment decisions in the context of the entire Trust Fund portfolio and with appropriate risk and return objectives.

Conflict of Interest Prohibited. Board members, staff, investment consultants, and investment managers will refrain from any activity that could conflict with the proper execution and management of the TMRS investment program, or that could impair their ability to make impartial recommendations and decisions. These parties are required to disclose, in writing, any known relationships that could create or appear to create a conflict of interest.

Decisions in the Best Interest of the System. Board members and staff are required to make all investment decisions in the best interest of the System and shall comply with applicable TMRS policies on personal investment activities. To protect against unethical behavior between TMRS and investment managers during a manager search, any communication by a prospective manager with a Board member regarding an ongoing search should be referred to the Chief Investment Officer.

SECTION III: ROLES & RESPONSIBILITIES

A. BOARD OF TRUSTEES

The Board is responsible for the administration of the System and its investment program. To advise and assist the Board in fulfilling its fiduciary oversight responsibilities, the Board has established an Investment Committee operating under the Charter for the Board's Investment Committee. The Board, Investment Committee, and each Trustee must discharge their duties solely in the interest of providing benefits to members, retirees and beneficiaries. While the Board maintains oversight responsibility for the investment of the Trust Fund, to improve the efficient use of its resources, the Board has delegated Capital Allocation Decisions up to certain limitations, specific Portfolio Management Decisions, and Operational Management of the investment program (collectively "Delegated Investment Activities") to staff.

The Board's investment role includes, but is not limited to, adopting a written IPS which establishes the following:

1. investment goals, objectives and beliefs of the System consistent with plan funding needs;
2. a list of Delegated Investment Activities;
3. monitoring and evaluation standards for investment performance, investment risk, Delegated Investment Activities, and compliance with the IPS and applicable state and federal laws;
4. Standards for the selection of Key Service Providers including, but not limited to, the General Investment Consultant, Specialized Investment Consultants to the Board, Custodian Bank, Proxy Voting Advisor, and Securities Lending Agent.

B. STAFF

Executive Director. The Board has determined that implementation of investment decisions within the limits set forth in the IPS shall be delegated to the Executive Director (ED) or their designees. The ED's responsibilities and duties include, but are not limited to:

1. Supervising the investment program by ensuring that investment staff act in accordance with the IPS and that internal controls and a compliance structure are in place to safeguard Trust Fund assets;
2. Negotiating, where necessary, and executing all contracts, agreements, and memorandums of understanding in accordance with the IPS;
3. Taking prudent action deemed necessary to protect Trust Fund assets
4. Ensuring regular investment reporting is provided to the Board; and
5. Performing or delegating additional duties as determined by the Board.

Chief Investment Officer. The Chief Investment Officer (CIO) is the senior member of the investment staff and directs the day-to-day activities of the investment program. The CIO's responsibilities and duties or its designees include, but are not limited to:

1. Providing information, support, and advice to the Board to ensure its directives are fulfilled;
2. Ensuring implementation of the investment program is consistent with the Board's intentions as set forth in the IPS;
3. Ensuring adequate controls are in place to safeguard Trust Fund assets by maintaining internal procedures, analytical and risk management tools, and recommending updates to the IPS;
4. Recruiting, retaining and supervising a qualified investment staff capable of implementing the IPS; and
5. Performing or delegating other duties pertinent to the day-to-day management of the Trust Fund.

Chief Investment Legal and Compliance Officer. The Chief Investment Legal and Compliance Officer (CILCO) is the System's chief investment legal advisor. The CILCO is responsible for coordinating all legal services relevant to the administration of the investment program and for designing and implementing a compliance program independent of investment department oversight to ensure that testable parameters of the IPS are adhered to and operational actions pertinent to security of the Trust Fund are carried out.

Director of Internal Audit. The Director of Internal Audit ensures that adequate and effective internal controls are in place and objective audits of investment functions are periodically performed.

Staff Investment Committee. The Staff Investment Committee (SIC), operating at the direction of the Executive Director and pursuant to the SIC Charter, reviews and approves decisions falling under IPS delegated authority.

Investment Staff. Investment staff are responsible for the daily operation and implementation of the investment program and work with investment consultants to advise the Board, ED and CIO on investment-related matters.

C. ADVISORS

Investment Consultants. Investment consultants are retained by the Board to provide independent advice on investment-related matters. All investment consultants must act as fiduciaries in advising the Board and staff, be bound by prudent expert standards, and be Registered Investment Advisers under the Investment Advisers Act of 1940. The Board will retain a General Investment Consultant and may retain Specialized Investment Consultants. Responsibilities and duties of investment consultants include, but are not limited to the following.

1. **General Investment Consultant.**

    a. Advising on the development of investment goals and objectives, investment policies and strategies, asset allocation, investment manager and service provider selection, monitoring, terminations, guidelines and restrictions, analysis of investment performance and risk, advice on internal staffing issues, and independently researched support for delegated investment decisions in areas of firm expertise.

    b. Ensuring the Board is provided educational opportunities on institutional investment practices and other topics pertinent to the discharging their fiduciary obligations.

    c. Working closely with staff to ensure that TMRS' investment objectives are achieved in accordance with the IPS and applicable state and federal laws and regulations.

    d. Collaborating with the Consulting Actuary, Specialized Investment Consultants, and other investment service providers to provide coordinated advice to the Board.

2. **Specialized Investment Consultant.** The Board may retain one or more Specialized Investment Consultants to provide advice on specific asset class implementations or other topics. Specialized Investment Consultants collaborate with the General Investment Consultant and staff to provide independent support for delegated investment decisions.

Fiduciary Counsel. The Board retains Fiduciary Counsel to provide advice on matters related to the exercise of the fiduciary standards required by law and regulation. Fiduciary Counsel also works with the ED, CILCO and CIO on investment-related legal matters.

Investment Managers. TMRS retains investment managers to implement specific strategies consistent with the IPS and according to the terms of the contract governing their mandate. All investment managers must act as fiduciaries, be Registered Investment Advisers under the Investment Advisers Act of 1940 or be registered comparably in another jurisdiction or otherwise be exempted from regulatory registration and must agree to contractual terms consistent with TMRS' Investment Principles.

SECTION IV: INVESTMENT PROGRAM GOVERNANCE

Section IV and related exhibits describe the mechanisms by which the Board fulfills its investment role and through which it holds staff (and consultants, as appropriate) accountable.

A. INVESTMENT BELIEFS

The Board shall adopt investment beliefs based on capital market theories and other investment and management principles generally accepted by long-term focused institutional investors. The Board's investment beliefs are:

1. The System's asset allocation and funding strategies are based on an asset/liability framework and are designed to optimize the funding of TMRS liabilities over time.

2. The most effective use of the Board's expertise and time is to set overall investment objectives and clearly articulate investment direction through the IPS, while continually monitoring its compliance.

3. Good governance promotes long-term value for the System and its members, retirees, and beneficiaries.

4. Clearly defined roles and responsibilities are essential to good governance.

5. The best investment results come from the right people following prudent processes to make the right decisions and taking ownership of long-term performance outcomes.

6. Intelligent risk-taking is rewarded with compensating returns over time and is justifiable for long-term investors.

7. Trust Fund risk must be managed.

8. The primary determinant of portfolio risk and return is the System's long-term asset allocation.

9. Capital markets have inefficiencies and opportunities that can be exploited.

10. Costs impact investment returns and should be monitored and managed.

B. ASSET ALLOCATION

The Board fulfills its responsibility to establish investment goals and objectives consistent with plan funding needs through the adoption of an Asset Allocation.

The Board's Asset Allocation must include asset classes, strategic target allocations with minimum and maximum allocation ranges for each asset class, and a benchmark to measure investment performance for each asset class and the Trust Fund in total. Asset Allocation is based on an Asset Allocation Study/review provided by the General Investment Consultant, that includes expectations for long-term return and risk for each asset class and the Trust Fund in total.

The Board's Asset Allocation is intended to produce investment returns equal to or greater than the Actuarial Return Assumption (ARA) at a level of risk acceptable to the Board. In adopting an Asset Allocation, the Board should consider the System's assets and liabilities, risk and return trade-offs, the ability to deliver on promised benefit payments at a reasonable and predictable cost to participating cities, the risk of permanent loss of capital, Trust Fund liquidity and the ability to maintain a long-term strategy during sustained periods of market volatility.

