



AGENDA

Meeting of the Board of Trustees - Budget Workshop

Thursday, November 6, 2025 – 9:00 a.m.

TMRS Office
2717 Perseverance Drive, Suite 300
Austin, Texas

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

Call to Order

Invocation

Pledge of Allegiance

1. **Receive Update on Budget and Compensation Committee.** *Tommy Gonzalez*
2. **[Discuss 2026 Proposed Operating and Capital Budgets, and Possibly Take Action on Budget Items.](#)** *Cindy Demers*
3. **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.
4. **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.



October 28, 2025

To: Board of Trustees

From: Cindy Demers, Director of Accounting

A handwritten signature in blue ink, appearing to read "Cindy Demers", is written over the printed name.

Re: Agenda Item 2: Review and Discuss 2026 Proposed Operating and Capital Budgets

The 2026 Proposed Operating and Capital Budgets are summarized as follows:

Operating Budget. The 2026 Proposed Operating Budget is \$49,450,000 an increase of \$7,234,000 or 17%, from the 2025 Approved Operating Budget. The increase is summarized by the categories as follows:

- Personnel services increased \$4,209,000 or 16%. This increase reflects 13 additional staff members compared to the 2025 budget as well as increases in benefits and maintaining the merit program and discretionary bonus pool.
- Professional services increased \$1,204,000 or 18%. This increase is primarily for enhancing security and fraud prevention, implementing artificial intelligence (AI) initiatives, process improvements, organizational development and external legal services.
- Technology – Software increased \$1,393,000 or 39%, including software and cloud services to support AI initiatives for Investments and increased services to support MyTMRS and cybersecurity and fraud detection and prevention.

Capital Budget. The Capital Budget request is \$1.1 million for 4 projects primarily associated with technology enhancements and office improvements that meet capitalization thresholds.

Details of the budget are included in the attached 2026 Proposed Operating and Capital Budgets document.



**Proposed
Operating and Capital Budgets
Fiscal Year 2026**

September 2025 Draft

Summary

This Summary presents the 2026 TMRS Operating and Capital expense budgets. For comparison purposes, the 2025 budget is also shown for the Operating budget.

The funding source for these expenses is an annual budget transfer from the TMRS Trust Fund to the Expense Fund approved by the Board at its December Board meeting. TMRS Trust Fund assets are derived from city contributions, active member contributions, and investment earnings on the plan assets.

The 2026 Proposed Operating and Capital Budgets were prepared with the goal of meeting TMRS' strategic objectives including:

- Maintaining a world class investment program
- Improving services for our 260,000 members
- Enhancing security of TMRS' assets
- Investing in technology for the future

Staff conducted a review of current gaps and opportunities to support these objectives, and the result is the proposed operating and capital budgets for 2026.

