



## **AGENDA**

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

**Thursday, October 2, 2025 – 9:00 a.m.**

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

#### **Zoom Link for Public:**

<https://tmrs.zoom.us/j/88025007905?pwd=7a5eld2wtddbUKflSeNR8UKHH1vLqR7.1>

*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.** *David Landis*
  - a. Approve Minutes from June 12, 2025 and August 28, 2025 Board of Trustees meetings
  - b. Quarterly Confirmation of Member Retirements
  - c. Quarterly Confirmation of Supplemental Death Benefit Payments and Grants of Extended Supplemental Death Benefits Coverage
  - d. Receive Quarterly Financial Statements as of June 30, 2025

## **Executive Director Reports**

2. [Executive Director's Report.](#) *Debbie Muñoz*
3. [Receive Senior Staff Quarterly Reports.](#) Chief Legal Officer (*Christine Sweeney*), Chief Service Officer (*Anali Alanis*), and Chief Information Officer (*Jac Greene*).

## **Legal Reports**

4. [Consider and Act on Amendments to Board of Trustees Orientation and Education Policy.](#) *Christine Sweeney*
5. [Consider and Act on Renewal of Board's Fiduciary Counsel Agreement.](#) *Debbie Munoz*

## **Audit Committee Report**

6. [Report on Audit Committee Meeting.](#) *Kristyn Scoggins*

## **Finance Reports**

7. [Report on Budget and Compensation Committee Meeting.](#) *Cindy Demers and Tommy Gonzalez*
8. [Discuss 2026 Proposed Operating and Capital Budgets.](#) *Cindy Demers*

## **Plan Design and Funding**

9. [Consider and Act on Amendments to the Actuarial Funding Policy.](#) *Leslee Hardy and Joe Newton, GRS*

## **Investment**

10. [Board Education: Credit Asset Class.](#) *Darren Schlissel*
11. [Board Education: Tactical Opportunities Asset Class.](#) *Tim Sweeney*

## **Executive Session**

### **12. Executive Session. *David Landis***

- 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 551.071, Texas Government Code, the Board of Trustees will 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; and
- c. 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.

## **Future Agenda Items**

### **13. Call for Future Agenda Items. *David Landis***

#### ***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.***



September 16, 2025

**To: Board of Trustees**

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

**Re: Agenda Item 1: Consider and Act on Consent Agenda**

The Consent Agenda includes Minutes from the June 12, 2025 and August 28, 2025 Board meetings, quarterly Retirement and Supplemental Death Benefit Reports, and financial statements as of June 30, 2025. The Consent Agenda is adopted as one item.

**RECOMMENDATION**

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

**ATTACHMENTS**

- 1 - Minutes from June 12, 2025 and August 28, 2025 Board meetings
- 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)



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

**June 12, 2025 – 9:00 a.m.**

The Board of Trustees of the Texas Municipal Retirement System convened at 9 a.m. at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with the following Trustees present: Chair David Landis, Tommy Gonzalez, Jim Parrish, Bill Philibert, and Bob Scott.

Staff present included: David Wescoe, Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Yup Kim, Nick O’Keefe, Tom Masthay, Kristyn Scoggins, Cindy Demers, and Madison Jechow. Consultants present included: Sam Austin, Bob Klausner, and Brittany Smith.

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

Mr. Scott moved that the Board adopt the Consent Agenda, including but not limited to the Minutes from the March 27, 2025 and May 20, 2025 Board meetings. Mr. Philibert seconded the motion, which passed 5-0.

**2. Deputy Executive Director’s Report.**

Ms. Muñoz said auditor CliftonLarsonAllen LLP (CLA) provided clean opinions on three audits and that TMRS received the Government Finance Officers Association award for outstanding financial reporting. TMRS received the Quality Texas Foundation Progress Award, the fourth award received from QTF in two years. Mr. Gonzalez said TMRS has a strong Strategic Plan in place, and metrics to track progress toward that plan, and this is reflected in the QTF awards. The Member Service Center started surveying Members after phone calls and 100% of respondents rated their experience 5 out of 5. Retirees also rated new online retirement processes as good, very good or excellent in 98% of responses. Benefit Administration completed 100% of key processes for each of the last 52 weeks. Ms. Muñoz discussed Mr. Wescoe’s upcoming retirement, lessons learned from him, and read resolutions honoring his tenure from the Governor and Texas Legislature that made Mr. Wescoe an honorary Texan.

**3. Receive Senior Staff Quarterly Reports.**

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

**4. Consider and Act on Election of Vice Chair.**

Ms. Sweeney reported that Board Vice Chair Tricia Mirabelle began a new job on June 1 that no longer allowed her to remain a TMRS Trustee. Under the Board’s Bylaws, when the Board Chair

or Vice Chair position becomes vacant, a special election for the position shall be held as soon thereafter as practicable. Given this, Mr. Philibert moved that the Board elect Mr. Parrish as Vice Chair for the remainder of 2025. Mr. Landis commented that Mr. Scott is in a holdover position and that the Board should consider him for Vice Chair in 2026.

**5. Report on Audit Committee Meeting and Consider and Act on Internal Auditor Compensation.**

Ms. Scoggins said the Audit Committee met on June 3, and she updated it on the status of Internal Audit's strategic plan and performance objectives, which are on track with annual performance targets. She reported on the status of the 2025-26 audit plan, which also is on schedule, and audits in progress cover TMRS's city portal and non-routine benefit payments. Mr. Scott said the Committee also met with Ms. Muñoz to review Ms. Scoggins' performance and recommended a 7.1% salary increase.

Mr. Scott moved that the Board approve the recommendation for the Internal Auditor's compensation. Mr. Parrish seconded the motion, which passed 5-0.

**6. Receive Legislative Update.**

Ms. Sweeney said that TMRS's recommended bill, House Bill 4609, did not receive a hearing in the Senate committee and therefore the bill died in the Legislature. Since HB 4609 did not pass, the non-retroactive repeating cost-of-living-adjustment (COLA) approved by the 2023 Texas Legislature will expire and not be an option for cities to adopt after December 31, 2025. House Bill 3161 passed the Legislature and, unless vetoed by the Governor, will add an 8% employee contribution rate option for cities to consider adopting on or after September 1, 2025. The Legislature also passed Senate Bill 667, which prohibits investment in certain Chinese-affiliated entities by public retirement systems. The Legislature also passed other bills affecting the Texas Public Information Act, the Open Meetings Act and the Administrative Procedures Act, which governs adoption of TMRS rules, and staff will file the final enrolled versions of those bills.

**7. Consider and Act on Readoption of TMRS Rules – Chapter 123, 125, 127, and 129.**

Ms. Sweeney said that Texas law requires TMRS to review and consider readopting its administrative rules once every four years. In 2024, TMRS reviewed its rules in Chapter 121, Title 34, of the Texas Administrative Code and readopted those rules without change in December. In May 2025, TMRS published notice of review of TMRS's other rules, and no comments were received. Staff recommended that the Board readopt those rules, in Chapters 123, 125, 127 and 129, without change and presented a proposed Final Order for the Board to do so.

Mr. Parrish moved that the Board readopt TMRS Rules in Chapters 123, 125, 127 and 129 and approve and authorize the Board Chair to execute the Final Order. Mr. Gonzalez seconded the motion, which passed 5-0.

**8. Consider and Act on Matters Regarding City of Garland Pension Obligation Bonds.**

Ms. Sweeney said that the City of Garland contacted TMRS in May about issuing pension obligation bonds (POBs) to pay down a portion of the City’s unfunded actuarial accrued liability (UAAL). In recent years, four other cities have passed POBs. Under the Texas Local Government Code a city may issue POBs to pay all or a portion of its UAAL to a public retirement system. The law requires the City and the TMRS Board to enter into an agreement regarding this, and for the Attorney General to approve issuance of the POBs. The City already has approved and signed the proposed Agreement. TMRS’s Executive Director and Chief Investment Officer confirmed, as required by TMRS rules, that TMRS will not experience any unreasonable administrative or investment burden by receiving the City’s POB bond proceeds as an additional contribution toward its UAAL. As of the end of 2024, the City’s UAAL was approximately \$170 million, and the City proposes to issue \$130 million in POBs to pay off about \$111 million of the UAAL in a lump-sum payment to TMRS. The remaining approximate \$19 million from the POBs’ proceeds will be placed in escrow with a bank as 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 2025 through December 2026. Mr. Gonzalez asked if there was a primary reason for the City issuing POBs. Ms. Sweeney said that the City recently adopted a COLA, and her understanding was the City intended for the POBs to fund the COLA.

Mr. Gonzalez moved 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. Mr. Scott seconded the motion, which passed 5-0.

**9. Receive System and Organization Controls (SOC) Audit Results.**

Ms. Scoggins said CliftonLarsonAllen LLP (CLA) provided a clean, unmodified opinion on the System Organization and Controls (SOC) Audit Report of TMRS’s pension management system. CLA found that TMRS’s description of controls fairly presented the system, and controls were adequately designed and operating effectively during the period May 1, 2024, through April 30, 2025. The SOC report is confidential but available to cities through TMRS’s city portal.

**10. Receive 2024 Financial Statement and the Schedule of Changes in Fiduciary Net Position by Participating City Audit Results.**

Ms. Demers said CLA provided clean, unmodified opinions after audits of TMRS’s 2024 Financial Statement and the Schedule of Changes in Fiduciary Net Position by Participating City (Schedule). No management letter comments were made by CLA for 2024 or for any of the last five years.

### **11. Receive Required Auditor Communications to the Board of Trustees.**

Ms. Demers introduced Ms. Smith, Audit Manager for CLA. Ms. Smith said the audit opinions all provided great news. CLA opinions were unmodified for the Financial Statement, its supplemental schedules, the Schedule and the SOC Report. She presented required communications under U.S. Generally Accepted Auditing Standards and highlighted that management was very cooperative throughout the audit. Mr. Scott said that TMRS is rare in that its Financial Statement covers multiple employers, and he complimented staff for its thorough work.

### **12. Receive and Approve Distribution of 2024 Annual Comprehensive Financial Report.**

Ms. Demers presented the 2024 Annual Comprehensive Financial Report (ACFR) and summarized the topics covered by the ACFR.

Mr. Scott moved that the Board accept and approve the distribution of the 2024 Annual Comprehensive Financial Report. Mr. Philibert seconded the motion, which passed 5-0.

### **13. Investment Reports.**

Mr. Kim said he was excited to report that TMRS' investment returns have reached the top quartile in the one-, two-, three- and four-year periods. There is much yet to do, and volatility ahead, but this is an important milestone. When Mr. Wescoe joined TMRS, it ranked in the fourth quartile across the same periods. Consistency of deployment is critical to success in private markets, and to date pacing is at 31% of the target. Trust Fund asset allocation complies with Board-approved ranges. TMRS co-investments have increased to 8% of Private Markets' net asset value. TMRS' net returns exceeded their benchmarks and TMRS' actuarial rate assumption of 6.75% in the one- and five-year periods. While Trust Fund returns moved into the first quartile, Trust Fund risk remained lower than the peer median.

### **14. General Investment Consultant Quarterly Report.**

Mr. Austin said he has rarely seen the strategic decision making and change management that turned TMRS around in the past five years. In the first quarter, TMRS was in the top 5% among its peers in the one-year period, in the top 4% in the three-year period, but below the 80% mark in the five-year period. TMRS' Trust Fund performance exceeded benchmarks in the one-year and five-year periods, and by 190 basis points in the five-year period.

### **15. Executive Director's Final Report.**

Mr. Wescoe said two of the current Trustees were on the Board when he was hired, in the middle of a pandemic, and Mr. Scott joined the TMRS Board at about the same time. Their fingerprints are on the past five years' accomplishments, which include the new TMRS logo, the move from TMRS's former office to the Grove, updating TMRS' communications including the ACFR, recruiting and promoting chief and senior staff, receiving four Quality Texas Foundation awards, and increasing Trust Fund assets by 45% from \$30.7 billion to \$44.5 billion. Investment returns reached the top quartile in the one-, two-, three- and four-year periods, and the improvement in

returns added \$3.25 billion to the Trust Fund. Mr. Landis said the changes of the last five years did not come easy, but the rewards speak for themselves.