See Exhibit A: Asset Allocation for the Board's adopted Asset Allocation.

C. DELEGATED AUTHORITY

To enable efficient administration of the investment program, the Board has divided Delegated Investment Activities into three broad groups to distinguish between decisions concerning new investments (Capital Allocation Decisions), those concerning ongoing maintenance of the Trust Fund in line with IPS-established expectations (Portfolio Management Decisions), and activities pertinent to the day-to-day management of the Trust Fund (Operational Management).

Capital Allocation Decisions. Capital Allocation is the investment of Trust Fund capital into new investment opportunities. Capital Allocation Decision delegation principles follow that: i) the Board delegates decisions up to certain limits calculated using the market value of total Trust Fund assets as reported in the latest Annual Comprehensive Financial Report (ACFR); ii) the investment process staff utilizes to make a delegated Capital Allocation Decision be thoroughly documented; iii) investment consultant support is required for the investment vehicle that TMRS is the signatory to when executing a Capital Allocation Decision; and iv) the TMRS signatory for any Capital Allocation Decision is independent of investment staff.

Portfolio Management Decisions. Portfolio Management involves the maintenance of the investment portfolio (i.e., a collection of previously made Capital Allocation Decisions) consistently with Board goals and objectives. Portfolio Management Decision delegation principles follow that: i) the Board delegates specific actions related to the modification of pre-existing Capital Allocation Decision so long as Capital Allocation delegation limitations are not violated; ii) all Portfolio Management Decisions be documented and transparently reported upon; and iii) the execution path for Portfolio Management Decisions prioritize operational efficiency.

Operational Management. Operational Management of the investment program is broadly delegated to the Executive Director and Chief Investment Officer. Among the delegated operational responsibilities is to ensure Board selection of and/or review of Key Service Providers takes place consistently with IPS established requirements. If the ED or CIO has doubts about whether an operational authority has been delegated via the IPS, they are to consult with the Investment Committee Chair before proceeding with the contemplated action.

See Exhibit B: Delegated Authority Standards for limitations, documentation requirements, authorized designees/signatories, and other details pertinent to Delegated Investment Activities.

D. RISK MANAGEMENT

Consistent with the governance standards established in this Section IV of the IPS, the Board has established a risk management program to ensure portfolio composition, individual investment risks, aggregate portfolio risks, how portfolio risk compares to expectations/benchmarks/peers, costs, and compliance with the IPS , among other risks, are considered and managed in appropriate measure.

See Exhibit C: Risk Management Standards for risk management program details.

E. REPORTING

The Board has adopted the following investment reporting principles for staff and consultants to follow when preparing reporting to ensure the Board has appropriate information to carry out its monitoring and evaluation responsibilities.

1. **Clear.** Written communications should be in plain English and avoid unnecessary technical jargon. Important messages or results should be easy to find and recognize.

2. **Concise.** Key information should be summarized. Extraneous information that does not directly improve the Board's ability, knowledge, and understanding in fulfilling its fiduciary responsibilities should be avoided.

3. **Balanced.** The pros and cons of any investment should be identified. Positive and negative information should be communicated to the Board.

4. **Timely.** Information should be provided to the Board in a timely manner.

See Exhibit D: Reporting Requirements for a complete list of Board reporting requirements.

EXHIBIT A

ASSET ALLOCATION

Effective October 1, 2025

The Board has adopted the following Asset Allocation:

Asset Class	Target %	Range	Benchmark
Public Equity	35%	25% - 45%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Private Equity	20%	12% - 28%	Cambridge Global Private Equity & Venture Capital
Tactical Opportunities	6%	0% - 11%	MSCI ACWI IMI ex-China ex-Hong Kong (Net)
Credit	21%	13% - 29%	40% ICE BofA 1-3 yr. A-BBB US Corporate Index 60% CS Leverage Loans Index + 100 bps
Real Assets	18%	10% - 26%	50% Cambridge Infrastructure 50% NCREIF NFI-ODCE (Net)

The Asset Allocation will be reviewed at least annually for reasonableness, taking into consideration current capital markets and economic conditions and the Board's views regarding long-term investment goals and objectives.

An Asset Allocation Study to comprehensively review the Asset Allocation will be completed at least every four years. The Board will verify or amend its Asset Allocation upon review of an Asset Allocation Study.

An Asset-Liability Modeling Study will be conducted at least every four years.

The Board will assess the Asset Allocation's performance over five-year rolling periods compared to the ARA, Trust Fund benchmark, and asset class benchmarks.

EXHIBIT B

DELEGATED AUTHORITY STANDARDS

Effective July 1, 2026

In addition to abiding by limits, documentation requirements, and signatory standards established by Exhibit B: Delegated Authority Standards, all Delegated Investment Activities shall be consistent with Exhibit A: Asset Allocation and Exhibit C: Risk Management Standards and reported per requirements established in Exhibit D: Reporting Requirements.

Delegated Capital Allocation Decisions			
Decision	**Signatory**	**Documentation Req.**	**Delegated Limit**
Passive Public Markets	ED or Designee	SIC Approval, Consultant Support	Asset Allocation Limit
Active Public Markets	ED or Designee	SIC Approval, Consultant Support	3.00%
Private Markets	ED or Designee	SIC Approval, Consultant Support	1.00%
Open-end Private Markets *Private Mkts. Limit Applies if < 3 yrs.*	ED or Designee	SIC Approval, Consultant Support	1.50% *if account open >3 yrs.*
Asset Specific Private Markets	ED or Designee	SIC Approval, Consultant Support	0.30%

Delegated Portfolio Management Decisions		
Action	**Signatory**	**Documentation Req.**
Inter-Asset Class Rebalancing	ED, CIO, or Designee	SIC Approval
Intra-Asset Class Rebalancing	ED, CIO, or Designee	SIC Reporting
Cash Management	ED, CIO, or Designee	SIC Reporting
Partial Redemptions	ED, CIO, or Designee	SIC Reporting
Terminations	ED, CIO, or Designee	SIC Reporting
Account Transitions	ED, CIO, or Designee	SIC Reporting
Secondary Sales	ED or Designee	SIC Approval, Consultant Support
Transition Manager Selection	ED or Designee	SIC Approval, Consultant Support once every 4 yrs.
Proxy Voting	CIO, CILCO, or Designee	SIC Approval for policy selection, out-of policy votes and those req. direction; Consultant Support for Policy Selection
Emergency Actions	ED, CIO	Ad-hoc

Board Retained Key Service Provider Selection Decisions			
Key Service Provider	**Signatory**	**Documentation Req.**	**Review Req.**
General Investment Consultant	ED or Designee	RFP (1 renewal allowed w/o), Staff Recommendation	Mid-Contract Review (5-yr. Max Term)
Alternative Inv. Consultant	ED or Designee	RFP (1 renewal allowed w/o), Staff Recommendation	Upon Contract Renewal (5-yr. Max Term)
Custodian Bank	ED or Designee	RFP (1 renewal allowed w/o), Staff Recommendation	Upon Contract Renewal (5-yr. Max Term)
Securities Lending Agent	ED or Designee	RFP (1 renewal allowed w/o), Staff Recommendation	Upon Contract Renewal (5-yr. Max Term)
Proxy Voting Advisor Selection	ED or Designee	Staff Recommendation, Consultant Support	Once Every 5 Years
Other Specialized Consultants	ED or Designee	Ad Hoc	Case-by-Case

Schedule of Authorized Signatory Designees			
Key Service Provider	**Primary**	**Secondary**	**Emergency**
Executive Director	Chief Operating Officer	Chief Financial Officer	CILCO
Chief Investment Officer	Dir. of Inv. Data & Ops	Managing/Sr. Director	CILCO

EXHIBIT C

RISK MANAGEMENT STANDARDS

Effective July 1, 2026

The Board of Trustees (Board) of the Texas Municipal Retirement System (TMRS or the System) has adopted these Risk Management Standards (RMS) as an addendum to the Investment Policy Statement to establish risk management principles and associated limitations. Amendments to the RMS are subject to Board approval.