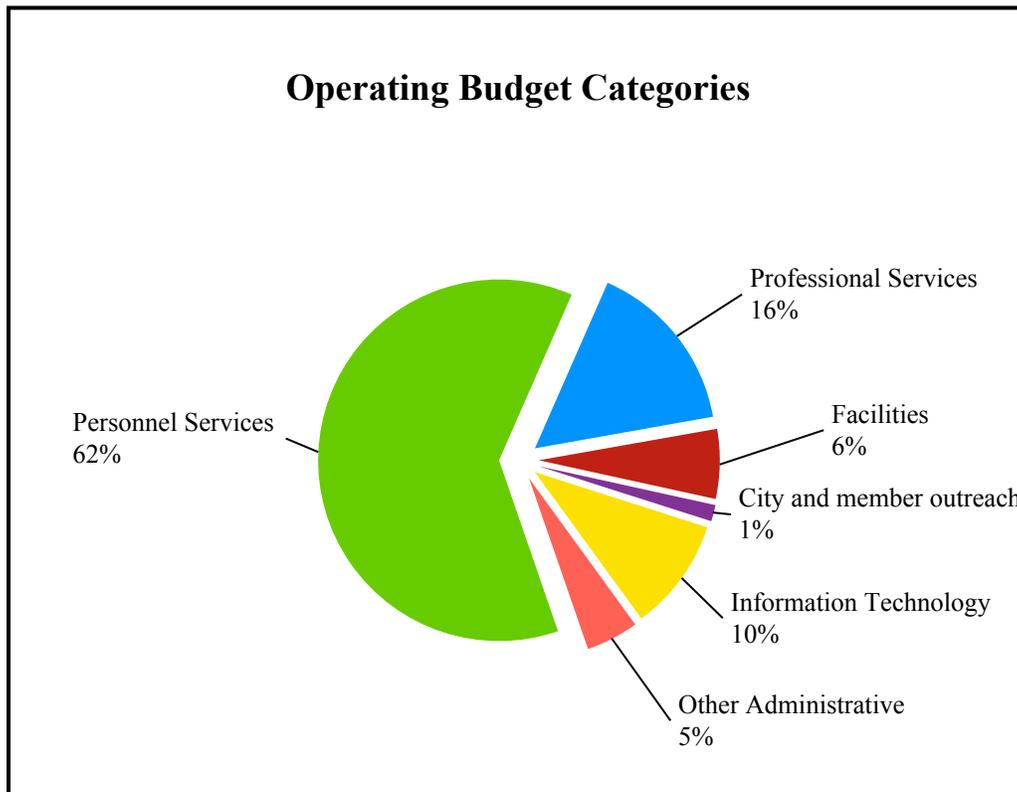
Proposed Operating Budget

The 2026 Proposed Operating Budget is \$49,450,000, an increase of \$7,234,000 or 17%, from the 2025 Approved Operating Budget. The increase is summarized as follows:

- **Personnel services** increased \$4,209,000 or 16%. This increase reflects 13 additional staff members compared to the 2025 budget, an 8% increase in health benefit costs implemented by the State insurance program, a 4% employee pay adjustment, and the annual cost associated with implementing the 8% employee contribution rate option for contributions to TMRS' retirement plan recently passed by the State Legislature.
- **Professional services** increased \$1,204,000 or 18%, including:
 - \$600,000 increase in information services consulting associated with enhancing TMRS' technology security, fraud prevention programs, digitization of records and implementation of artificial intelligence (AI) initiatives.
 - \$300,000 increase for professional assistance in developing process improvements and procedures that support our quality initiatives (Malcolm Baldrige), strategic planning, staff recruiting, organizational learning and project management.
 - \$200,000 increase in legal services for external legal investment services and human resources.
- **Technology - Software** increased \$1,393,000 or 39%, including software and cloud services to support Artificial Intelligence initiatives for Investments and increased services to support MyTMRS, cybersecurity, and fraud detection and prevention.

Summary (continued)

Operating Budget				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Personnel Services	\$ 30,588,521	\$ 26,379,735	\$ 4,208,786	16 %
Professional Services	7,727,380	6,523,599	1,203,781	18 %
Facilities	3,092,048	3,061,311	30,737	1 %
City and member outreach	727,950	768,947	(40,997)	(5) %
Information Technology	4,985,955	3,593,210	1,392,745	39 %
Other Administrative	2,327,738	1,888,616	439,122	23 %
Total Operating Budget	\$ 49,449,592	\$ 42,215,419	\$ 7,234,173	17 %



Summary (continued)

Proposed Capital Budget

The Capital Budget includes new equipment or capital outlay over \$10,000 and technology projects over \$50,000 and is expected to have a useful life of 5 years or more.

Capital Budget		
For the Years Ending December 31		
	2026	2025
Capital Budget	\$ 1,100,000	\$ —

The 2026 Capital Budget of \$1,100,000 includes four projects:

- Update technology in all conference rooms
- Implement Microsoft Commercial Cloud services
- Investments Data Warehouse Oracle Cloud Infrastructure Migration
- Office remodel

These projects run various lengths of time and are expected to be completed utilizing a combination of internal staff and third-party resources.