**16. Executive Session.**

The Board went into Executive Session at 10:12 a.m. The Board reconvened in Open Meeting at 10:31 a.m. No action was taken in Executive Session, and all Trustees were present after the return to the Open Meeting. Mr. Scott moved to award Mr. Wescoe a bonus of 50% of current salary and execute a retirement agreement with him. Mr. Gonzalez recognized the Trustees who hired Mr. Wescoe and commended Mr. Wescoe, and he seconded the motion. The motion passed 5-0.

**17. Call for Future Agenda Items.**

There being no further business, Mr. Philibert moved that the meeting adjourn at 10:34 a.m. Mr. Parrish seconded the motion, which passed 5-0.

---

Debra J. Munoz  
Executive Director

---

David Landis  
Chair, Board of Trustees



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

**August 28, 2025 – 10:00 a.m.**

The Board of Trustees of the Texas Municipal Retirement System convened at 10 a.m. at the TMRS office, located at 2717 Perseverance, Suite 300 in Austin, Texas, with the following Trustees present: Chair David Landis, Vice Chair Jim Parrish, Tommy Gonzalez, and Bob Scott.

Staff present included: Debbie Muñoz, Christine Sweeney, Anali Alanis, Jac Greene, Nick O’Keefe, Tom Masthay and Madison Jechow.

Chair Landis called the meeting to order at 10:00 a.m.

**1. Executive Session.**

The Board went into Executive Session at 10:03 a.m. The meeting reconvened in Open Meeting at 12:02 p.m. No action was taken in Executive Session, and all Trustees who were present before Executive Session were present after the return to the Open Meeting.

**2. Call for Future Agenda Items.**

There being no further business, Mr. Scott moved that the meeting adjourn at 12:03 p.m. Mr. Gonzalez seconded the motion, which passed 4-0.

---

Debbie J. Muñoz  
Executive Director

---

David Landis  
Chair, Board of Trustees



September 16, 2025

**To: Board of Trustees**

**From: April Hernandez, Director of Benefit Administration**

A handwritten signature in black ink, appearing to read "April Hernandez", is written over the name in the "From:" field.

**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 Anali Alanis, Chief Service Officer.

## Board Retirement Report

## Summary of Individual Member Retirements Processed from 04-2025 to 06-2025

<b>Total Number of Retirements by Option</b>	<b>Service</b>	<b>Disability</b>	<b>Total</b>
Retiree Life Only	351	7	358
Retiree Life -- 100% to Survivor	398	3	401
Retiree Life -- 75% to Survivor	73	0	73
Retiree Life -- 50% to Survivor	157	0	157
Retiree Life -- 5 Years Guaranteed	13	0	13
Retiree Life -- 10 Years Guaranteed	23	0	23
Retiree Life -- 15 Years Guaranteed	54	0	54
Cashout of Reserves	24	1	25
<b>Total Number -- All Options</b>	<b>1,093</b>	<b>11</b>	<b>1,104</b>

<b>Total Monthly Benefits (Nearest Dollar)</b>	\$2,416,259	\$6,346	\$2,422,605
<b>Average Monthly Benefit (Nearest Dollar)</b>	\$2,211	\$577	\$2,194
<b>Average Age at Retirement</b>	60	55	60
<b>Average Years of Service at Retirement</b>	20	9	20

<b>Partial Lump Sum Distributions</b>	
<b>No. of Retirements Taking a PLSD</b>	818
<b>Total Amount Paid</b>	\$59,240,369
<b>% of PLSD Funds Rolled Over</b>	60%
<b>% of PLSD Funds Not Rolled Over</b>	40%

**Texas Municipal Retirement System  
Supplemental Death Benefits Report**

**Summary of Supplemental Death Benefit Payments and Applications for Supplemental  
Death Benefits Extended Coverage from April 1, 2025, to June 30, 2025**

<b>Supplemental Death Benefit Payments</b>	
To Beneficiaries of Active Members	16 payments totaling \$956,195.05
To Beneficiaries of Retired Members	246 payments totaling \$1,761,250.00
<b>Applications for Supplemental Death Benefits Extended Coverage</b>	
None	

**Texas Municipal Retirement System  
Expense Fund - 2025  
Schedule of Administrative Expenses  
as of June 30, 2025**

Account Description	Budget	Actual	Amount Over/(Under)	% of Budget Spent YTD (50%)
<b>Personnel Services</b>				
Salaries and Compensation	\$ 20,283,295	\$ 9,956,117	\$ (10,327,178)	49.09%
Employee Benefits	6,096,440	2,833,580	(3,262,860)	46.48%
<b>Total Personnel Services</b>	<b>26,379,735</b>	<b>12,789,697</b>	<b>(13,590,038)</b>	<b>48.48%</b>
<b>Professional Fees</b>				
Actuarial Services	824,500	347,248	(477,252)	42.12%
Audit Services	227,250	197,250	(30,000)	86.80%
Legal Services	808,500	453,594	(354,906)	56.10%
Information Services	320,500	412,665	92,165	128.76%
Investment	2,270,429	855,750	(1,414,679)	37.69%
Custodial and Banking	1,515,000	744,301	(770,699)	49.13%
Other	557,420	475,240	(82,180)	85.26%
<b>Total Professional Fees</b>	<b>6,523,599</b>	<b>3,486,048</b>	<b>(3,037,551)</b>	<b>53.44%</b>
<b>Technology</b>				
Software and Support	3,404,310	1,825,900	(1,578,410)	53.63%
Hardware and Other Support	188,900	35,041	(153,859)	18.55%
<b>Total Technology</b>	<b>3,593,210</b>	<b>1,860,941</b>	<b>(1,732,269)</b>	<b>51.79%</b>
<b>Facilities</b>	<b>3,061,312</b>	<b>1,418,792</b>	<b>(1,642,520)</b>	<b>46.35%</b>
<b>City and Member Outreach</b>	<b>768,947</b>	<b>288,686</b>	<b>(480,261)</b>	<b>37.54%</b>
<b>Other Administrative</b>				
Board and Advisory Committee	121,005	26,153	(94,852)	21.61%
Professional Development	465,866	287,072	(178,794)	61.62%
Insurance,Supplies and Other Misc.	499,885	660,119	160,234	132.05%
Travel	801,860	222,040	(579,820)	27.69%
<b>Total Other Administrative</b>	<b>1,888,616</b>	<b>1,195,384</b>	<b>(693,232)</b>	<b>63.29%</b>
<b>Total Operating Expenses</b>	<b>\$ 42,215,419</b>	<b>\$ 21,039,548</b>	<b>\$ (21,175,871)</b>	<b>49.84%</b>



September 16, 2025

**To:** Board of Trustees

**From:** Debbie Muñoz, Executive Director 

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

Staff had a productive third quarter.

**Retirement Application Now Online.** The new online retirement application went live on July 1 on MyTMRS. Within the first week, 45 members submitted their applications online and half of those applications were certified electronically via the City Portal. Former Executive Director David Wescoe was the first to complete the application online and was very complimentary by saying “Just completed the online retirement application. So easy! Please give my congratulations and thanks to all involved.”

**Institutional Investor Names TMRS a Finalist.** I'm excited to share that *Institutional Investor* has named TMRS a finalist for the 2025 “Idea of the Year” award for our Trinity River Holdings co-investment vehicle. Trinity River empowers TMRS to move efficiently and flexibly like a world-class private-market investor while preserving our fiduciary safeguards. In its first four months, investment staff invested more than \$600 million across ten deals in private equity, private credit, and real assets through this vehicle—delivering strong early returns. The judges said the approach “dramatically increases the commerciality with which TMRS faces the market” and praised our focus on results for our members and retirees.

**New 8% Employee Contribution Rate Sparks Interest.** The new 8% employee contribution rate took effect on September 1, 2025. Since the option took effect, 342 cities have run plan change studies to determine the cost, 49 cities have requested model ordinances to adopt the new rate, and 20 cities have submitted their signed ordinances adopting the new rate.

**Staff Recognition.** I am proud to recognize the following individuals for their recent accomplishments. Jac Greene was selected to participate in the Governor's Executive Development Program Class XLIII. He is only the third TMRS employee to participate in this prestigious program and I am sure he will add great value to the group and in turn will bring back best practices to improve TMRS.

Portfolio Director Hester Cai was recognized as one of *Pension & Investments* 2025 Influential Women in Institutional Investing. Described by *Pension & Investments* as “nothing short of a financial wonder woman,” Hester is a vital part of our talented investment team, and we congratulate her on this well-deserved recognition.

And Portfolio Director Monica Huffer was recently recognized by Women We Admire as a Rising Star Women Leaders in Investment Management for 2025. Monica is indeed a rising star and we congratulate her on this recognition.

**Registration for TMRS' City Training Conference is Now Open.** The 2025 City Training Conference will be held October 14, from 9am – 11am. Continuing our tradition from the past five years, this year's conference will be held virtually and will include an engaging live Q&A session at the conclusion. Registration opened on September 16, and we're excited to announce that 484 city employees have already signed up!

**City of Combine Joins TMRS.** On October 1, the City of Combine will join TMRS, bringing the total number of participating cities to 944.

**Feedback from Friendswood.** The City of Friendswood's HR team recently provided the following feedback: "...and this is why we love TMRS – whenever we have a question, I can call or email you [Shannon] or Ida and boom- we have an answer. When we call the 800 number, we always get a person and an answer. This is what separates y'all from the rest of the vendors we deal with."

**Professional Development.** I'm delighted to acknowledge the following individuals who have dedicated time towards their professional development. On July 25, Director of Member and City Services Colin Davidson and Director of Benefit Administration April Hernandez completed the Governor's Senior Management Development Program hosted by the University of Texas' LBJ School of Public Affairs. The program is part of the Governor's Center for Management Development and helps senior managers to further develop their leadership skills and provides a great opportunity to learn from experts with decades of experience in effective communication, staff development, and executive-level decision making.

Our Director of Communications Natalie Garza completed the Management Development Program, which is also part of the Governor's Center for Management Development.

And finally, Data Engineer Julia Paxton completed the University of Texas Post Graduate Program in Artificial Intelligence and Machine Learning.

We are extremely proud of these individuals and anticipate witnessing how they will leverage their newfound knowledge and skills to shape the future of TMRS. Congratulations to all!

**TMRS Heroes Give Back to Their Communities.** Community engagement is an important component of promoting a healthy work-life balance and TMRS staff are eager to help the communities in which they serve.

In July, Data Engineer Julia Paxton partnered with Texas Children's Austin and coordinated a donation drive to provide relief to the flood victims of Kerr County. TMRS employees were happy to donate over 175 items!

In August, TMRS staff raised over \$2,000 to provide golf equipment to the women's golf team of Travis High School. Coach Javier Torres admitted he was worried about providing for his team, composed of student athletes from various socio-economic backgrounds. That burden was lifted in a big way when staff donated the golf equipment needed to ensure his new team started off on the right foot. Upon receiving the donations, Coach Torres said, "It's amazing how generosity affects these girls in a positive way."

It's truly an honor to give back to the communities we serve, and I am proud to be part of this incredible TMRS team.

**Records Retention Schedule Officially Recertified.** TMRS' Record Retention Schedule has been officially recertified by the Texas State Library and Archives Commission (TSLAC). This is no small feat! Please join me in congratulating our Records Management team, Legal team, and representatives from each department for their combined efforts in completing the 6<sup>th</sup> recertification of our Records Retention Schedule.

Special recognition goes to Ricardo Zavala and Madison Jechow for their *extraordinary* efforts and patience to complete the process! Our next recertification is due in 2030.

**Benefits Administration Still Batting 1000.** Benefit Administration continues to reach 100% key process completion week after week. The below metrics reflect work completed the week ending September 18.