The CIO will establish, document, implement, and oversee a risk management program to ensure investment risk is managed consistently with the IPS. The risk management program will ensure that investment risk, operational risk and portfolio impacts are assessed during the investment selection and execution processes and ongoing portfolio management. The CILCO and Internal Auditor respectively have risk management program oversight, compliance, and audit responsibilities consistent with those defined in the IPS.

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SECTION I: RISK MANAGEMENT STANDARDS TESTING

Testable parameters are identified and will be carried out as follows:

i) *Approval/Contract Tests.* Initial test at the time of delegated approval and/or contracting.
ii) *Quarterly Tests.* Ongoing quarterly tests; also applicable at time of approval.
iii) *Annual Tests.* Ongoing annual tests; also applicable at time of approval.

SECTION II: GENERAL STANDARDS

General Investment Management Guidelines (GIMG) apply to all investments and all asset classes held in the Trust Fund. GIMG limitations established herein apply at the asset class level unless otherwise specifically noted. Asset class guidelines and limitations will be measured on a net asset value basis with the denominator in the calculation being the greater of the net asset value of the asset class or the strategic target allocation of the asset class. The most recently finalized month-end net asset values reported by TMRS' Custodian Bank will be used for testing.

Eligible Investments (Approval/Contract Test)**.** Funds will be invested only in securities as defined in the TMRS Act.

Derivatives Usage (Approval/Contract Test)**.** As permitted in the TMRS Act, in the event TMRS allows an investment manager in a separately managed account to purchase or sell derivatives, the purchase or sale of derivatives shall only be used to manage transaction risk, currency risk, or interest rate risk in the purchasing, selling or holding of securities.

Leverage/Borrowing (Approval/Contract Test)**.** Leverage (synonymous with Borrowing for purposes of the RMS) generally presents itself in one of four forms in institutional investment portfolios. Each type is limited as follows:

1) *Trust Fund Level Leverage.* Trust Fund Level Leverage is prohibited unless specifically authorized by the Board.

2) *Asset Level Leverage.* Asset level leverage is inherent to many investments and is not specifically limited so long as borrowings are not made in TMRS name. Any asset level borrowing made in TMRS' name requires Board authorization.

3) *Investment Vehicle Level Leverage.* Investment vehicle leverage is inherent to many types of commingled investment vehicles and is not specifically limited so long as TMRS is not the Sole Investor (inclusive of Fund-of-One and similar structural situations where TMRS is the sole non-managing participant in an investment vehicle) and borrowings are not made in TMRS' name. Where TMRS is the Sole Limited Partner and borrowing is not being

done in TMRS name, borrowing limitations, if any borrowing is deemed allowable for an asset class, shall be established by the Board in Asset Class Standards. Any investment vehicle level leverage made in TMRS' name requires Board authorization.

4) *Derivatives.* Derivatives in TMRS' name used solely to manage transaction risk, currency risk, or interest rate risk in the purchasing, selling, or holding of securities are not considered leverage under this IPS. So long as derivatives used by an investment vehicle are not in TMRS' name, usage is not specifically limited.

Percentage of Manager Assets Under Management Limits (Approval/Contract Test, Annual Test for public market strategies)**.** No investment with any one single investment manager may account for more than 25% of that manager's total assets under management. Zero management fee TMRS investments do not contribute to the numerator in calculating adherence to this limitation. The AUM denominator will be taken from form ADV, similar regulatory forms, or the denominator calculation methodology will be detailed in associated recommendation materials.

Asset Specific Private Markets Strategies (ASPMS) Fiduciary Duty (Approval/Contract Test)**.** An ASPMS investment satisfies fiduciary duty obligations as set forth in the IPS if the following three requirements are met: i) TMRS is invested in the underlying ASPMS asset through another investment vehicle in which IPS-consistent contractual fiduciary duties have been established; ii) TMRS will not pay management fee or carry (or similar fees or incentives) for its participation in an ASPMS investment vehicle; and iii) the purchase and sale of the subject underlying ASPMS asset will be on terms substantially similar to the reference vehicle.

Delegated Authority Calculations (Approval/Contract Test)**.** Delegated authority limitations set forth in the IPS apply to single investment vehicles. Separate tranches invested through a common legal entity for cost or administrative purposes are separate investment vehicles for delegated limit tests. Percentage limitations may be interpreted as "amounts not to cause the total amount invested to exceed the limitation." The percentage limitation utilizes the following basis for the numerator in percentage calculations, where any newly contemplated investments in an investment vehicle are additive to the below:

i) For Passive Public Markets Strategies and Active Public Markets Strategies: the percentage test applies to the most recently available month-end market value.

ii) For Open-ended Private Market Strategies: the percentage limitation applies to the net asset value plus uncalled commitments.

iii) For closed-end private market vehicles: the percentage limitation applies to commitment amounts.

iv) For ASPMS strategies: the percentage limitation applies to committed amounts. The rollover of previously invested capital into a continuation vehicle does not count toward committed amounts.

v) This test exclusively applies to delegated limits for allocation to a specific investment vehicle. This test does not apply to compliance with asset class limits established by the Asset Allocation.

Quarterly and Annual Test Resolution. In the event a quarterly or annual test results in a finding of non-adherence with the Guidelines, a plan of action will be documented by TMRS staff and shared with the General Investment Consultant for input and feedback.

SECTION III: ASSET CLASS STANDARDS

A. PUBLIC EQUITY

Objective. The Public Equity asset class is intended to provide capital appreciation and liquidity for the Trust Fund.

Permissible Investments. Permissible investments include the following:

1. *Security Types.* Equity instruments which qualify as a "security" under TMRS' statutory authority, including exchange traded futures, swaps, ETFs, and options on currencies and securities.

2. *Externally Managed Investment Vehicles.* Separately managed accounts, other Sole Investor structures, commingled funds, and other multi-investor structures are allowed.

3. *Internally Managed Assets.* Public equity securities are not managed internally except for trading execution and/or transition assistance for public equity positions distributed to TMRS by private market investment vehicles.

4. *Derivatives.* Derivatives may be utilized as otherwise authorized in the IPS.

Portfolio Management Philosophy. The Public Equity portfolio will be constructed in a benchmark-aware manner. Geography, market capitalization, and sector exposures shall be closely aligned with the Board-established benchmark. Active management will be utilized where there is sufficient probability for excess net returns compared to passive alternatives.

Risk Management. Assessed at the total asset class level, risk management standards for Public Equity are as follows:

1. *Tracking Error (Quarterly Test).* Measured on a 5-year rolling basis, tracking error versus the Public Equity benchmark must be less than 250 basis points.

2. *Liquidity (Quarterly Test).* The Public Equity portfolio must be 75%+ convertible to cash via on-demand/daily liquidity contractual terms.

3. *Leverage/Borrowing Limitations for Sole Investor Structures (Approval/Contract Test).* Borrowing is prohibited for Sole Investor structures in the public equity asset class unless specific Board authorization is given.

4. *Geography (Quarterly Test).* Measured as a percentage of the total Public Equity asset class, ex-US exposure cannot deviate more than +/-10% from the asset class benchmark's ex-US weight.

5. *Market Capitalization (Quarterly Test).* For purposes of this test, market capitalization is divided into Mega/Large-cap, Mid-cap, and Small-cap buckets. Measured as a percentage of the total Public Equity asset class, the exposure to any market capitalization bucket cannot deviate more than +/-10% from the asset class benchmark's respective capitalization bucket weight.

6. *Sector (Annual Test).* Measured as a percentage of Global Industry Classification Standard (GICS) benchmark sector weightings, Public Equity portfolio sector deviations cannot deviate more than +/- 25% from benchmark weights, or, measured as a percentage of the Public Equity portfolio, be more than +/- 5% of the portfolio, whichever represents the larger deviation.

7. *Transaction Cost Analysis (Quarterly Test).* TMRS will partner with a third-party transaction analysis firm to track, understand, and report on public equity transactions costs.

Should any deviations from the Public Equity risk management standards occur, investment staff shall document the reason for the exception, report the deviation to the CILCO immediately, and will establish and execute a plan for bringing the portfolio back into compliance. The CILCO shall include details concerning any Public Equity risk management standards deviations in Board reporting.

B. CREDIT

Objective. The Credit asset class is composed of Public Credit and Private Credit. The Public Credit objective is to diversify risk, provide income, and be a source of liquidity for the Trust Fund. The Private Credit objective is to provide return enhancement relative to Public Credit.