Detailed discussion of budget items and changes from year-to-year are presented on the pages that follow.

Operating and Capital Budgets
For the Years Ending December 31

	2026	2025	Increase/ (Decrease)	% Change
Personnel services:				
Salaries and payroll taxes	\$ 22,827,743	\$ 20,283,295	\$ 2,544,448	13 %
Benefits	7,760,778	6,096,440	1,664,338	27 %
Total personnel services	30,588,521	26,379,735	4,208,786	16 %
Professional services:				
Actuarial Services	724,500	824,500	(100,000)	(12) %
Audit Services	252,475	227,250	25,225	11 %
Legal Services	1,027,500	808,500	219,000	27 %
Information Services	919,195	320,500	598,695	187 %
Investment	2,350,500	2,270,429	80,071	4 %
Custodial and Banking	1,570,450	1,515,000	55,450	4 %
Other	882,760	557,420	325,340	58 %
Total professional services	7,727,380	6,523,599	1,203,781	18 %
Facilities	3,092,048	3,061,311	30,737	1 %
City and member outreach	727,950	768,947	(40,997)	(5) %
Technology:				
Software and support	4,763,555	3,404,310	1,359,245	40 %
Hardware and Other Support	222,400	188,900	33,500	18 %
Total information technology	4,985,955	3,593,210	1,392,745	39 %
Other administrative:				
Board of Trustees/Advisory Committee	118,000	121,005	(3,005)	(2) %
Professional development	518,788	465,866	52,922	11 %
Insurance, Supplies and Other Miscellaneous	897,280	499,885	397,395	79 %
Travel	793,670	801,860	(8,190)	(1) %
Total other administrative	2,327,738	1,888,616	439,122	23 %
Total operating budget	\$ 49,449,592	\$ 42,215,419	\$ 7,234,173	17 %
Capital budget	\$ 1,100,000	\$ —	\$ 1,100,000	

Certain prior year line items have been reclassified to conform with the current year presentation.

Operating Budget - Personnel Services

Personnel Services				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Salaries and payroll taxes:				
Staff salaries	\$ 22,827,743	\$ 20,283,295	\$ 2,544,448	13 %
Payroll taxes	1,462,472	1,304,720	157,752	12 %
Total	24,290,215	21,588,015	2,702,200	13 %
Benefits:				
TMRS contributions	4,485,494	3,106,093	1,379,401	44 %
Insurance	1,796,190	1,670,077	126,113	8 %
Other	16,622	15,550	1,072	7 %
Total	6,298,306	4,791,720	1,506,586	31 %
Total Personnel Services	\$ 30,588,521	\$ 26,379,735	\$ 4,208,786	16 %

Personnel Services is the largest budget category at 62% of the 2026 operating budget and reflects an increase of \$4,208,786, or 16%, from the prior year. The increase is primarily due to the addition of 13 FTEs as compared to the 2025 budget. During 2025, 8 positions were added to support various areas of the organization including Investments, Legal, Human Resources, Benefits Administration and Information Services while 5 positions are proposed for 2026 primarily to support Information Services, Project Management and the addition of a Director of Governmental Relations. The total FTE count for 2026 is 131.

Staff salaries are estimated based on current employee payroll and include 4% estimated annual pay adjustments. In addition, the staff discretionary bonus pool budget remained level compared to the 2025 budget.

Payroll taxes are calculated from estimated staff salaries at the 6.2% rate for Social Security and 1.45% rate for Medicare, and with the 2026 social security wage base cap of \$183,600 applied.