Team	Process	Items at Start	Items Added	Total	Processed	Percentage Complete
<b>Member</b>	Address/Name Changes	0	65	65	65	100%
	Beneficiary Designations	3	158	161	161	100%
	Refund Applications	0	73	73	73	100%
<b>Retiree</b>	Retirement Applications					
	APIO	2	81	83	83	100%
	APIO QC'd	0	80	80	80	100%
	XAPIO	0	24	24	24	100%
	DocuSign				9	
	Letters				7	
	W4-P	0	7	7	7	100%
	Direct Deposit	3	98	101	101	100%
<b>Beneficiary</b>	Benefit Verifications	0	58	58	58	100%
	Death Notifications	0	75	75	75	100%
	Initial Beneficiary Letter(s)	3	77	80	80	100%
	Beneficiary Payments	0	61	61	61	100%
<b>Delta</b>	Delta Inbox	0	90	90	90	100%
	Disability Application	2	26	28	28	100%
	Power of Attorney	3	14	17	17	100%
	QDRO Split at Retirement	1	14	15	15	100%
	QDRO Estimates	0	15	15	15	100%



September 16, 2025

**To:** Board of Trustees  
**From:** Christine M. Sweeney, Chief Legal Officer *CS*  
**Re:** Agenda Item 3: Third 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.
  - From May 31, 2025 → September 12, 2025
    - 12 investment allocation transactions (not including any additional allocations made through rebalancing)
    - 137 other investment related items
- **General Contracting and Benefits Matters.** Since June, 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 May 31, 2025 → September 12, 2025
    - 35 contracts (non-investment related) submitted for signature
    - 6 other benefits administration and non-investment related items submitted for signature or approval
    - 104 city ordinances reviewed or generated for City Services
- **Public Information Requests.** Since May 31, 2025, Legal staff have worked on 10 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.



September 16, 2025

**To:** Board of Trustees

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

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

I am pleased to report on the 2025 second quarter activities of the Benefit Administration, and third quarter activities for the City Services, Communications, Education Services, Member Service Center, Plan Design and Funding, Project Management, and Quality Initiatives departments.

**Benefit Administration**

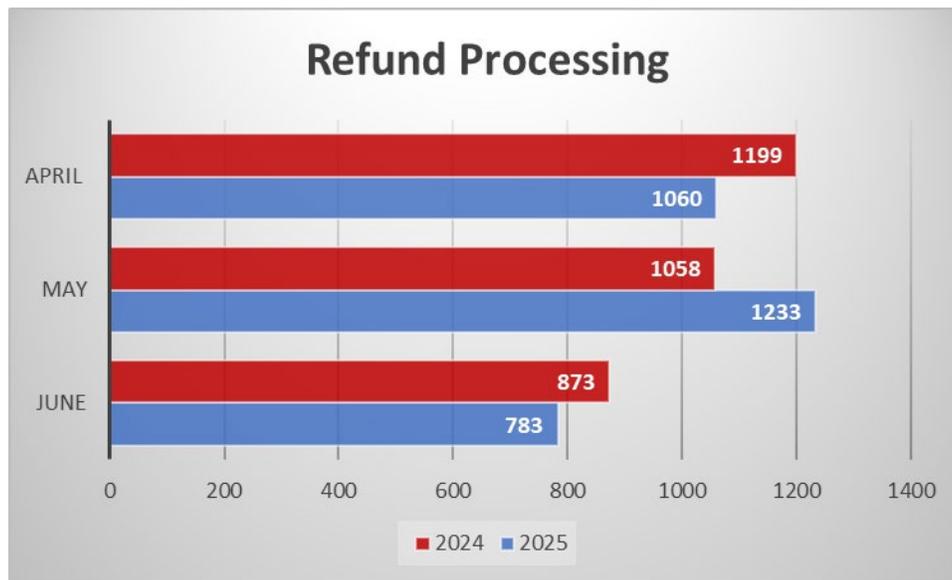
**Service Enhancements.** Benefit Administration continues to reach 100% key process completion week after week. BA is also actively engaged in TMRS strategic planning efforts and advancing in their key process improvement initiatives. The team recently completed a TMRS values recognition exercise to strengthen collaboration and reinforce alignment with the TMRS mission. In addition, SOPs are being updated to ensure consistency, clarity, and efficiency across all core processes.

**Staff Development.** Colin Davidson and April Hernandez completed the LBJ Senior Management Program, to further strengthen their leadership within the Services Department.

**Retirements.** In the second quarter of 2025, TMRS processed 1091 retirements, an 8% increase from the same quarter in 2024.



**Refunds.** TMRS issued 3076 refunds in the second quarter of 2025, which was a 2% decrease from the same quarter in 2024.



## City Services

**Plan Changes.** Year-to-date, 360 plan change studies have been prepared by staff, with an additional 916 created by 235 cities using the Plan Change Calculator in the City Portal. 114 cities have requested model ordinances, and 32 cities have adopted changes to their TMRS plan. Cities making plan changes includes the City of Crandall, which became the first city to adopt the 8% employee contribution rate. As of September 16, 10 cities have adopted the 8% contribution rate, and 48 cities have requested a model ordinance to adopt this new option.

**New Cities.** So far in 2025, six cities have begun participation in TMRS, Weir (Jan 1), St. Paul (Feb 1), Jamaica Beach (March 1), China (May 1), Paradise (Aug 1), and Combine (Oct 1). This brings the total number of participating cities in TMRS to 944, with more to come.

## 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:

- Produced and distributed announcements of new TMRS executive director
- Completed design direction for the organization's website re-design to start the next phase of development
- Created and distributed digital and print publications *TMRS Times* for members, *RetirementWise* for retirees and, *MainStreet* for City Services
- Began content creation, design development and production of the 2025 City Training Conference for City Services

- Assisted staff with development and distribution of the city satisfaction survey and retiree satisfaction survey
- Assisted Quality Initiatives by producing the TMRS Weekly Nuggets campaign to educate staff on the Quality Texas Foundation application information and staff reference sheet
- Began work on a video to impart the importance of beneficiary designations plus invited and obtained photos from staff to use in the video
- Sourced and produced promotional products and event collateral for Services and Education
- Continued contract negotiation and design development of a new exhibit booth for the TML conference and exhibition
- Designed and distributed branded LinkedIn cover photos for staff personal branding
- Created an ad for TML Town and Country magazine
- Maintained TMRS' LinkedIn page

**Communication Numbers.** Since January 1, Communications sent 41 mass emails to more than 920,000 recipients, received 1.1 million website views, hosted more than 28,500 mobile app sessions, and increased the TMRS Google ranking to 4.6 stars and 116 reviews.

**Staff Development.** Natalie Garza, Director of Communications, participated in the Governor's Management Development Program to further refine her leadership skills.

### **Education Services**

**Member Education.** Education Services' Regional Managers have counseled/educated close to 16,000 Members through September 12, 2025. The Education team has represented TMRS at 389 city events this year and has conducted 1,125 counseling sessions with Members.

**Webinars.** The Education Team has hosted and participated in 24 webinars and virtual meetings this year for more than 1,114 attendees.

**Direct City Contacts Initiative.** The Team continued making direct calls to TMRS authorized contacts at each of the participating cities for 2025. During these individualized calls, city contacts are re-introduced to their TMRS Education Services Regional Manager, informed about available education services and resources and assisted with validating the city's designated TMRS City Portal authorized contacts when needed. Through September 2025, the Team has contacted 745 of the 944 cities this year.

### **Member Service Center**

**Call Volume.** Through September 12th, the Member Service Center has handled more than 60,000 calls with a median wait time of less than eight seconds.

**Call Topics.** The most common call topics that the MSC received were related to Retirement (17%), Refund (15%), and MyTMRS (13%).

In June of 2025, MSC introduced “After-call Surveys.” So far this year, 95% of the more than 1750 surveyed callers gave the MSC a perfect score for their call experience. 85% and above is considered “outstanding” in the industry.

The Member Service Center added one more analyst to the team. In late June, Gaby Castro joined TMRS after enjoying a decade plus with an Austin-area blood bank where she managed accounts and engaged with media and community. In her short time, Gaby has already shown great commitment to exemplary service and engagement, perfectly illustrated by her 64 perfect after-call survey scores during the month of August.

### **Plan Design and Funding (PDF)**

**City Dashboard.** The city dashboard was updated to reflect the results of the 2024 valuation. The dashboard provides 10 years of historical funding data for each participating city and allows each city to compare their funding metrics to all other TMRS cities.

**GASB Financial Reporting Packages.** The 2025 GASB 68 & GASB 75 financial reporting packages for each participating city were uploaded to the TMRS website. An announcement was posted on the TMRS website and emailed to the city contacts.

**City Auditor Requests.** The Plan Design and Funding (PDF) team of Leslee Hardy and Kenneth Oliver assist individual cities and/or their auditors with any necessary reconciliations of the census data, contribution information or other related requests. To date, we have responded to 108 audit requests.

**City Plan Change Studies and Meetings.** Leslee and Kenneth continue to work with cities who are considering plan changes. Since January 1, they have attended 60 meetings either by phone, virtual or in-person. In addition, they have prepared 101 plan change studies for cities since the plan change calculator became available in late June.

**Rate Stabilization Studies.** PDF has prepared studies for 5 different cities reflecting the positive funding impact and cost savings associated with paying a higher rate than the actuarially determined contribution rate.

**Member City General Obligation Pension Bonds (POB).** Leslee is working with the legal team in assisting the City of Garland with issuing pension obligation bonds (POBs) to pay off \$130,000,000 of their 2024 Unfunded Actuarial Accrued Liability of \$170,575,663. The POBs are expected to be issued on or about September 17, 2025.

**Actuarial Funding Policy Changes.** Leslee has been working with GRS on recommended changes to the actuarial funding policy. These recommendations will be presented to Board at the October 2<sup>nd</sup> meeting.

## **Project Management**

**HB 3161 Programming Updates.** Effective September 1, HB 3161 amended the TMRS Act to provide participating cities with a new 8% employee contribution rate. Staff assessed system and process implications of the new contribution rate and implemented necessary changes to comply with this new legislation.

Cities contemplating adoption of the 8% employee contribution rate can calculate costs through the City Portal Plan Change Calculator, and if adopted, members can generate personal retirement estimates in MyTMRS based on the 8% contribution rate.

**MyTMRS Retirement Application.** The online retirement application was released on July 1 and 290 members have submitted an application in the first 60 days! Feedback thus far has been overwhelmingly positive. Here are a few of the compliments we have received:

David Wescoe, Former Executive Director: *Just completed online retirement application. So easy!! Please give my congratulations and thanks to all involved.*

July Retiree: *The online application was terrific. In the past, I was required to obtain a signature from HR at the city where I retired. This was much more convenient.*

**Quality Texas Foundation Dashboard.** A dashboard was created to centralize data presented in the recently submitted QTF Regional Award application. The dashboard provides senior leaders with visibility into organization-wide results that drive business decisions and technology initiatives.

## **Quality Initiatives**

**Retiree Survey.** In September, Andi updated the Retiree Survey to gauge recent retiree's satisfaction with TMRS' retirement process for both online and paper applications. So far, 100% of the retirees who applied online responded that they would recommend the TMRS online process to their coworkers.

**Values Survey.** Andi developed a survey for employees to share their feedback about TMRS' Values and whether they still embody TMRS' organizational culture. The feedback is in the process of being collected and will be considered during strategic planning.

**Quality Texas Foundation (QTF).** Staff submitted the fifth and final application for the Governor's Texas Award for Performance Excellence on August 28. QTF will perform a site visit in early December to observe TMRS' processes.



September 16, 2025

**To:** Board of Trustees

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

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

**Data Management.** The Quality Texas Foundation Level 5 dashboard was delivered. Created to provide senior leadership with a single window to monitor quality progress across the organization, this dashboard will also support examiners during the onsite interview process required for the Regional Award. As additional data sources are integrated into the TMRS Data Store, the transition from legacy reporting to modernized tools is well underway.

**Enterprise Architecture.** The team provided a vision, strategy, and roadmap to support the internal use of artificial intelligence and launched several projects in pursuit of this vision.

**Infrastructure & Customer Support.** The Infrastructure and Customer Support teams processed helpdesk requests, supported the launch of the online retirement application, issued laptops organization-wide, and mitigated security vulnerabilities through the timely application of patches to servers, computers, and network devices.

**Information Security.** To optimize TMRS' security program, the team expanded Vulnerability Management, Fraud Prevention and Third-Party Risk Management programs. Daily tasks and projects are being aligned with the US National Institute of Standards and Technology SP 800-53 framework to improve TMRS's security posture while watching for active threats.

**Software Development.** The new online retirement application was delivered on July 1 and feedback from both members and staff has been fantastic. Work on the NextGen rebuild has begun with initial deliverables planned by the end of 2025 and quarterly follow-on deliveries scheduled through 2027. The team is also building new systems and processes to support the new applications and replace some of the key IS systems as they reach their end of life.

**Records Management.** Staff processed 10,723 incoming documents resulting in 45,871 pages being scanned and loaded into the electronic document management system. 2,235 pieces of outgoing correspondence were mailed.