Permissible Investments. Public Credit includes government debt, corporate debt, structured credit, and loans, among other tradable securities with debt-like characteristics. Private Credit additionally includes non-tradable instruments with debt-like characteristics.

Risk Management.

1. *Liquidity.* Public Credit strategies are expected to invest primarily in assets readily tradable in OTC or public transactions during normal market conditions. Private Credit strategies are expected to be illiquid and/or underwritten to a multi-year investment scenario.

2. *Public Credit Strategy Concentration (Quarterly Test).* Measured as a percentage of total Public Credit strategy market value, strategy concentration limits will be managed to the following limits and ranges:

i.	Core/Core +	0% to 50%
ii.	Global High Yield Debt	0% to 50%
iii.	Loans	0% to 50%
iv.	Structured Credit	0% to 50%
v.	EMD/Other	0% to 20%

3. *Private Credit Strategy Concentration (Quarterly Test).* Measured as a percentage of total Private Credit strategy market value, strategy concentration limits will be managed to the following limits and ranges:

i.	Corporate Direct Lending	0% to 75%
ii.	Opportunistic Credit	0% to 75%
iii.	Asset-Backed	0% to 50%
iv.	Structured/Niche/Other	0% to 30%

4. *Other Risk Measures.* Other notable risk metrics relevant to the Credit Asset class include geography, currency, interest rate risk, sector risk, credit quality, and concentration risks. Collectively, risk will be managed such that the total portfolio is managed in a benchmark-aware manner.

C. PRIVATE EQUITY

Objective. The Private Equity asset class is intended to enhance total fund performance through investment in non-publicly traded securities by generating a long-term rate of return that exceeds that of publicly-traded equities.

Permissible Investments. Private Equity strategies generally include, but are not limited to, buy-outs/growth equity, venture capital, and special situations investments such as distressed securities or other structured investments. The Private Equity market can be accessed using the primary market as well as secondaries, co-investments, and continuation vehicles, among other approaches.

Risk Management. Risk management principles for Private Equity will be managed as follows:

1. *Liquidity.* Private equity investments are expected to be illiquid and long-term in nature.

2. *Geography (Quarterly Test).* The Private Equity asset class will be managed subject to the following geographic limitations:

i.	U.S.A.	Min. 60%
ii.	International	Max. 40%

3. *Strategy Concentration Limits (Quarterly Test).* Strategy concentrations must be managed to the following ranges:

i.	Buyout/Growth	50% to 100%
ii.	Venture	0% to 30%
iii.	Special Situations	0% to 20%

D. REAL ASSETS

Objective. Real Assets is intended to enhance the total fund performance through investments that exhibit less volatility, greater income orientation, and more inflation hedging than most equity-oriented strategies.

Permissible Investments. Real Assets is composed of Real Estate, Infrastructure, and Natural Resource/Other strategies exhibiting real-asset-like characteristics.

Risk Management. Risk management principles for Real Assets will be managed as follows:

1. *Liquidity.* Real Asset investments are generally expected to be expressed through private markets. Public market strategies are allowable.

2. *Strategy (Quarterly Test).* Strategy concentration must be managed to the following ranges:

i.	Real Estate	25% to 75%
ii.	Infrastructure	25% to 75%
iii.	Natural Resources/Other	0% to 50%

3. *Other Risk Measures.* Other notable risk metrics relevant to Real Assets include geography, property type, leverage, and income profile, among others. Collectively, risk will be managed such that the total portfolio is managed in a benchmark-aware manner.

E. <u>TACTICAL OPPORTUNITIES</u>

Objective. Tactical Opportunities bucket targets diversifying investment strategies capable of beating the Public Equity benchmark.

Permissible Investments. Tactical Opportunities includes both public market strategies and private market strategies, and can include but is not required to, strategies contemplated to be invested in through other TMRS asset classes.

Risk Management. Risk management principles for Tactical Opportunities will be managed as follows:

1. *Liquidity (Quarterly Test).* Tactical Opportunities investments are allowed to be expressed in either public markets or private markets. Liquidity will be managed to the following limitations:

    i. Private Markets (excluding Hedge Funds) 0% to 67%
    ii. Public Markets (including Hedge Funds) 0% to 100%
    iii. Any vintage-year 2025 or later closed-end investment vehicle will be classified as private markets for purposes of this test.

F. CASH EQUIVALENTS

Objective. Cash balances satisfy cash flow requirements, reallocating assets between portfolios. Their investment objective is to safeguard principal, maintain adequate liquidity to meet anticipated needs, and earn incremental yield.

Permissible Investments. Permissible investments include interest bearing or discount instruments, money market funds, corporate issued commercial paper, bank issued Certificates of Deposit, bankers acceptances, fully collateralized repurchase agreements or participation in commingled cash equivalents funds managed by a bank, insurance company, or investment manager.

Risk Management. Risk management for cash equivalents will be managed as follows:

1. *Liquidity (Contractual Test).* Cash investments are expected to be highly liquid and maintained with sufficient liquidity to address TMRS' day-to-day cash flow needs. Cash equivalent securities will have a maturity less than or equal to fifteen months.

2. *Geography (Contractual Test).* Cash Equivalent holdings are expected to be maintained in US dollars. Both U.S. and foreign securities issued in U.S. markets are permissible.

SECTION IV: ADDITIONAL STANDARDS

A. <u>INVESTMENT MANAGER TRANSITIONS</u>

A transition manager may be retained to assist in the transfer of assets from one investment manager to another, and to serve as a liaison between the Staff, the Custodian Bank, the manager distributing assets, and the manager receiving assets. This transition may occur either within an asset class or between asset classes. The transition manager, chosen from a pre-approved list of providers will facilitate clear communication between all parties, work to minimize market impact, trading costs and opportunity costs and may include interim investment management services of account assets for a limited period of time.

The transition manager is required to be a registered investment adviser under the Investment Advisers Act of 1940 as amended (unless properly exempted from registration by the SEC) or otherwise regulated by an appropriate governmental regulatory oversight organization (unless exempt from such registration requirement), act as a fiduciary to TMRS, not delegate such fiduciary responsibility, and provide agency-only execution services.

B. <u>PROXY VOTING</u>

Investment staff will vote proxies to maximize long-term investment returns consistent with the Board's fiduciary duty and the laws of the State of Texas. Proxies will not be voted to establish or endorse any social policy. A proxy advisory firm will assist investment staff in maintaining TMRS' custom proxy voting policy and monitoring adherence with it. See Appendix A for TMRS Proxy Voting Policies and Procedures.

C. <u>INVESTMENT FEE POLICY</u> (Effective December 3, 2020)

Summary. The Investment Fee Policy (Policy) is a Board approved policy that ensures the following three objectives are balanced and reported as part of TMRS' investment management processes.

1. Securing the best available combination of skill, net of fee performance expectations, and risk management for a given investment discipline;

2. Aligning the interest of TMRS with selected investment management firms; and

3. Reducing the overall costs of the investment program.

Approach and Alignment Principles. TMRS has adopted the following principles to negotiate investment management services fees across all strategies:

4. TMRS will consider manager compensation levels and alignment of economic interests in its manager selection decisions.

5. TMRS will utilize its negotiation strength to improve its contractually negotiated economic share of investment return.

The Approach and Alignment Principles recognize that:

1. Considerations will differ depending on asset class, strategy, vehicle structure and management style
2. TMRS has varying levels of negotiation strength
3. Passive alternatives are typically the least costly option but are not available for all strategies
4. Active management strategies typically charge more than passive strategies
5. Internal management of certain strategies may be a viable cost reduction alternative
6. Different strategies and managers have different demand levels for their products and thus may charge different fees
7. Alignment with and access to differentiated managers often come with higher levels of compensation
8. Compensation considerations include balancing management fees and incentive compensation

Oversight and Reporting Principles. Oversight and reporting of investment manager fees and expenses is a critical component of TMRS' investment management. By statute, industry requirement and/or best practice, TMRS must report certain fee and expense information concerning its investment portfolio to the Texas Pension Review Board or the public pursuant to open records requests and in the Annual Comprehensive Financial Report.