TMRS contributions. TMRS employees participate in the TMRS retirement system. Currently employees contribute 7% of their salary and TMRS matches their account balances 2:1 upon retirement. The 2026 Proposed Budget includes increasing the employee contribution rate to 8% in January 2026. This would increase the actuarially determined employer contribution rate for 2026 to 20.6% (20.34% retirement rate and 0.26% supplemental death benefit rate) compared to 17.06% under the existing 7% contribution rate estimated for 2026. This increase has an approximate \$700,000 impact on the 2026 budget.

Operating Budget - Personnel Services (continued)

Insurance. TMRS offers employees insurance through the Employees Retirement System of Texas Group Benefits Program (ERS-GBP). Health, vision, dental, long-term disability, accidental death and life insurance are provided at no cost to the individual employee. In addition, TMRS subsidizes 50% of the premium for dependent health coverage. TMRS also provides insurance to TMRS retirees on a subsidized basis. The ERS-GBP plan year runs from September 1 through August 31, and recently increased insurance rates by 8% effective September 1. This budget includes the 8% rate increase in 2026 as well as an estimate for a potential rate increase for the last four months of 2026.

Operating Budget - Professional Services

Professional Services				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Actuarial:				
Retainer	\$ 674,500	\$ 674,500	\$ —	— %
Other	50,000	150,000	(100,000)	(67) %
Total Actuarial	724,500	824,500	(100,000)	(12) %
Audit:				
External financial and SOC-1 audits	202,475	197,250	5,225	3 %
Internal Audit Co-Source Services	50,000	30,000	20,000	67 %
Total Audit	252,475	227,250	25,225	11 %
Custodial and Banking:				
Custodial services	1,560,450	1,515,000	45,450	3 %
Depository services	10,000		10,000	
Total Custodial and Banking	1,570,450	1,515,000	55,450	4 %
Information Services:				
IT research and consulting services	140,000	129,000	11,000	9 %
Information services support	364,195	85,500	278,695	326 %
Cybersecurity and Fraud Prevention	290,000	106,000	184,000	174 %
Artificial Intelligence Consulting	125,000	—	125,000	
Total Information Services	919,195	320,500	598,695	187 %
Investment:				
Alternatives	1,250,000	1,250,000	—	— %
General investment	573,000	569,415	3,585	1 %
Other	527,500	451,014	76,486	17 %
Total Investment Consultants	2,350,500	2,270,429	80,071	4 %
Legal:				
Fiduciary	150,000	120,000	30,000	25 %
Investment	611,000	500,000	111,000	22 %
Other	266,500	188,500	78,000	41 %
Total Legal	1,027,500	808,500	219,000	27 %
Other Services:				
Medical Board	32,760	45,000	(12,240)	(27) %
Governance/strategic planning	305,000	125,000	180,000	144 %
Talent search and recruitment	184,500	150,000	34,500	23 %
Legislative	108,000	108,000	—	— %
Process improvement	175,000	100,000	75,000	75 %
Other	77,500	29,420	48,080	163 %
Total Other Services	882,760	557,420	325,340	58 %
Total Professional Services	\$ 7,727,380	\$ 6,523,599	\$ 1,203,781	18 %

Certain prior year line items have been reclassified to conform with the current year presentation.

Operating Budget - Professional Services (continued)

Professional Services is 16% of the 2026 operating budget and reflects an increase of \$1,203,781 or 18% from the 2025 operating budget.

Actuarial services are provided by Gabriel, Roeder, Smith and Company (GRS) and represent 9% of the professional services budget category. The budget includes GRS' annual retainer and \$50,000 for additional services.

Audit services make up 3% of the professional services budget category. External financial and SOC-1 audits are performed by CLA. The 2026 budget also includes \$50,000 for co-source services to supplement internal auditing activities for investments.

Custodial and banking services make up 20% of the professional services budget category. State Street Bank serves as custodian and JPMorgan Chase provides depository banking services.

Information services consultants make up 12% of the professional service category and include third-party support for information services projects. Included in the 2026 budget is an increase in IS consulting for enhanced cyber and fraud prevention, records management digitization, City Portal and artificial intelligence (AI) initiatives.