September 16, 2025

**To: Board of Trustees**

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

**Re: Agenda Item 4: Consider and Act on Amendments to Board of Trustees Orientation and Education Policy**

At its March 25, 2021 meeting, the Board adopted the current Board of Trustees Orientation and Education Policy (Policy). The Pension Review Board (PRB) has amended its administrative rules regarding the minimum educational training (MET) requirements for trustees and system administrators of public pension plans.

Staff has reviewed Policy and has drafted proposed amendments to the Policy to conform with the PRB's amended rules. A redlined draft of the Policy marked to show the proposed changes is included as Attachment 1.

#### **RECOMMENDATION**

Staff recommends that the Board adopt the amended Board of Trustees Orientation and Education Policy as presented.

#### **ATTACHMENTS**

- 1 – Board of Trustees Orientation and Education Policy – redlined version
- 2 – Board of Trustees Orientation and Education Policy – clean version



## **Board of Trustees Orientation and Education Policy**

The Board of Trustees Orientation and Education Policy (Policy) establishes a framework for Trustees to receive relevant education and training to discharge their duties and meet State-mandated training requirements.

### **I. Trustee Orientation: New Trustees shall attend an orientation session on TMRS' plan and operations and their responsibilities as a trustee.**

- A. New Trustees shall attend an orientation session as soon as practicable after appointment to the Board.
- B. Each new Trustee is encouraged to attend an orientation session before attending their first Board meeting, if possible.
- C. The orientation session will be coordinated by TMRS' Executive Director and Chief Legal Officer. The session will include content prepared by TMRS' Executive Director, Chief Legal Officer, and other Senior Staff.

### **II. State-Mandated Training: Trustees are required to meet State-mandated educational requirements after appointment and on a recurring basis.**

- A. Texas Open Meetings Act (TOMA) and Texas Public Information Act (TPIA) Training:
  - 1. *Requirement.* Both a TOMA and a TPIA training course are required to be completed within 90 days after taking the oath of office, unless a course completion certificate is provided that shows the Trustee previously completed the training.
  - 2. *Availability.* This training can be completed online and can be found on the Texas Attorney General's website. If needed, TMRS' Chief Legal Officer can provide instructions.
  - 3. *Training Confirmation and Certificate.* After completion, Trustees should provide a copy of the course completion certificates to the Chief Legal Officer.
- B. Texas Pension Review Board (PRB) Minimum Education and Training (MET) Program:
  - 1. *Requirement.* The MET Program description and specific requirements are located on the PRB website. The PRB requires that each Trustee must

complete prescribed training within their first year of service (as defined) after appointment and every calendar year two years thereafter.

a. Definition. Effective January 1, 2025, the PRB defines “first year of service” for a Trustee to mean:

- If appointed to the Board before September 1: the current calendar year; and
- If appointed on or after September 1: the following calendar year.

b. Example: If a Trustee was appointed August 1, 2025, they must complete the first-year core training requirements by December 31, 2025. If a Trustee was appointed September 1, 2025, they must complete the first-year core training requirements by December 31, 2026.

2. *Availability.* There are various training options that qualify for credit.

a. The PRB provides on-line training as a means for Trustees to obtain training in certain public pension plan competencies.

(i) New Trustees are required to ~~will be expected to~~ complete the PRB’s online “Core Training” courses as an expeditious way to meeting the MET Program’s first-year core requirements.

b. TMRS is an accredited PRB training provider for continuing education sponsor and can provide qualifying training for continuing education MET activities (other than first-year core training) at Board meetings and upon request by a Trustee.

c. Trustees may elect to participate in education opportunities provided by other PRB accredited training providersponsors. Accredited providersponsors are available on the PRB website.

d. Other training may qualify for credit. TMRS can apply to the PRB to obtain Trustee credit for training offered by a providersponsor that is not already accredited. The PRB will notify TMRS whether it accepted or rejected the request for training credit.

3. *Obtaining Credit.* To obtain training credit, Trustees are required to submit a course completion certificate or an evaluation of each completed course, as applicable, to the TMRS Chief Legal Officer.

4. *Reporting Requirements.* TMRS staff will file required reports on Trustee training activity with the PRB, keep Trustees informed on the status of their compliance with PRB training requirements, and maintain records of Board education and travel expenses related to education and training.

### **III. Continuing Education and Training: Trustees should seek opportunities to enhance their pension and investments knowledge and expertise through additional internal and external training.**

A. *Internal Training.* Based on the education needs of each Trustee, the Executive Director will arrange for staff or consultants to conduct educational sessions at

regularly scheduled Board meetings or at times suitable to the Trustee and training provider.

- B. *List of External Training.* The Executive Director shall provide to Trustees a list of courses, conferences, seminars and certification programs that are recognized for their educational content.
- C. *Other Training Providers.* Trustee requests to attend a training event not on the external training list shall be forwarded to the Executive Director, who will evaluate the subject matter, educational value and the quality of the provider ~~sponsoring~~ organization.
- D. *Training Approval.* The Executive Director is responsible for approving Trustees' conferences and other external training events and the associated registration and travel costs in accordance with the Board Bylaws.
1. Trustees should not participate in sponsor-provided entertainment that is elaborate or expensive.
  2. Travel outside the continental United States for continuing education and training requires the advance approval of the Executive Director.

### **Board Orientation and Training Policy Review and History**

Adopted by the TMRS Board in December 2008.

Revised by the TMRS Board on March 25, 2021.

Revised by the TMRS Board on October 2, 2025.

The Board periodically will review and update this Policy.

ATTEST:

---

David Landis  
Chairman, Board of Trustees

---

Debbie J. Munoz  
Executive Director



## **Board of Trustees Orientation and Education Policy**

The Board of Trustees Orientation and Education Policy (Policy) establishes a framework for Trustees to receive relevant education and training to discharge their duties and meet State-mandated training requirements.

### **I. Trustee Orientation: New Trustees shall attend an orientation session on TMRS' plan and operations and their responsibilities as a trustee.**

- A. New Trustees shall attend an orientation session as soon as practicable after appointment to the Board.
- B. Each new Trustee is encouraged to attend an orientation session before attending their first Board meeting, if possible.
- C. The orientation session will be coordinated by TMRS' Executive Director and Chief Legal Officer. The session will include content prepared by TMRS' Executive Director, Chief Legal Officer, and other Senior Staff.

### **II. State-Mandated Training: Trustees are required to meet State-mandated educational requirements after appointment and on a recurring basis.**

- A. Texas Open Meetings Act (TOMA) and Texas Public Information Act (TPIA) Training:
  - 1. *Requirement.* Both a TOMA and a TPIA training course are required to be completed within 90 days after taking the oath of office, unless a course completion certificate is provided that shows the Trustee previously completed the training.
  - 2. *Availability.* This training can be completed online and can be found on the Texas Attorney General's website. If needed, TMRS' Chief Legal Officer can provide instructions.
  - 3. *Training Confirmation and Certificate.* After completion, Trustees should provide a copy of the course completion certificates to the Chief Legal Officer.
- B. Texas Pension Review Board (PRB) Minimum Education and Training (MET) Program:
  - 1. *Requirement.* The MET Program description and specific requirements are located on the PRB website. The PRB requires that each Trustee must

complete prescribed training within their first year of service (as defined) and every calendar year thereafter.

a. Definition. Effective January 1, 2025, the PRB defines “first year of service” for a Trustee to mean:

- If appointed to the Board before September 1: the current calendar year; and
- If appointed on or after September 1: the following calendar year.

b. Example: If a Trustee was appointed August 1, 2025, they must complete the first-year core training requirements by December 31, 2025. If a Trustee was appointed September 1, 2025, they must complete the first-year core training requirements by December 31, 2026.

2. *Availability.* There are various training options that qualify for credit.

a. The PRB provides on-line training as a means for Trustees to obtain training in certain public pension plan competencies.

(i) New Trustees are required to complete the PRB’s online “Core Training” courses as an expeditious way to meeting the MET Program’s first-year core requirements.

b. TMRS is an accredited PRB training provider for continuing education and can provide qualifying training for continuing education MET activities (other than first-year core training) at Board meetings and upon request by a Trustee.

c. Trustees may elect to participate in education opportunities provided by other PRB accredited training providers. Accredited providers are available on the PRB website.

d. Other training may qualify for credit. TMRS can apply to the PRB to obtain Trustee credit for training offered by a provider that is not already accredited. The PRB will notify TMRS whether it accepted or rejected the request for training credit.

3. *Obtaining Credit.* To obtain training credit, Trustees are required to submit a course completion certificate or an evaluation of each completed course, as applicable, to the TMRS Chief Legal Officer.

4. *Reporting Requirements.* TMRS staff will file required reports on Trustee training activity with the PRB, keep Trustees informed on the status of their compliance with PRB training requirements, and maintain records of Board education and travel expenses related to education and training.

### **III. Continuing Education and Training: Trustees should seek opportunities to enhance their pension and investments knowledge and expertise through additional internal and external training.**

A. *Internal Training.* Based on the education needs of each Trustee, the Executive Director will arrange for staff or consultants to conduct educational sessions at

regularly scheduled Board meetings or at times suitable to the Trustee and training provider.

- B. *List of External Training.* The Executive Director shall provide to Trustees a list of courses, conferences, seminars and certification programs that are recognized for their educational content.
- C. *Other Training Providers.* Trustee requests to attend a training event not on the external training list shall be forwarded to the Executive Director, who will evaluate the subject matter, educational value and the quality of the provider organization.
- D. *Training Approval.* The Executive Director is responsible for approving Trustees' conferences and other external training events and the associated registration and travel costs in accordance with the Board Bylaws.
  - 1. Trustees should not participate in sponsor-provided entertainment that is elaborate or expensive.
  - 2. Travel outside the continental United States for continuing education and training requires the advance approval of the Executive Director.

### **Board Orientation and Training Policy Review and History**

Adopted by the TMRS Board in December 2008.  
Revised by the TMRS Board on March 25, 2021.  
Revised by the TMRS Board on October 2, 2025.

The Board periodically will review and update this Policy.

ATTEST:

---

David Landis  
Chairman, Board of Trustees

---

Debbie J. Munoz  
Executive Director



September 16, 2025

**To: Board of Trustees**

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

**Re: Agenda Item 5: Consider and Act on Renewal of Board's Fiduciary Counsel Agreement**

Bob Klausner, of Klausner, Kaufman, Jensen & Levinson (the "Firm") has provided external legal and fiduciary counsel services to TMRS and the Board of Trustees since 1999.

The current three-year term of TMRS' Outside Counsel Contract with the Firm (the "Agreement") expires on December 31, 2025.

Given Mr. Klausner's extensive and positive experience with TMRS and his effective efforts on TMRS' behalf, I recommend that TMRS extend and renew the Agreement for another three years, with the option to renew for an additional one year.



September 16, 2025

**To: Board of Trustees**

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

**Re: Agenda Item No. 6: Report on Audit Committee Meeting**

The Audit Committee met on September 11, 2025, with Committee Chair Bob Scott and Committee Vice Chair David Landis present via Zoom. Staff present included Anali Alanis, Colin Davidson, Jac Greene, Madison Jechow, Amy Kelley, Debbie Muñoz, Nick O’Keefe, Kristyn Scoggins, and Christine Sweeney.

**An Audit of the City Contributions Portal Report.** The Committee received a report *Audit of the City Contributions Portal* and unanimously approved distribution of the Report to the Board.

**Confidential Annual Security Assessment Presentation and Report.** Chief Information Officer Jac Greene presented the 2024 Security Assessment report.

**Feedback on External Auditor.** I presented survey results on CLA’s performance conducting the 2024 Financial Statement and SOC engagements.

**An Update on the 2025-2026 Audit Plan.** I discussed progress on the 2025-2026 Audit Plan and other internal audit activities.

All items presented at the meeting are available in the Audit Committee section in Diligent.



September 23, 2025

**To:** Board of Trustees  
**From:** Cindy Demers, Director of Accounting   
**Re:** Agenda Item 7: Report on Budget and Compensation Committee Meeting

The Budget and Compensation Committee met on September 23, 2025, via Zoom.

There were 3 agenda items for consideration:

1. Consider and Act on Adoption of Minutes from the September 12, 2024, Budget and Compensation Committee Meeting.
2. Review and Discuss Increasing the TMRS Employee Contribution Rate to 8%.
3. Review and Discuss 2026 Operating and Capital Budgets.