TMRS utilizes the following oversight and reporting principles:

1. TMRS will document its consideration of the rates of compensation for a manager during the investment decision-making process.

2. TMRS will ensure that payments are made in accordance with each investment manager agreement.

3. TMRS will design its manager fee and expense reporting practices to be consistent, timely, and in accordance with statutory and other reporting requirements.

EXHIBIT C.1

STAFF INVESTMENT COMMITTEE CHARTER

Effective March 5, 2026

Overview & Purpose

In accordance with the Investment Policy Statement (IPS), the Staff Investment Committee (SIC) operates at the direction of the Executive Director by reviewing and approving decisions subject to IPS Delegated Authority. The SIC's purpose is to ensure that investment decisions are subjected to robust debate, thorough documentation, disclosure of personal conflicts, transparent reporting practices, and a structure of formal accountability designed to promote strong and risk-aware investment outcomes.

SIC Membership & Minutes

SIC Members include the Chief Investment Officer and CIO appointments. The Chairperson of the SIC is the CIO, the Executive Director in the absence of an employed CIO, or the standing Chairperson's designee. The Chairperson designates an individual to serve as the Secretary of the SIC to take SIC meeting minutes. Meeting minutes providing, at a minimum, consolidated documentation of Decision Reviews and Reporting Items will be prepared and distributed to the SIC Minutes Committee consisting of the ED, Chairperson, and Chief Investment Legal & Compliance Officer for their review and approval by majority vote no less than quarterly.

Subcommittees and Operating Committees of the SIC may be established. Decision Review Authorizations given by Subcommittees are considered binding decisions of the SIC. Subcommittee actions will occur in SIC Meetings. Operating Committee actions will be reported to the SIC. Subcommittee membership is by CIO appointment, subject to confirmation of a majority of SIC members. Operating Committee membership is by CIO appointment.

For removal of doubt, the creation of SIC Subcommittees and Operating Committees, their respective memberships, and other SIC related bodies and roles detailed in Appendix A are subject to the Charter Amendment Process.

Decision Review Authorizations

The following IPS designated items require Decision Review Authorizations prior to action being taken:

i) Manager Hiring Decisions (Passive Public, Active Public, and Private Market Strategies)
ii) Asset Specific Private Market Strategy (ASPMS) Decisions
iii) Rebalancing Decisions

For a Decision Review to receive a formal vote, a quorum of three members of the SIC or majority of the relevant Subcommittee must submit votes. Passage of an item requires a majority vote, including the assenting vote of the Chairperson. Additionally, for Manager Hiring and ASPMS decisions only, the item must be presented for discussion in an SIC Meeting a minimum of two times and passage requires an assenting vote from the SIC Member under whose portfolio oversight the investment will reside. The Chairperson may additionally request SIC or Subcommittee votes on items not explicitly designated above—these votes shall operate by the same protocols, as applicable, described in this paragraph.

Conflict Disclosures

Conflict disclosures from all individuals contributing to a quorum for Manager Hiring Decisions and ASPMS must be completed and received by the CILCO before a Decision Review Authorization is considered final. Nothing in the preceding sentence shall be deemed to limit from whom the CILCO may request conflict disclosures.

Required Reporting Items

Cash Management and Emergency Actions (as described in the IPS) and Operating Committee actions will be reported in a timely manner. Proxy Voting reporting will be provided no less than annually.

SIC Meeting Protocols

- *Scheduling and Agendas.* SIC Meetings will be scheduled by the Chairperson as needed. The Chairperson shall set meeting agendas which may include Decision Reviews, Required Reporting Items, and additional items (Other Items). SIC Members may propose Decision Review items to the Chairperson for agenda inclusion consideration.
- *Attendance and Written Materials.* SIC meeting attendance is open to the Executive Director, CILCO, Chief Legal Officer, Internal Auditor (collectively "Enumerated Individuals"), those invited by the ED, CILCO and Chairperson, and/or those attending on behalf of the ED and/or CILCO. The Chairperson directs the attendance of investment team members. Written materials for Decision Reviews not involving MNPI and Reporting Items will be made available in advance of Decisions Reviews to Enumerated Individuals. MNPI materials will be made available to Enumerated Individuals upon request subject to the requirements in the following bullet.
- *Material Non-Public Information (MNPI) Executive Sessions.* If MNPI is to be discussed, SIC will move into MNPI Executive Session and attendance will be reduced to those authorized by the Chairperson to remain. Enumerated Individuals may elect to remain of their own accord. Any MNPI Executive Session attendees or MNPI written materials recipients not prior subject to the TMRS Personal Trading Policy (PTP) will become subject to the PTP process for any MNPI securities discussed in the subject meeting or for which written materials were received through the removal date of the subject security from the PTP Restricted List.
- *Executive Sessions.* Executive Sessions for reasons other than MNPI may be called by the ED, Chairperson, or CILCO. Executive Sessions may be attended by the ED, Chairperson, CILCO, SIC Members, and those invited by those eligible to call Executive Sessions.

Reporting to the Board of Trustees

A written summary of SIC meeting activity shall be regularly provided to the Board of Trustees.

Charter Amendments

This Charter shall only be amended upon the agreement of the ED and CIO. Any amendments to the SIC Charter will be provided to the Board at the next regularly scheduled Board meeting.

Appendix A – Staff Investment Committee Membership
Effective March 5, 2026

Overview

The structure of the SIC and its various Subcommittees and Operating Committees, along with respective appointed memberships, is designed to promote balanced perspectives and timely decision-making.

General Voting Protocols

If SIC and/or SIC Subcommittee Members cannot attend a meeting at which their respective Decision Review vote is required, they may cast electronic votes or, at the Chairperson's discretion, they may designate a colleague to serve in their stead. In addition to the recordation of SIC and SIC Subcommittee Members' votes which contribute to Decision Review Authorization tallies, members of deal teams contributing to Decision Review items shall cast votes and other investment team members may cast votes at their own discretion, all of which will be recorded in SIC Meeting minutes.

Staff Investment Committee (SIC)

Members: Tom Masthay, Tim Sweeney, Amol Deshpande, John Ritter, Darren Schlissel
Decision Review Authority: Manager Hiring Decisions
Additional Responsibilities: Receive, review, and, as applicable, vote on Reporting and Other Items

Trinity River Subcommittee (TRC)

Standing Members: Tom Masthay, Amol Deshpande
Asset Class Members: John Ritter (RA, PE), Darren Schlissel (Credit), Tim Sweeney (Pub Mkts)
Decision Review Authority: ASPMS

Risk & Liquidity Subcommittee (RLC)

Members: Tom Masthay, Tim Sweeney, Darren Schlissel, Frank Atkins, Jeff Batas
Decision Review Authority: Rebalancing Decisions
Additional Responsibilities: Proactively advise the CIO on risk and Cash Management decisions
Notes: The IPS notes that the CIO is responsible for the implementation of a risk management program. The RLC is the primary forum for discussing risk management issues and advancing further risk management initiatives.

Proxy Voting Operating Committee (PVC)

Members: Tom Masthay, Nick O'Keefe, Tim Sweeney, Frank Atkins
Operating Decision Authority: Proxy Voting

Global Investment Performance Standards Operating Committee (GIPS© Committee)

Members: Tom Masthay, Nick O'Keefe, Jeff Batas
Operating Decision Authority: Decisions required for the GIPS© verification process.

Secretary of the SIC

Primary: Cindy Morse
Back-up: Ad-hoc assigned by the Chairperson as needed

EXHIBIT C.2

INVESTMENT PRINCIPLES

TMRS' Investment Principles state the minimum contractual standards by which investment managers must abide. The Executive Director is responsible for the maintenance and updating of the Investment Principles consistent with the IPS. Any amendments to the TMRS Investment Principles will be provided to the Board at the next regularly scheduled Board meeting.

1. Investment managers must be registered as an investment adviser with the SEC, exempt from registration with the SEC, or registered with a foreign regulatory agency.

2. Investment managers must agree to act as fiduciaries and to a standard of care that prohibits placing their or their affiliates' interests ahead of those of the investment vehicle in which TMRS invests.

3. TMRS will not agree to indemnify or exculpate for breach of fiduciary duty.

4. Texas law must govern issues related to Texas law and regulation, including sovereign immunity and litigation involving only TMRS, and venue must be in Texas for any litigation involving only TMRS.