Investment consultants make up 30% of total professional services. NEPC provides general investment consulting services to the Board and Albourne America provides alternatives investment consulting services. Other investment consulting services include: consulting research and analysis, transaction cost analysis, proxy voting, Global Investment Performance Standards (GIPS) certification and global tax services.

Legal services make up 13% of the professional services budget category and include fiduciary legal counsel, investment-related and other legal matters.

Other services make up 11% of the professional services budget category and include increases in 2026 for organizational development, strategic planning, process improvement and quality initiatives consulting including assistance with the Malcolm Baldrige Award application.

Operating Budget - Facilities

Facilities				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Office rent	\$ 3,042,048	\$ 3,030,411	\$ 11,637	— %
Building maintenance / utilities	50,000	30,900	19,100	62 %
Total Facilities	\$ 3,092,048	\$ 3,061,311	\$ 30,737	1 %

Facilities is 6% of the 2026 operating budget and reflects an increase of 1% from the 2025 budget.

Office rent. The Grove lease agreement includes scheduled monthly base rental payments through April 2034 and pass-through of facilities expenses for utilities, property maintenance, janitorial services, insurance and property taxes.

Building maintenance / utilities. TMRS is responsible for certain repairs and maintenance costs, security and streaming cable services.

Operating Budget - City and Member Outreach

City and Member Outreach				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Printing and mailing	\$ 312,950	\$ 306,920	\$ 6,030	2 %
Member education	415,000	462,027	(47,027)	(10) %
Total City and Member Outreach	\$ 727,950	\$ 768,947	\$ (40,997)	(5) %

City and Member Outreach represents 1% of the operating budget and includes costs of outreach efforts to our participating cities and members.

Printing and mailing. TMRS printing and mailing costs have decreased over the last several years with the usage of on-line publications and communication. The increase in 2026 reflects increases in postage. TMRS continues to print publications such as *RetirementWise* and *TMRS Times* newsletters, Member Annual Statements, Retirement Benefit Statements, annual financial reports and other single issue brochures/publications.

Member education includes costs for the TMRS Annual Training Seminar, educational video recordings, booth exhibits and receptions at other events. TMRS has also increased its exposure with Texas Municipal League (TML) by becoming a gold sponsor.

Operating Budget - Information Technology

Information Technology				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Software and support:				
Subscription-based Cloud Services	3,917,655	2,559,252	1,358,403	53 %
Software licenses/maintenance	845,900	845,058	842	— %
Total software and support	4,763,555	3,404,310	1,359,245	40 %
Hardware/data center/other				
Hardware/information technology supplies	131,500	112,000	19,500	17 %
Data center	67,500	57,000	10,500	18 %
Internet service and other	23,400	19,900	3,500	18 %
Total hardware and other	222,400	188,900	33,500	18 %
Total Information Technology	\$ 4,985,955	\$ 3,593,210	\$ 1,392,745	39 %

Information Technology is 10% of the 2026 proposed operating budget and reflects an increase of \$1,392,745 or 39% from the 2025 budget.

Software and support is 96% of this budget category and includes the following new technology:

- \$400,000 - cloud based artificial intelligence (AI) and data initiatives
- \$375,000 - enhanced network security solutions
- \$275,000 - fraud detection and prevention
- \$100,000 - additional cloud services supporting departments including survey tools, employee learning and development programs and cloud based accounting system