September 16, 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 8: 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.



# 2026 Proposed Operating and Capital Budgets

Cindy Demers, Director of Accounting

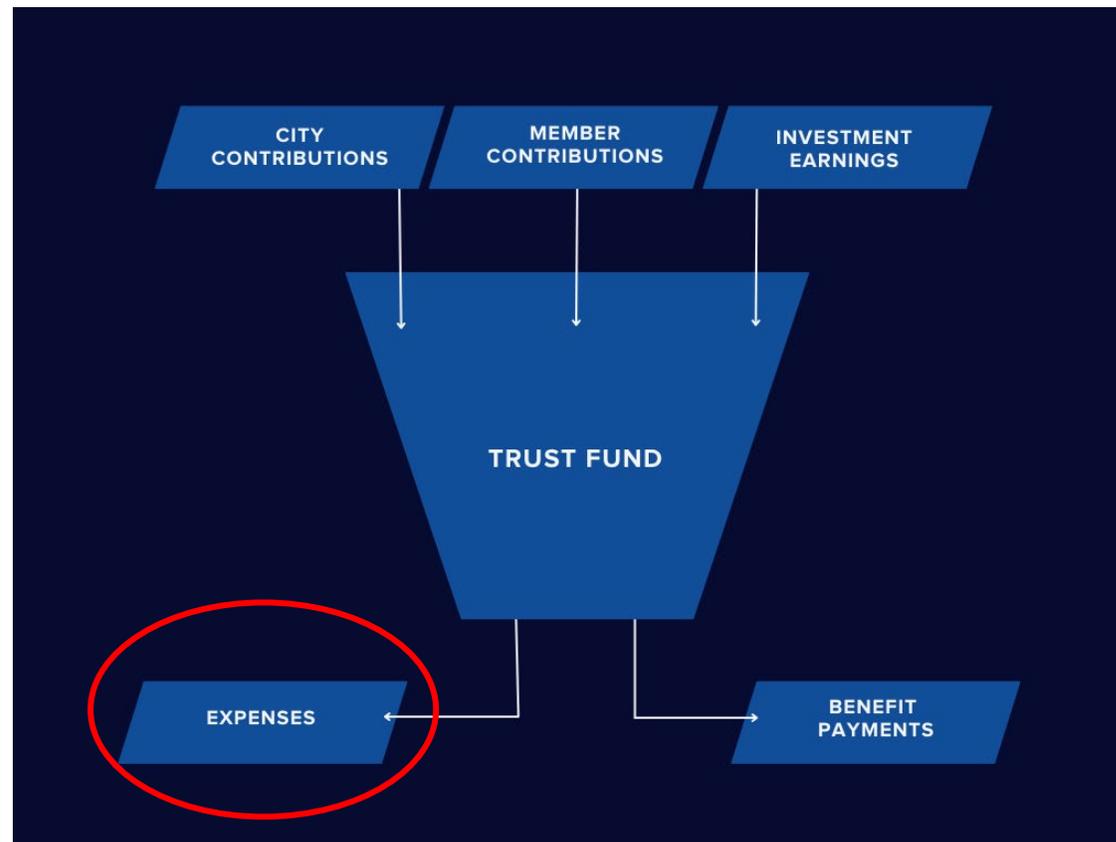
October 2, 2025

# Budget Timeline

- September 23 – Present budget to Budget and Compensation Committee
- October 2 – Present budget to the Board of Trustees
- October - November – Staff will update budget based on feedback and updated information
- November 12 – Budget and Compensation Committee meeting
- December 11 – Approve 2026 Budget at Board of Trustees meeting

# Budget Overview

- 2026 Proposed Operating Budget - \$49.4 million
- 2026 Proposed Capital Budget - \$1.1 million



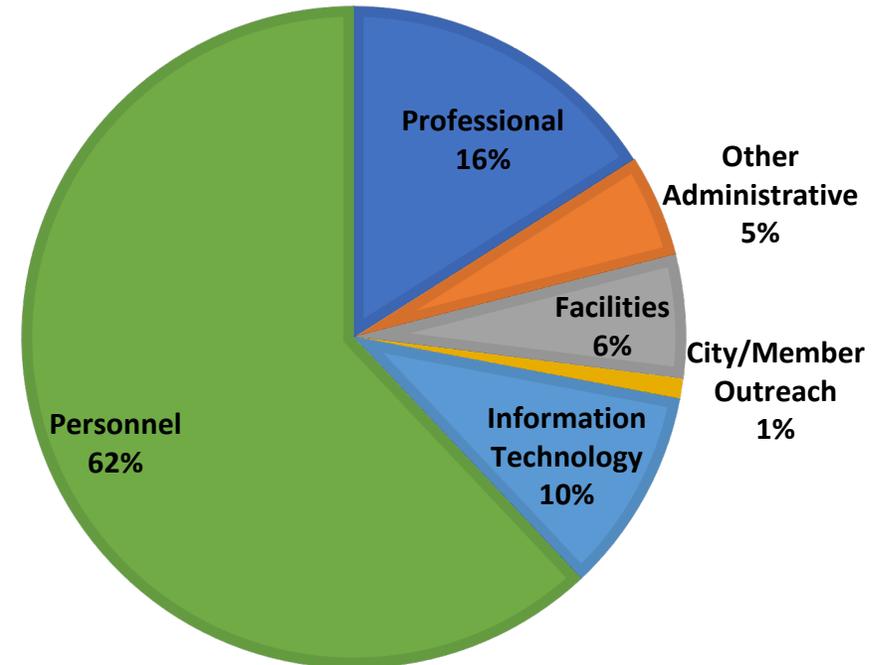
# Budget Strategic Objectives

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

# 2026 Proposed Operating Budget

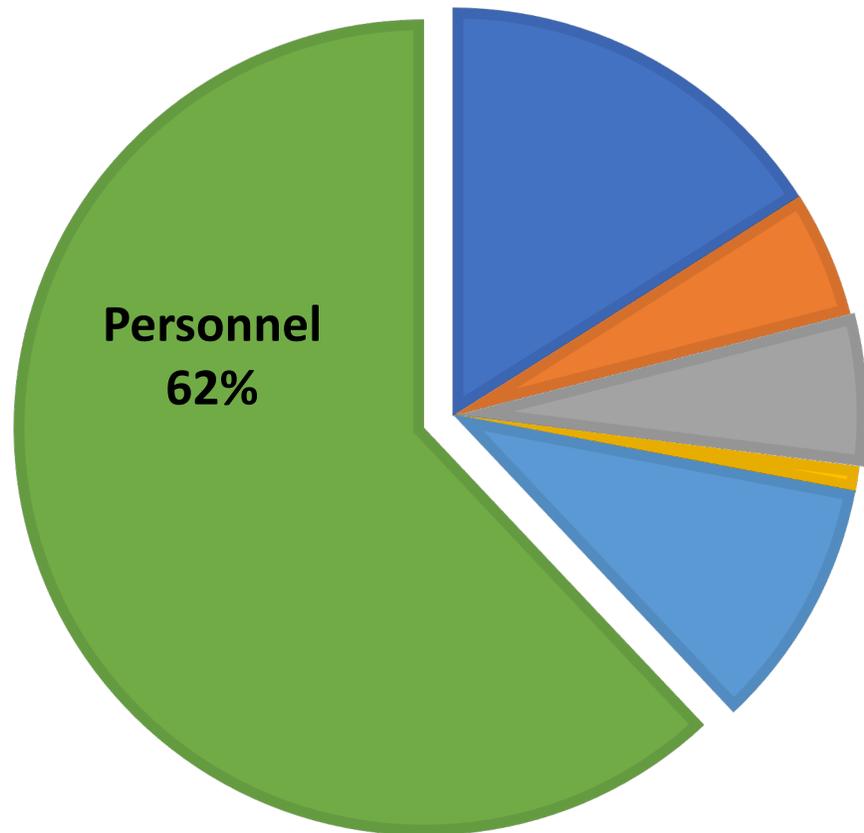
- \$49.4 million total budget
- \$7.2 million or 17% increase over 2025 Approved Budget
- Increases in 3 major categories:
  - Personnel Services - \$4.2 million
  - Professional Services - \$1.2 million
  - Software/Cloud Services - \$1.4 million

2026 OPERATING BUDGET



# Personnel Services

2026 OPERATING BUDGET



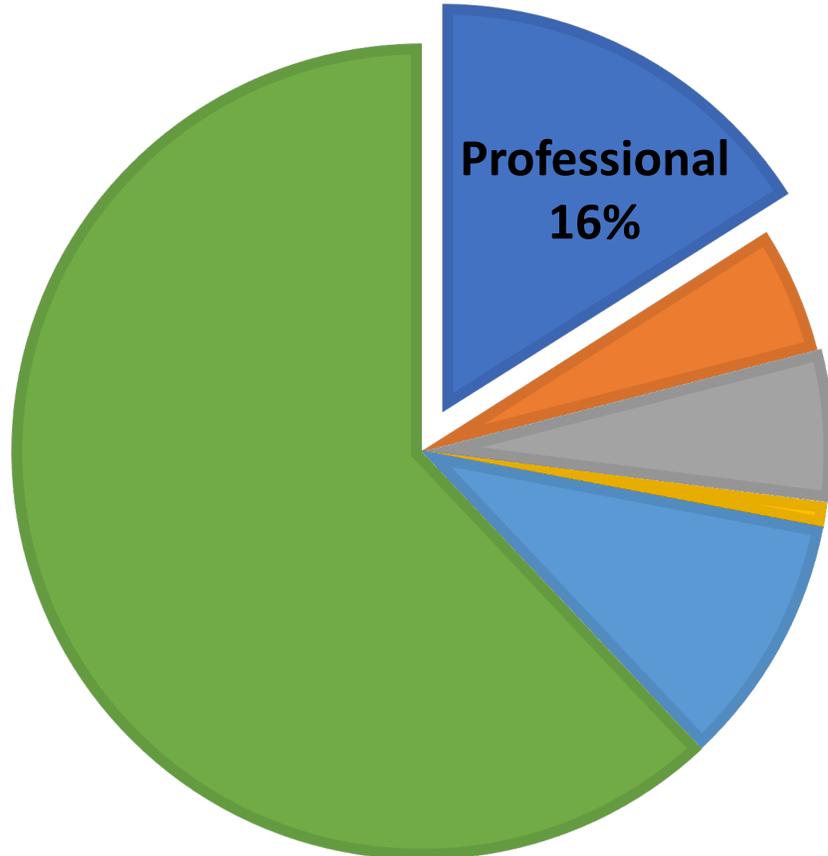
- \$30.5 million total, 16% increase
- Additional 13 positions compared to 2025
- TMRS employee contribution rate to 8% effective January
- Health insurance increase; includes retiree health insurance
- Merit pay
- Bonus program funding level to 2025 budget

## Strategic Plan Connection

- Be an employer of choice
- Attract and retain an outstanding and diverse team

# Professional Services

2026 OPERATING BUDGET



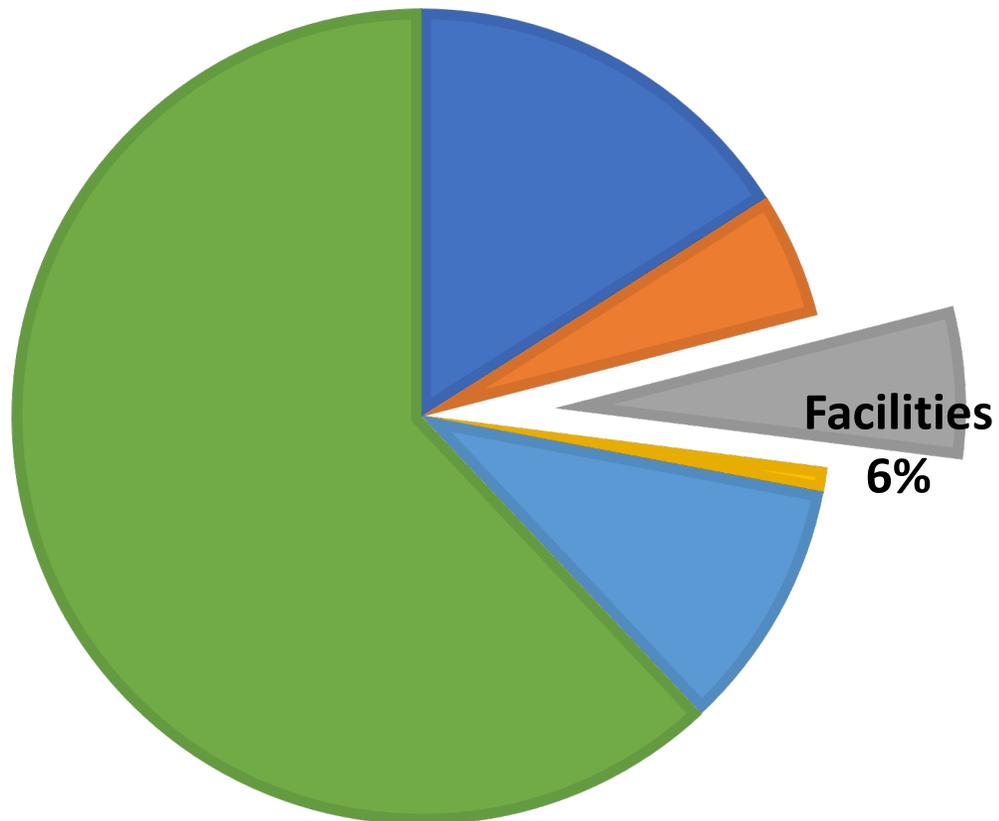
- \$7.7 million total, 18% increase
- Key Categories:
  - Actuarial - \$725K
  - Audit - \$253K
  - Custodial and Banking - \$1.6M
  - Information Services - \$920K
  - Investment - \$2.4M
  - Legal - \$1M
  - Other - \$880K