5. Investment managers must permit communications among investors, subject to reasonable limitations.

6. Investment managers and their affiliates cannot vote on non-ministerial matters, such as self-interested transactions or an increase in fees payable to the manager.

7. Investment managers must agree to TMRS' language regarding compliance with Texas statutes that require public disclosure of certain information pertaining to TMRS investments and access to TMRS' board meetings.

Revised October 2023

EXHIBIT D

Reporting Requirements

Effective July 1, 2026

Reporting Requirements		
Report (Owner)	**Periodicity**	**Purpose/Content Requirements**
Trust Fund Report (CIO)	Quarterly	The Trust Fund report is intended to provide the Board with an executive summary of investment program health. Reporting shall generally include information comparing the portfolio vs. IPS expectations and requirements, performance, risk, performance and risk attribution, key actions taken under delegated authority, changes in portfolio positioning since the prior report to the Board, and periodic key portfolio management analyses such as private market pacing.
Performance & Risk Report (General Investment Consultant)	Quarterly	A performance and risk report shall provide information enabling the Board to assess assess: i) asset allocation; ii) capital markets conditions; iii) absolute performance and risk; iv) performance and risk relative to benchmarks; and v) performance and risk relative to peer institutions.
Compliance Report (CILCO)	Quarterly	Compliance staff shall conduct and report upon IPS testing, and any other testing conducted under the investment compliance program. Exceptions and notable risks identified shall be reported upon.
Delegated Decision Reports (CIO)	Quarterly	A summary of all Capital Allocation and Portfolio Management decisions made under IPS Delegated authority shall be provided to the Board. Staff Investment Committee (SIC) Minutes and Investment Consultant support memos, where required, shall be incorporated into reporting.
Proxy Voting (CIO)	Annual	The proxy voting summary report shall include proxy voting results for each public markets separately managed account, and other accounts which TMRS has contractual authority to direct proxy voting as appropriate. The Report will include the number of ballots cast, the number of issues voted upon, and percent of issues voted with management, against management, and designated as abstaining.
Asset Class Annual Reviews (CIO)	Annual	Investment staff shall conduct and report upon annual asset class reviews. Reporting shall generally include requirements of the Trust Fund report, albeit at the asset class level. Reporting shall additionally include costs of asset class implementation, and details concerning alignment with provisions included in the Risk Management Standards.
Investment Manager & Key Service Provider Reviews (CIO)	Annual	Investment staff shall conduct investment manager and key service provider reviews on an annual basis. Reporting shall include a summary assessment of each manager or key service provider, including updated regulatory and audited financial statement reviews as appropriate, and any related recommended actions.
Material Deviations from the IPS (any Board Investment Consultant)	Ad-Hoc	If an investment consultant learns of any material deviation from prudence, objectivity, IPS provisions, or learns of any other matter of concern involving TMRS' investment program, the consultant must promptly express their concern in writing to the Board.

EXHIBIT E

DEFINITION OF TERMS

Active Public Markets Strategies. Actively managed strategies which have redemption windows of one month or less.

Asset Allocation Study. A study to determine the asset allocation most appropriate for the System based on the results of the Asset Liability Study.

Asset-Liability Study. A comprehensive actuarial review process that seeks to align Trust Fund investment policy with System-designated contribution policy, expected future benefit payments to beneficiaries, and plan expenses.

Asset Specific Private Markets Strategies (ASPMS). Strategies that involve the underwriting of specific and known assets, rather than diversified or unspecified, blind-pool fund vehicles. ASPMS include, but are not limited to, single-asset co-investments and continuation vehicles.

Custodian Bank. The financial institution that holds and/or accounts for Trust Fund assets.

Investment Managers. Third parties that provide investment management services on a long-term basis. Investment managers include, but are not limited to, the managers of Passive Public Markets Strategies, Active Public Markets Strategies, Private Markets Strategies, and Asset Specific Private Markets Strategies.

Open-ended Private Markets Strategy. A Private Market Strategy invested in a structure with no fixed term, allowing for investments and redemptions to occur over an indefinite time period. Specifically, as related to Delegated Authority: i) three-years is measured from the date capital is first drawn from TMRS to be invested; ii) the numerator in the delegated limit test is measured by adding the most recently available net asset value plus the new committed amount at time of legal closing. The Hedge Fund asset class is not considered an Open-ended Private Markets Strategy for purposes of Delegated Authorities.

Passive Public Markets Strategies. Strategies invested in public securities that seek to closely replicate a TMRS asset class benchmark in the Asset Allocation, or closely replicate an index which plays a role in more closely aligning a TMRS asset class portfolio with its asset class benchmark. Enhanced core fixed income strategies are considered Passive Public Markets Strategies.

Private Markets Strategies. Strategies which have redemption windows exceeding one month. Hedge Funds are considered Private Market Strategies for purposes of Delegated Authority.

Registered Investment Adviser. An investment adviser is defined by the Securities and Exchange Commission (SEC) as an individual or a firm that is in the business of giving advice about securities and is registered as such with the SEC or a state's securities agency.

Trust Fund. Total TMRS investment assets held in trust for the benefit of members, retirees and beneficiaries and service of expenses of administering the System.

June 15, 2026

To: **Board of Trustees**

From: **Tom Masthay, Chief Investment Officer** TMM

Re: **Agenda Item 22: Consider and Act on 2027 Investment Performance and Practices Evaluation Peer Universe**

An Investment Practices and Performance Evaluation (IPPE) is required to be prepared and delivered to the Texas Pension Review Board tri-annually. NEPC will be presenting a proposed slate of pension plans against whom to compare TMRS in the 2027 IPPE.

ATTACHMENT:

1 – TMRS IPPE Peer Universe Recommendation Letter (NEPC)

To: **Texas Municipal Retirement System (TMRS) Investment Board**

From: **NEPC Consulting Team**

Date: **June 11, 2026**

Subject: **TMRS IPPE Peer Universe Recommendation**

NEPC is scheduled to prepare the Investment Practices and Performance Evaluation (IPPE) report for the Texas Municipal Retirement System (TMRS) in 2027. As part of this process, the identification of an appropriate peer universe is a critical component, serving as a benchmark against which TMRS' governance, policies, and investment practices may be evaluated.

Industry best practice is for the institution's Board to select its peer group. The peer universe should reflect plans with comparable characteristics to ensure that any benchmarking and conclusions drawn are both fair and meaningful.

To support the Board in this process, NEPC has conducted an initial assessment of the universe of public pension plans. This review focused on identifying systems that most closely align with TMRS in terms of key characteristics, including AUM and funded status. These factors are particularly important in ensuring comparability of governance structures, investment complexity, and overall risk tolerance.

Based on this analysis, NEPC has developed a proposed peer group for the Board's consideration. The recommended plans reflect a range of similarly sized public pension systems with comparable funded ratios and investment program characteristics.

Plan	State	Funded Ratio	AUM ($mm)
Texas Municipal Retirement System	Texas	89.4%	45,410
Texas County & District Retirement System	Texas	89.9%	52,596
Employees Retirement System of Texas	Texas	74.4%	41,867
Pennsylvania State Employees Retirement System	Pennsylvania	70.3%	40,405
Colorado PERA	Colorado	69.2%	66,710
Iowa Public Employees Retirement System	Iowa	92.2%	46,682
Indiana Public Retirement System	Indiana	85.6%	53,026
Illinois Municipal Retirement Fund	Illinois	95.8%	58,318

San Francisco ERS	California	96.6%	37,217
Los Angeles Fire & Police Pensions	California	100.5%	34,079

NEPC believes this peer group provides an appropriate basis for comparison in the IPPE process. We welcome the Board's feedback and approval of the proposed universe, or guidance on any modifications to better reflect TMRS' perspective and objectives.

June 15, 2026

To: Board of Trustees

From: Tom Masthay, Chief Investment Officer TMM

Re: Agenda Item 23: Board Education: Tactical Opportunities / Hedge Fund Asset Class

Tim Sweeney, Director of Public Markets, will present a review of the Tactical Opportunities asset class. Hedge Funds make up 100% of the Tactical Opportunities asset class.