Operating Budget - Other Administrative

Other Administrative				
For the Years Ending December 31				
	2026	2025	Increase/ (Decrease)	% Change
Board of Trustees/Advisory Committee:				
Meetings	\$ 112,000	\$ 121,005	\$ (9,005)	(7) %
Professional development and other	6,000	—	6,000	— %
Total Board of Trustees/Advisory Committee	118,000	121,005	(3,005)	(2) %
Professional development:				
Member dues	55,666	48,207	7,459	15 %
Subscriptions/publications	79,230	78,292	938	1 %
Training/tuition	383,892	339,367	44,525	13 %
Total professional development	518,788	465,866	52,922	11 %
Insurance/supplies and other miscellaneous expense:				
Business insurance	210,000	201,407	8,593	4 %
Office supplies	214,775	95,996	118,779	124 %
Records Equipment rental and storage	152,450	58,240	94,210	162 %
Miscellaneous	320,055	144,242	175,813	122 %
Total insurance/supplies/miscellaneous expense	897,280	499,885	397,395	79 %
Travel:				
Business travel	793,670	801,860	(8,190)	(1) %
Total travel	793,670	801,860	(8,190)	(1) %
Total Other Administrative	\$ 2,327,738	\$ 1,888,616	\$ 439,122	23 %

Other Administrative represents 5% of the 2026 proposed operating budget and reflects an increase of 23% from the 2025 budget. The increase is due to a combination of factors including a change in account classifications associated with the new accounting software, restoration of previously reduced line items and a change to laptop purchases/replacements from hardware to office supplies. Specific increases in 2026 include additional funding for tuition reimbursement, employee wellness, recruitment initiatives and office safety equipment.

Board of Trustees/Advisory Committee expenses include estimates for six Board meetings, a Board Retreat and three Advisory Committee meetings. This category also includes travel for Board members and Board education/training expense.

Professional Development is approximately 22% of the Other Administrative budget category. Each department itemizes expected training costs by employee. Most departments include requests for annual user conferences, as well as other technical training relevant to their respective duties and to meet continuing professional education requirements.

Operating Budget - Other Administrative (continued)

Insurance/supplies and other miscellaneous expense include items that are not specifically categorized elsewhere:

- Business insurance costs include estimates of fiduciary and errors and omissions liability, automobile, crime, foreign liability and workers compensation coverage based on quotes received from the respective carriers.
- Office equipment and supplies include laptops, general office supplies, furniture and equipment purchases at amounts below capitalization thresholds, and equipment rentals.
- Records management includes document storage and shredding services.
- Miscellaneous includes business meals, staff office functions, wellness initiatives, and human resources recruiting costs to cover expenses for job postings and background checks.

Travel expenses include staff travel for city visits, Member events, investment due diligence and professional development.

Capital Budget

Capital Budget		
For the Years Ending December 31		
	2026	2025
Update technology in all conference rooms	\$ 525,000	\$ —
Implement Microsoft Commercial Cloud Services	375,000	—
Investments Data Warehouse Migration	100,000	—
Office remodel	100,000	—
Total Capital Expenditures	\$ 1,100,000	\$ —

The 2026 Capital Budget of \$1.1 million includes four projects:

Update technology in conference rooms at the The Grove. The AV technology in the conference rooms have become dated and AV failures impacted the Board room and 3rd floor conference rooms in 2025. This project will update conference room AV technology and provide consistent conference room operation across the building. The project has an estimated budget of \$525,000 and is expected to be complete by the end of 2026.

Convert from Microsoft Government Community Cloud (GCC) to Microsoft Commercial Cloud services. Currently, TMRS utilizes Microsoft's GCC services to provide basic email and office products. The GCC service lack features like MicroSoft Fabric, which on the Commercial Cloud provides comprehensive data management and reporting. The project has an estimated budget of \$375,000 with a start date of June 2026 and completion by the end of 2027.

Investments Data Warehouse Oracle Cloud Infrastructure Migration. This project will result in a consolidated cloud footprint in Azure and Amazon Web services compared to having a presence in 3 cloud environments. This project has a budget of \$100,000.

Office Remodel. Due to growth and changes in workspace needs, there is a need to convert a conference room to an office as well as other workspace improvements. This project is estimated at \$100,000 and will be complete by end of 2026.