## Strategic Plan Connection

- Ensure financial stability and long-term viability of the Plan
- Increase the intelligent use of technology
- Foster a diverse, high-performing and engaged culture

# Facilities

## 2026 OPERATING BUDGET



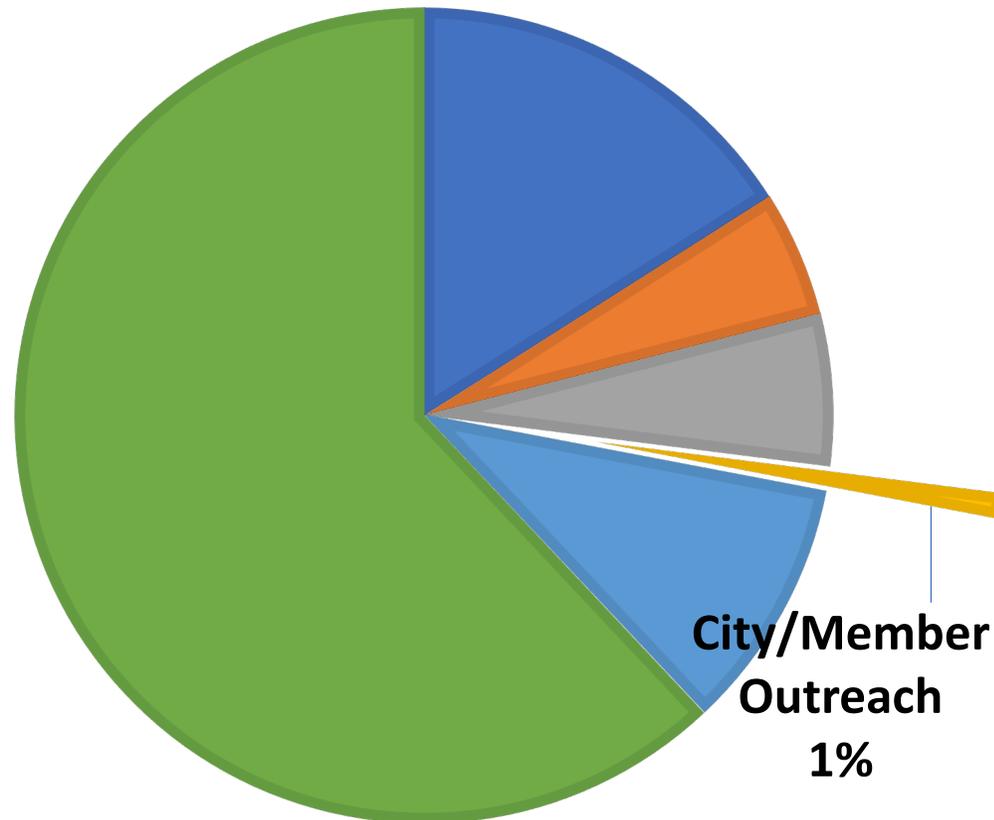
- \$3.1 million total, 1% increase
- Office rent – lease schedule
- Certain repairs and maintenance, security

### Strategic Plan Connection

- Be an employer of choice
- Attract and retain an outstanding and diverse team
- Foster an inclusive environment

# City and Member Outreach

## 2026 OPERATING BUDGET



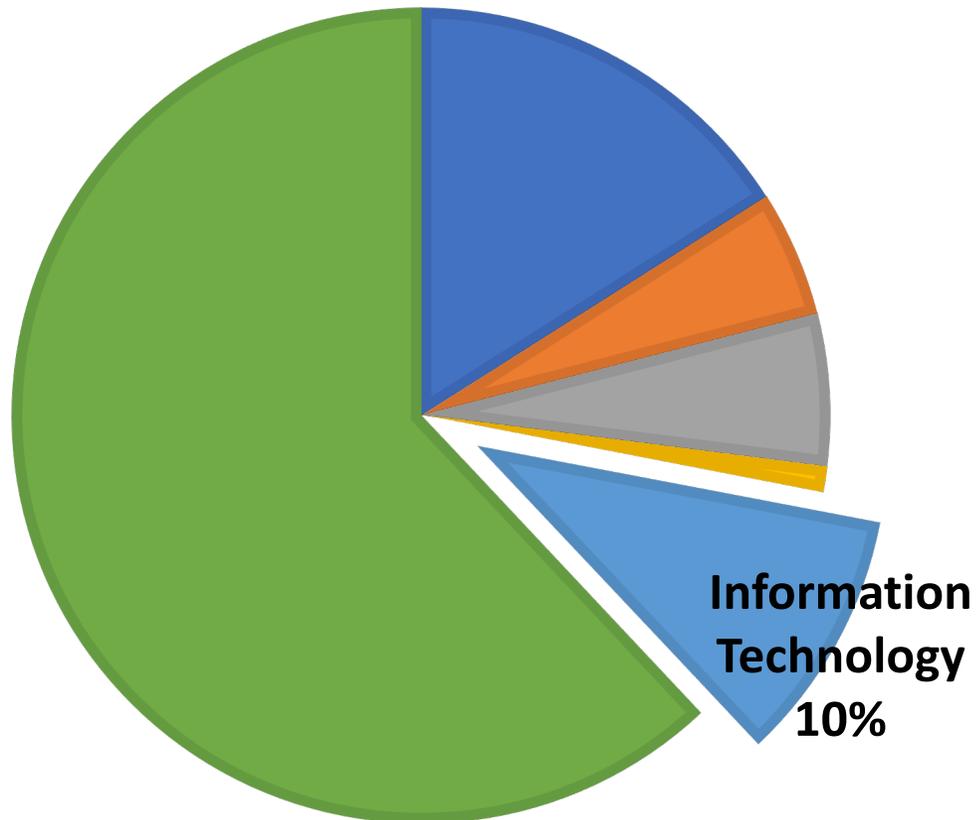
- \$728K total, 5% decrease (\$41K)
- Includes printing, mailing and education events and materials, no personnel costs

### Strategic Plan Connection

- Proactively partner with cities on ways to maximize the value of their TMRS retirement plan
- Deliver superior Member and city education
- Communicate effectively

# Information Technology

2026 OPERATING BUDGET



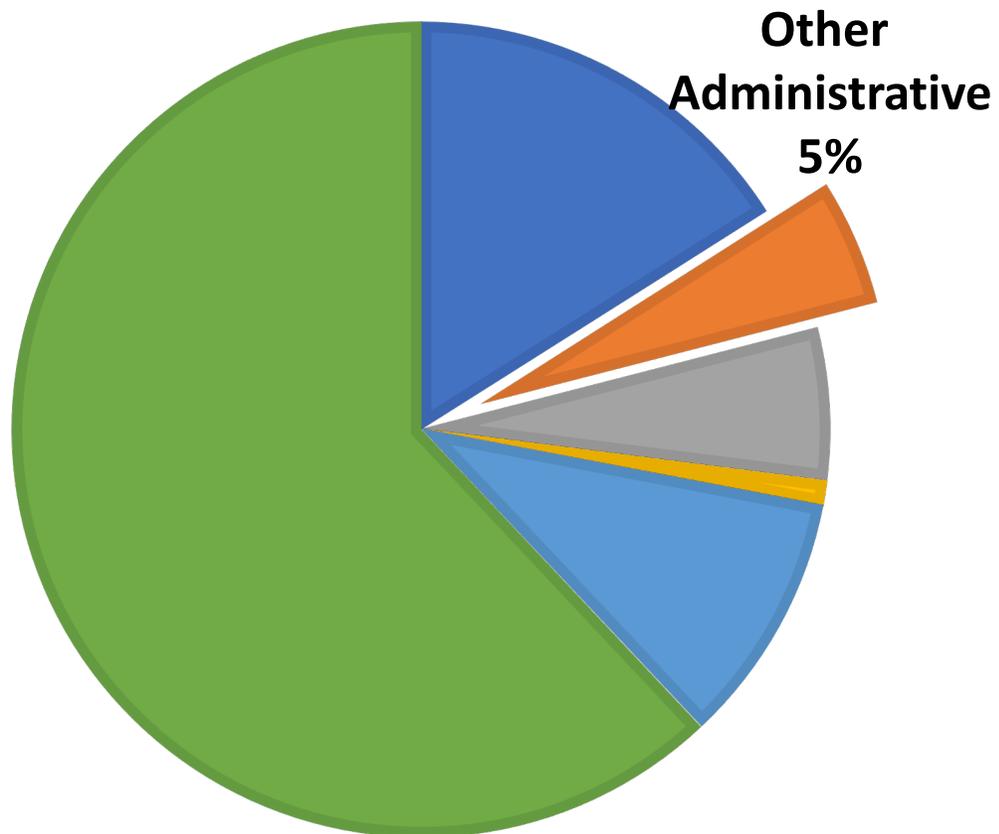
- \$4.9 million total, 39% increase
- Software and support - \$4.7 million
  - Licensing of entity-wide software and subscription services
  - 2026 focus areas:
    - AI initiatives
    - Network security
    - Fraud detection and prevention
    - Other cloud services

## Strategic Plan Connection

- Provide secure and reliable technology that enables staff to be great from anywhere
- Improve digital service capabilities for Members and cities
- Maintain a robust cyber-security program
- Evaluate pension platforms to identify optimal solutions to meet future needs

# Other Administrative

2026 OPERATING BUDGET



- \$2.3 million total, 23% increase
- Key Categories:
  - Board/Advisory Committee - \$118K
  - Professional Development - \$518K
  - Insurance/Supplies and other - \$897K
  - Business Travel - \$794K
- Focus on employee training, wellness and recruitment efforts

## Strategic Plan Connection

- Be an employer of choice
- Attract and retain an outstanding and diverse team
- Foster an inclusive environment
- Implement leadership development program to train staff and prepare future leaders

# 2026 Proposed Capital Budget

Four capital projects totaling \$1.1 million

- Update Technology in Conference Rooms
- Implement Microsoft Commercial Cloud Services
- Investments Data Warehouse Migration
- Office Improvements

## Strategic Plan Connection

- Increase the intelligent use of technology
- Foster an inclusive environment

# 2026 Proposed Budget

**Questions/Feedback**



September 16, 2025

**To: Board of Trustees**

**From: Leslee S. Hardy, Director of Plan Design & Funding** *Leslee S. Hardy*

**Re: Agenda Item 9: Consider and Act on Amendments to the Actuarial Funding Policy**

In October 2014, the TMRS Board adopted a formal actuarial funding policy effective as of December 31, 2013. Prior to that time, TMRS' funding policy was mostly defined in statute or by Board rule or resolution.

The key elements of a funding policy include a description of the actuarial cost method, asset smoothing method, amortization methods and actuarial assumption processes. From time to time, the actuarial funding policy will need to be updated as changes occur. Accordingly, the 2013 funding policy has been updated twice, effective December 31, 2015 and January 1, 2020, to reflect changes in assumptions and methods (amortization and asset smoothing policies) primarily resulting from the respective experience studies.