Board Education: Tactical Opportunities

Tim Sweeney, Managing Director, Head of Public Markets

Board of Trustees Meeting

June 25, 2026

Tactical Opportunities Background

2014 | 2024 | 2026 | 2027+

Hedge Funds (2014-2023)

Hedge Funds were introduced to replace TMRS' substantial fixed income holdings with a higher returning alternative.

Tactical Opportunities (2024 – 2025)

Replacing Hedge Funds, Tactical Opportunities was established as a flexible, do-anything portfolio. **Hedge Funds** were absorbed into TacOpps.

Hedge Funds (2026+)

Entering 2026, the Tactical Opportunities asset class consisted exclusively of Hedge Fund investments.

2014 | 2024 | 2026 | 2027+

TMRS

Hedge Funds Executive Summary

1

Objective. Hedge Funds are intended to provide a unique return stream not available in traditional public markets. TMRS pursues a risk-balanced, return-seeking hedge fund portfolio, targeting returns greater than the HFRI Asset Weighted Composite benchmark.

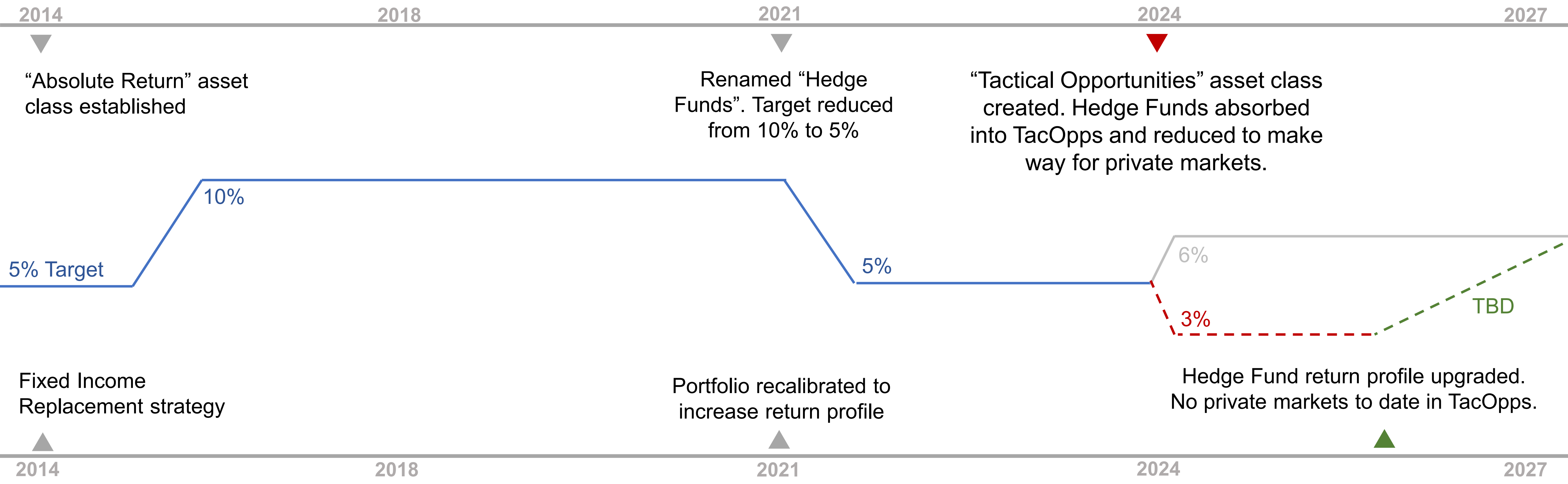
2

Liquidity. Hedge Funds offer the ability to redeem from investments with sufficient notice. Modest liquidity is given up relative to traditional public markets.

3

Risk Management. The TMRS hedge fund portfolio is designed to protect the Trust during periods of public market volatility, while not diluting returns in normal markets.

Hedge Fund Portfolio - History



TMRS

Portfolio Approach

2016-2021	2021-2024	2024+
Fixed Income Replacement (10% allocation) 25+ Funds	Diversifying Approach (5% Allocation) 15+ Funds	Return-Enhancement (3-6% allocation) 10+ Funds

Increase in Return Profile

TMRS

Hedge Fund Strategies

Equity Hedge

Equity Hedge strategies take long and short positions in public equity securities. Equity hedge strategies are the largest portion of the hedge fund portfolio.

Hybrid

Hybrid strategies, also known as multi-strategy, deploy a blend of equities and fixed income securities across a variety of trading strategies.

Relative Value

Relative Value strategies trade securities and/or factor risks relative to other securities/factors, earning returns based on the differences between paired trades.

Portfolio Construction

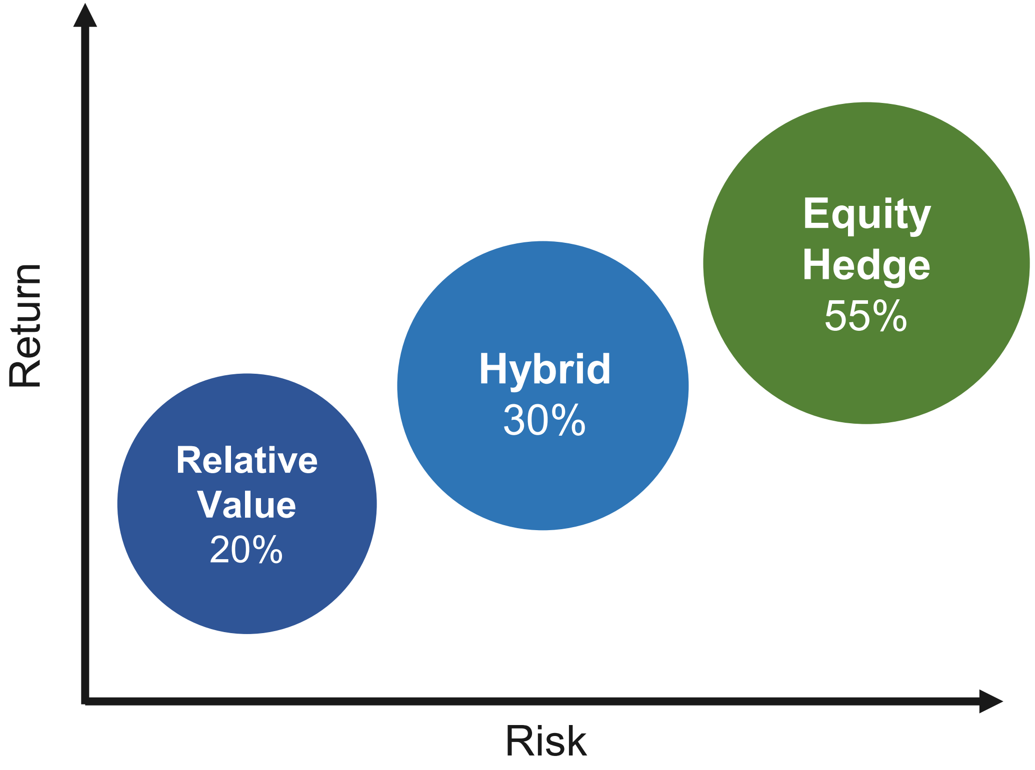
Portfolio Construction Goals

Upside Capture. The portfolio aims to capture more market upside than downside.

Downside Protection. Insulating the portfolio from public market volatility is critical to the long-term compounding of the hedge fund portfolio.

Correlations. TMRS invests in managers with low correlations to other funds in the portfolio, achieving diversification benefits within the asset class and for the total TMRS Trust Fund.