With the passage of HB 3161 in the 89<sup>th</sup> Legislature, an 8% Employee Contribution Rate (ECR) option was added to TMRS' current 5%, 6% and 7% options. The addition of an 8% ECR has highlighted a financing scenario in our funding policy that has always existed, but was never contemplated since most large TMRS cities were at the maximum benefit level and had no incentive to pursue this financing option. Specifically, cities can increase (or maintain) benefits overall, but change from repeating to ad hoc Updated Service Credits (USC) and/or COLAs to reduce their contributions with the full intention of keeping these benefits as a permanent part of their package.

Ad hoc financing is retrospective as benefits are paid for after they are granted whereas repeating financing is prospective and advance funds the future benefits over the active career of each employee. To maintain TMRS' actuarial soundness, cities that intend for USC and/or COLAs to be a permanent part of their package need to adopt and finance them on a repeating basis. We have already had one city adopt an 8% ECR while changing their COLA from repeating to ad hoc to be able to afford the 8% ECR with the full intention of adopting an ad hoc COLA annually.

The combination of increased benefits and decreased contributions does not comply with current actuarial industry standards or public plan financing principles. Furthermore, with the considerable interest from cities to adopt an 8% ECR, more cities could pursue this financing option immediately impacting TMRS cash flow, liquidity and possibly asset allocation resulting in lower investment earnings. This is the most important systemic risk that is addressed by the recommended funding policy changes.

Additionally, the proposed changes are designed to protect TMRS and its Members' benefits and treat all cities the same while continuing to follow industry leading practices. A true ad hoc benefit will be defined as no more than one adoption of the same type (USC and/or COLA) in four years. If a city grants an ad hoc more frequently, these recommended changes will gradually move the ad hoc funding assumptions toward repeating.

Attached you will find two copies of the Actuarial Funding Policy Effective January 1, 2026 which will be first applicable to the December 31, 2025 actuarial valuation and plan changes adopted in 2026. The first is a redline version which tracks the changes made to the prior funding policy effective January 1, 2020. The second is the clean version for your review and consideration of adoption.

### **RECOMMENDATION:**

GRS and Staff recommend that the Board adopt the attached Actuarial Funding Policy Effective January 1, 2026.

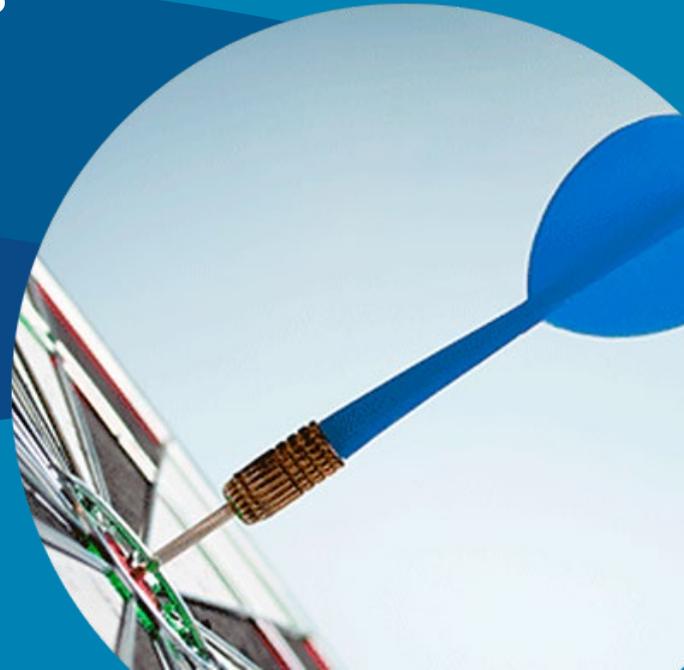
### **ATTACHMENTS:**

- 1 GRS Presentation
- 2 Actuarial Funding Policy Effective January 1, 2026 – redline version
- 3 Actuarial Funding Policy Effective January 1, 2026 – clean version



# Recommendations to the Actuarial Funding Policy

Report to the TMRS Board of Trustees  
October 2, 2025  
Joe Newton



# Potential financing deficiency with the new 8% member contribution rate option

---

- There is a combination available to cities where they can increase benefits overall, but change from Repeating to Ad hoc for COLAs and/or Updated Service Credits, and in net decrease their contributions, perhaps significantly
  - Even lowering contributions while maintaining benefits is not appropriate
- This scenario has always existed, but with the addition of the 8% member contribution option, there is more incentive
  - Most large cities in TMRS were at the maximum benefit package and thus had no incentive to pursue this combination

# Example

Plan Provisions	Current	Option 1	Option 2	Option 3
Employee Contribution Rate	7%	8%	8%	8%
City Matching Ratio	2 to 1	2 to 1	2 to 1	2 to 1
Updated Service Credit (USC)	100% (Repeating)	100% (Repeating)	100% (Repeating)	100% (Repeating)
Transfer USC *	Yes	Yes	Yes	Yes
COLA	70% (Repeating)	70% (Repeating)	None	70% (Ad hoc)
Retroactive COLA	Yes	Yes	No	Yes
Retirement Eligibility	20 years	20 years	20 years	20 years
Vesting	5 years	5 years	5 years	5 years
Supplemental Death Benefit	None	None	None	None
Contribution Rates	2026	2026	2026	2026
Normal Cost Rate	12.22%	14.09%	10.95%	10.95%
Prior Service Rate	<u>6.07%</u>	<u>8.99%</u>	<u>-0.25%</u>	<u>0.41%</u>
Retirement Rate	<b>18.29%</b>	<b>23.08%</b>	<b>10.70%</b>	<b>11.36%</b>
Supplemental Death Rate	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Total Contribution Rate	<b>18.29%</b>	<b>23.08%</b>	<b>10.70%</b>	<b>11.36%</b>
Unfunded Actuarial Liability	\$129,714,491	\$218,258,240	\$-14,152,349	\$-2,075,054
Funded Ratio	91.4%	86.4%	101.0%	100.1%
Benefit Increase Amortization Period	20 years	20 years	20 years	20 years

# Issues with this potential combination

---

- Violates industry standards and principles
  - Returns to the pre-2007 mechanisms
  - Someone has to pay. Current generation gets the benefit without paying for it, so a future generation has to pay (more) for it
- If enough cities do it, it will impact TMRS cash flow quickly, impacting liquidity and possibly portfolio construction, thus the ability to generate investment earnings for TMRS
  - Issue is not just on the one city, it can become systemic

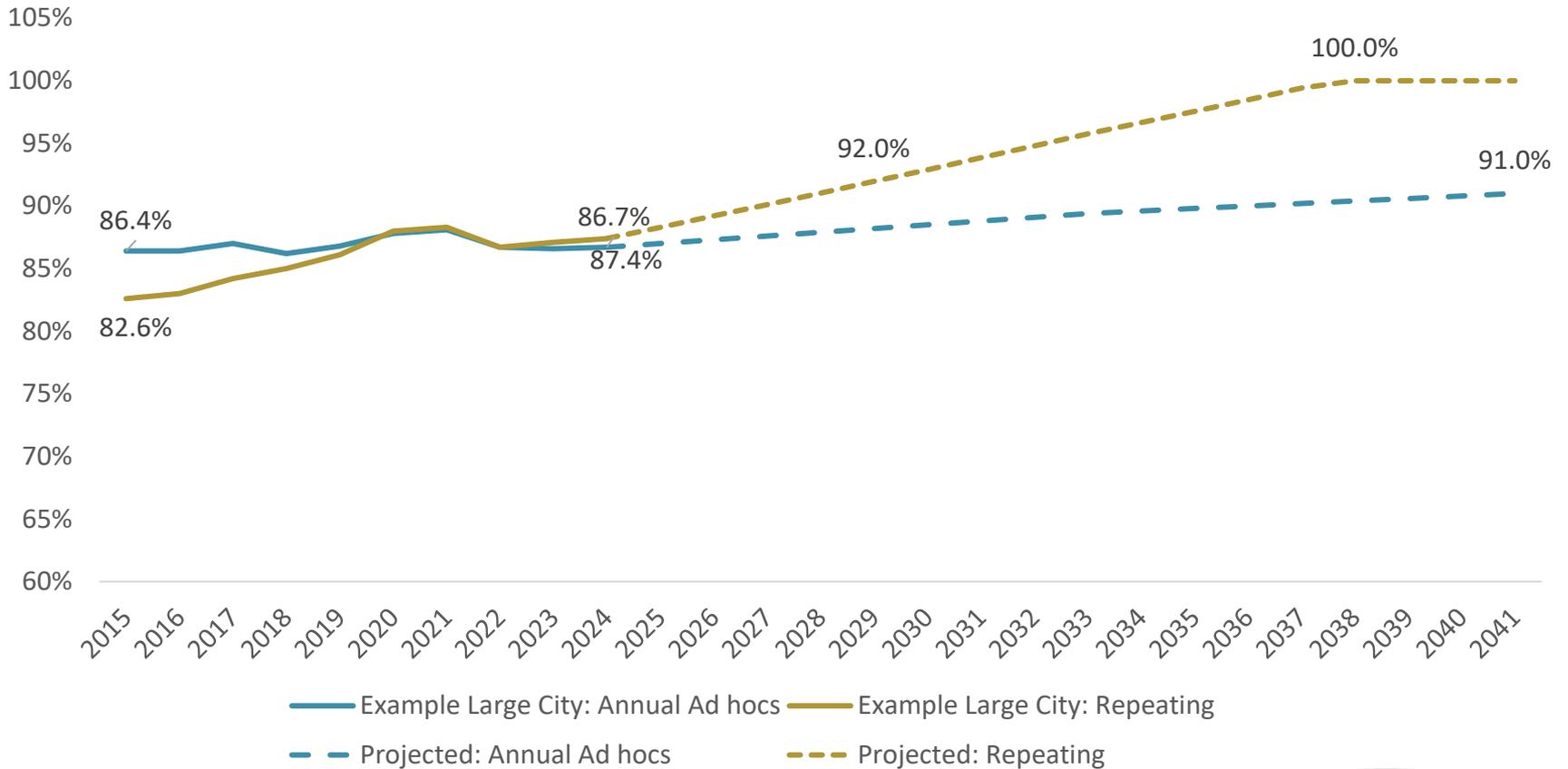
# General Issues with Ad hoc financing

---

- Not paying for the implied benefit while services are being performed
- Benefits are less secure
- Contribution rate will be higher in future years than it is currently
  - The total costs over time financing an Ad hoc approach is 3-4X more to provide the same benefit than a Repeating approach
- Either current members get higher salaries (and the promise of a future benefit) or tax payers pay less now; while either future members receive less benefits or future taxpayers pay more