Strategy Allocation



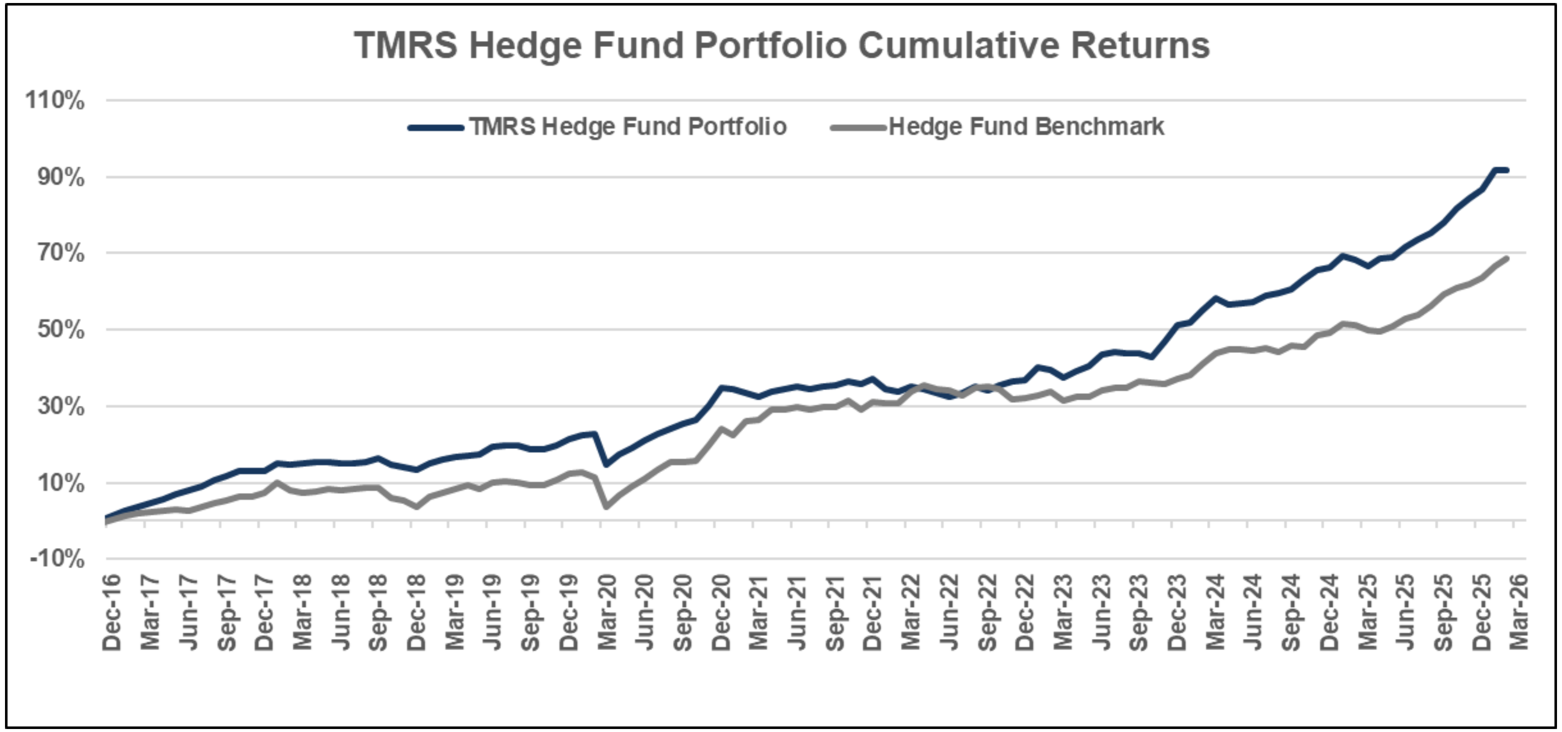
Hedge Fund Manager Characteristics

Size	TMRS partners with large institutional managers that have managed capital for an average of 25+ years. Managers who can attract institutional partners and operate at scale have a proven ability to produce returns and manage risk.
Capacity	Top managers can choose who they partner with. Over 75% of TMRS' Hedge Funds are capacity constrained and will only selectively allow for new additional investment partners. TMRS' stable asset base and healthy funded status make us a strong partner.
Market Risk	Top managers have codified risk management processes to control portfolio drawdowns. The hedge fund portfolio should be resilient across changing market cycles. The age and duration of managers illustrates their ability to retain institutional investor capital.
Operational Risk	Managers in TMRS' portfolio are independently rated 'above average' or 'amongst the best' in class for operational and investment risk by Albourne. All new investments are required to be supported by Albourne and are monitored on a recurring basis.

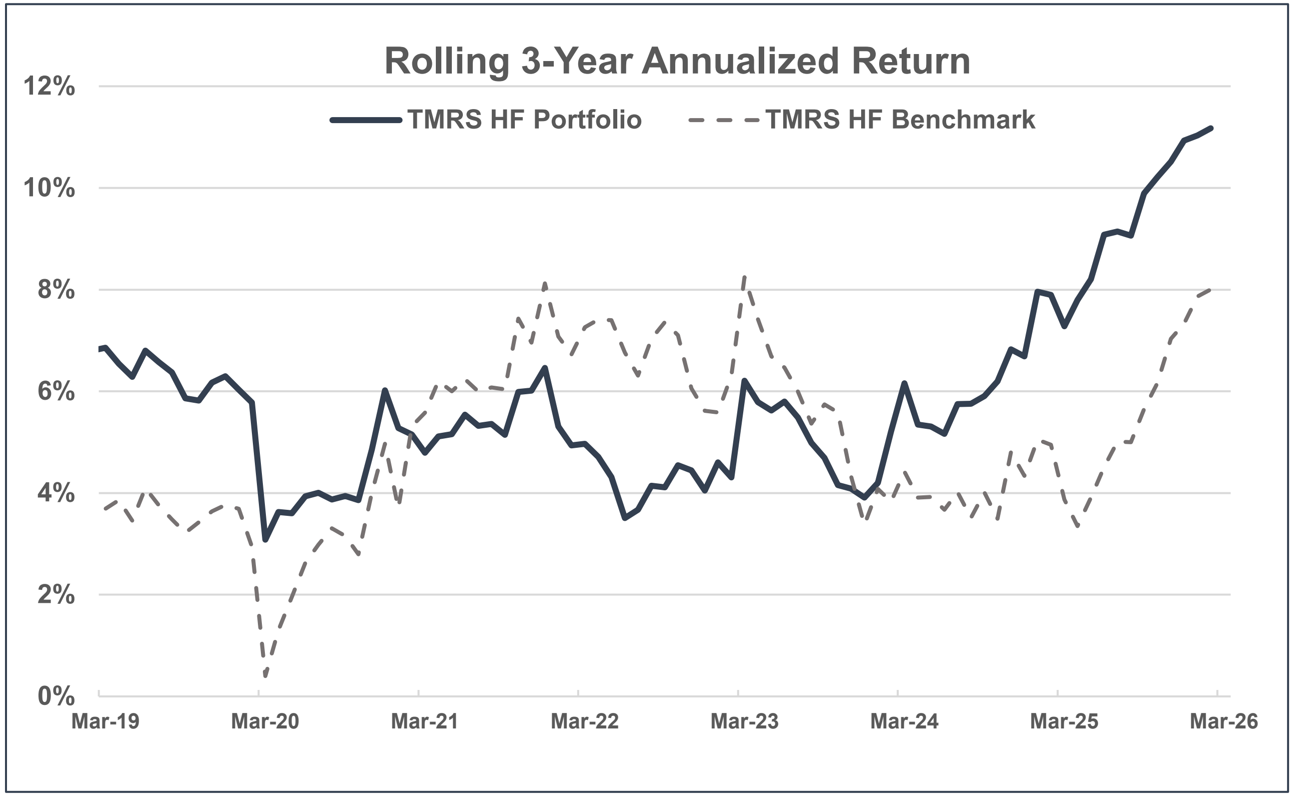
TMRS

Performance as of March 31, 2026

March 2026	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	ITD
TMRS Tactical Opportunities Portfolio	13.83%	11.36%	7.64%	7.54%	7.24%	6.08%
Tactical Opportunities Benchmark	11.63%	8.10%	5.96%	6.63%	5.68%	4.65%
Excess Return	2.20%	3.26%	1.68%	0.91%	1.56%	1.44%



Performance as of March 31, 2026



Last Three Years

326bps
3Y Annualized Excess Returns

11.36%
Annualized Return

2014 – March 2023

85bps
ITD Annualized Excess Returns

4.38%
Annualized Return

Looking Forward

1

Scale Partnerships

Identify and pursue additional strategies which provide high probabilities of achieving outperformance. Prioritize growing with existing managers in the portfolio.

2

Outperformance

Maintain relative-to-benchmark success in a risk-controlled manner. Focus on strategies that can mitigate market downside but still outperform in normal environments.

3

Risk management

Prioritize managers with a strong history of consistent returns and downside protection.