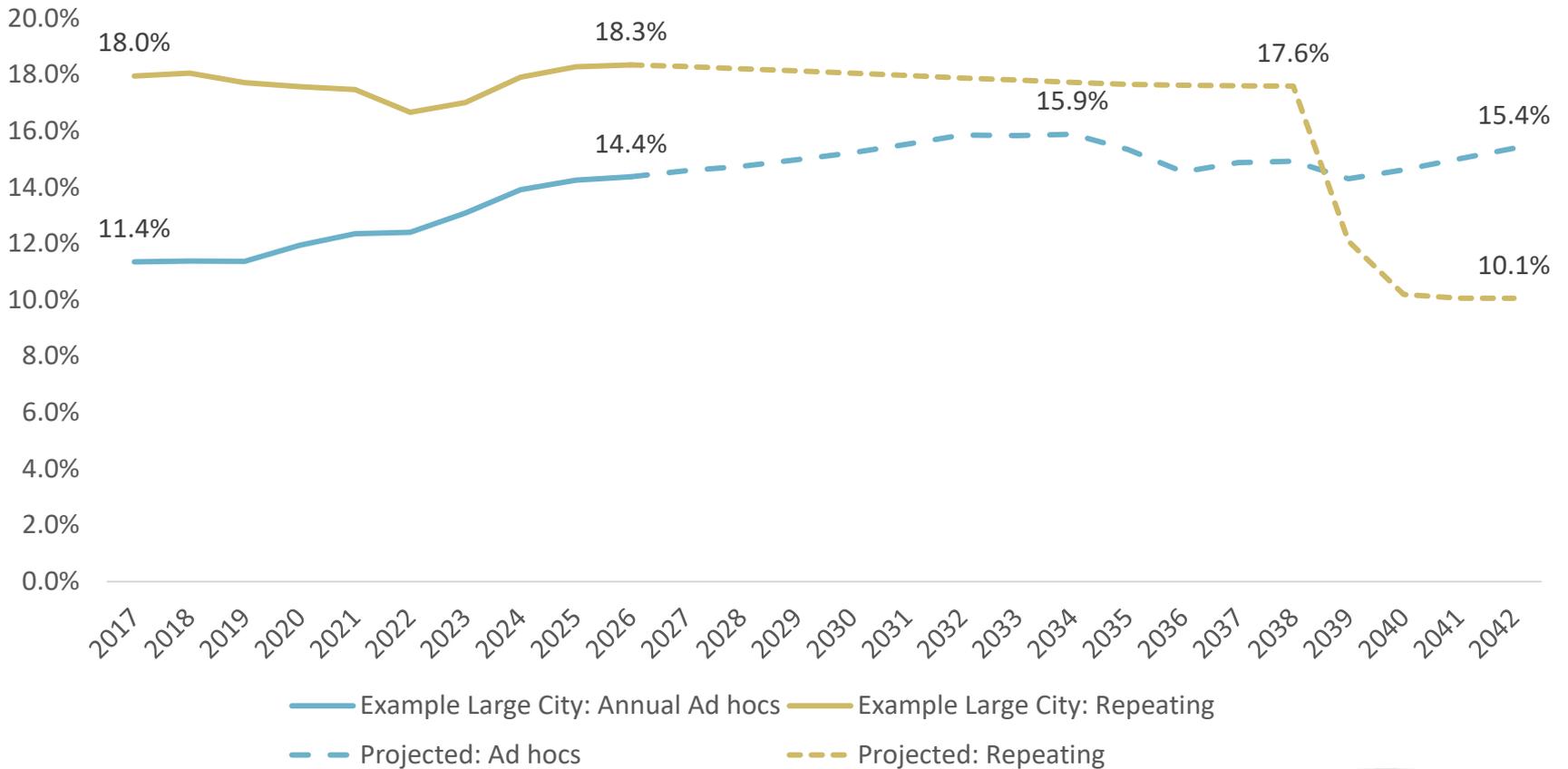
Funded ratios for cities financed based on Repeating assumptions have and are expected to continue to improve over time, while cities financed based on Ad hoc assumptions are expected to never achieve 100% (perpetual unfunded liabilities)

Historical and Projected Funded Ratio



Likewise, contribution rates for Repeating cities have remained relatively flat, while Ad hoc cities have increased steadily and will continue to do so. Repeating cities will drop down to Normal Cost once they achieve 100% funded ratio.

Historical and Projected Contribution Rates



# Main Objectives with recommended changes to Funding Policy

---

- Protect TMRS and its members
- Treat all cities the same to the extent possible
  - Have a simple, but universal policy that can be applied across the entire population of cities
- Continue to follow industry leading practices

## Groups to consider

---

- Cities currently providing Repeating benefits
- Cities currently providing Ad hoc benefits, annually or consistently
- Cities that truly provide Ad hoc benefits
- Cities that currently don't have Repeating benefits but want to achieve that level

# Truly Ad hoc vs Effectively Repeating

---

- True Ad hoc will be defined as no more than one enhancement of the same type in four years
- If a city grants the same type of benefit enhancement (USC or COLA) on an Ad hoc basis after already providing the same enhancement within the previous three years, this will be considered to trigger the conditions of “Effectively Repeating”

# Examples of Triggering “Effectively Repeating” conditions

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	Yes	Yes	Yes	Yes	Yes
Trigger Effectively Repeating?	No	Yes	Yes	Yes	Yes	Yes

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	No	Yes	No	Yes	No
Trigger Effectively Repeating?	No	No	Yes	No	Yes	No

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	No	No	No	Yes	No
Trigger Effectively Repeating?	No	No	No	No	No	No

# Recommendation #1: Repeating Cities

---

- A city with Repeating benefits can only have the “Repeating” assumption removed if they:
  - Pass an ordinance to remove the Repeating provision and not adopt an Ad hoc to replace it;
- Then, if they grant an Ad hoc in the same year they removed the Repeating or in the next two years, a full 100% Effectively Repeating assumption will be reflected in the funding cost
  - Need three years with no enhancement
- This solves the most concerning systemic risk for TMRS

# Annual or Consistent Ad hocs

---

- There are 10 cities that provide an “Ad hoc” benefit enhancement, annually or consistently
  - Their members expect to receive these benefits
  - Their financial statements already reflect that these benefits are “Substantively Automatic”
  - Financing annual Ad hoc enhancements is not consistent with actuarial or financial best practice
- There is a fairness issue between this group and the current Repeating group under the recommended policy
- We are going to begin to move their valuation assumptions towards the Repeating assumption

## Recommendation #2: Ad hoc Cities Considered “Effectively Repeating”

---

- Each time a city triggers the Effectively Repeating condition, an assumption will be reflected in the contribution rate equal to 20% of the Repeating cost (in addition to the Ad hoc cost)
- These additional costs will continue to stack to fully reflect the Repeating cost once the conditions have been triggered 5 times
- This also provides a path for cities that currently don't have a Repeating benefit but want to achieve that level

# Examples of Effectively Repeating

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	Yes	Yes	Yes	Yes	Yes
% of Repeating COLA Assumption	0%	20%	40%	60%	80%	100%

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	No	Yes	No	Yes	No
% of Repeating COLA Assumption	0%	0%	20%	20%	40%	40%

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	No	No	No	Yes	No
% of Repeating COLA Assumption	0%	0%	0%	0%	0%	0%

# Recommendation #3: Removing the Effectively Repeating Assumption

---

- The Effectively Repeating assumption can be removed:
  - if the City doesn't provide an Ad hoc for three consecutive years; or
  - if the City formally requests the assumption be removed with the conditions that
    - they will not grant another Ad hoc within three years from their last adoption
    - if they do grant another Ad hoc in the three year period, their funding costs will be reflected as 100% Effectively Repeating
    - Same conditions as the Repeating group

# Examples of Removing the Effectively Repeating Assumption

---

Year	2026	2027	2028	2029	2030	2031
Ad hoc COLA Granted?	Yes	No	Yes	No	Yes	No
% of Repeating COLA Assumption	0%	0%	20%	20%	40%	40%

Year	2032	2033	2034
Ad hoc COLA Granted?	No	No	No
% of Repeating COLA Assumption	40%	40%	0%

# How Groups are Impacted

---

- Cities currently providing Repeating benefits
  - Most are not impacted
  - Still able to remove Repeating benefit assumption so long as they do not provide an Ad hoc benefit for three years
- Cities currently providing Ad hoc benefits, annually or consistently
  - Will be transitioned into the Repeating benefit assumption
- Cities that truly provide Ad hoc benefits (not more frequently than 1 every 4 years)
  - Will not be impacted
- Cities that currently don't have Repeating benefits but want to achieve that level
  - Given a mechanism to transition into the Repeating benefit costs

**Texas Municipal Retirement System**  
**Actuarial Funding Policy Effective January 1, ~~2020~~2026**

**Background**

The primary financial objective of the Texas Municipal Retirement System (“TMRS” or “System”) is to pre-fund the long-term costs of promised benefits to plan members and beneficiaries at an approximate level percent of payroll from year to year. As an agent multiple employer plan with over ~~885~~940 participating municipalities (employers), administration of the System includes engaging the services of a consulting actuary to assist in establishing contribution rates that will accomplish these funding objectives. The purpose of this Actuarial Funding Policy is to document the current funding policy of TMRS effective January 1, ~~2020~~2026 (first applicable to the December 31, ~~2019~~2025 actuarial valuation and plan changes adopted in 2026) as established by Statute, Board Rule or Board resolution in consultation with the System’s consulting actuary. The individual participating employer contribution determined annually under this funding policy is called the actuarially determined employer contribution (ADEC) and serves as the basis for determining the Full Retirement Rate contribution under TMRS.

**Goals and Objectives**

The goals and objectives of this funding policy are to:

1. Outline the funding policy components used in calculating the annual ADEC for each participating employer;
2. Achieve long-term full funding (funded ratio of 100% or greater) of the cost of promised and/or anticipated benefits;
3. Allocate the costs of benefits in a reasonable and equitable manner which promotes the principle of intergenerational equity;
4. Manage and control contribution rate volatility to the extent reasonably possible, consistent with other funding policy goals; and
5. Support transparency and accountability to stakeholders of TMRS.

**Actuarially Determined Employer Contribution Funding Policy Components**

TMRS Act § 855.405 and § 855.406 require each TMRS participating employer to contribute a monthly amount equal to the normal cost contribution and prior service contribution, respectively, as determined annually by the System’s consulting actuary. The normal cost contribution rate and prior service cost contribution rate are determined by the following three key components of this funding policy which are approved by the Board based on the advice of the actuary:

1. Actuarial Cost Method – *The technique used to allocate the total present value of future benefits (PVFB) over an employee’s working career.*

The Entry Age Normal (EAN) cost method is used in determining the normal cost (the portion of the PVFB allocated to the year following the valuation date) and the actuarial accrued liability (the portion of the PVFB allocated to years of service prior to the valuation date) of each active member. The individual EAN normal cost rate is the contribution rate which, if applied to a member’s compensation throughout their anticipated covered service with the employer, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The total Actuarial Accrued Liability (AAL) is the sum of the individual

AALs. The Unfunded Actuarial Accrued Liability (UAAL) reflects the difference between the AAL and the Actuarial (Smoothed) Value of Assets (AVA). The prior service contribution rate amortizes the UAAL over the applicable period for that city in accordance with the amortization policy described below. The funded ratio equals the ratio of the AVA to the AAL.

2. *Asset Smoothing Method – The technique used to recognize gains or losses in pension assets over some period of time so as to reduce the effects of market volatility and stabilize contributions.*

The Actuarial Value of Assets (AVA) is based on the Market Value of Assets (MVA) with ten-year smoothing applied. This is accomplished by recognizing each year 10% of the difference between the MVA and the expected AVA, based upon the assumed rate of return. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first, and the net remaining bases continuing to be recognized over their original ~~10~~ten-year timeframe. The AVA is further adjusted by 33% of any difference between the initial value and a 12% corridor around the MVA, if necessary. A System-wide calculation to determine the ratio of the smoothed value to the market value in aggregate will be performed and that ratio will then be applied to each employer's market value of assets in determining their individual actuarial (smoothed) value of assets.

3. *Amortization Policy – The length of time and the structure selected for increasing or decreasing contributions to systematically eliminate any Unfunded Actuarial Accrued Liability (UAAL) or surplus.*

TMRS Act § 855.110(c) allows the Board the authority, after consultation with their consulting actuary, by rule or by funding policy, to:

- establish separate open or closed amortization periods up to a maximum of 30 years for each participating employer;
- decrease or increase amortization periods, not to exceed 30 years; and
- set different amortization periods for UAALs arising from different types of events that generate liabilities, and to ladder the amortization of the liabilities.

The current Board adopted amortization policy is summarized below:

- a. For underfunded plans, the amortization is a level percentage of payroll over a closed period using the process of "laddering" which separately tracks different amortization components or bases. ~~For the December 31, 2019 actuarial valuation and benefit increases effective prior to January 1, 2021, losses are amortized over a maximum of 25 years with that period reduced by 1 year for each active member less than 20. Afterwards, the provisions in (b) and (c) apply.~~  
~~b. All new losses occurring after January 1, 2020 and benefits increases effective on or after January 1, 2021~~ Each valuation, new losses and benefit increases are amortized over a maximum period of 20 years with that period reduced by 1 year for each active member less than 15. Bases Previously created ~~January 1, 2020 and earlier~~ amortization bases will continue to be amortized on their original schedule as determined by prior funding policy.

- b. New gains, including lump sum contributions, are offset against and amortized over the same period as the current largest outstanding loss base for the specific employer which, in turn, reduces contribution rate volatility.
- c. For overfunded plans, all prior bases (ad hoc and non-ad hoc) are erased and one surplus base is established. The asset surplus is used to generate a contribution credit for the year that is projected to remain the same over all time horizons and keep the funded ratio constant year over year. This provides for adequate surplus management and reduces contribution rate volatility.
- d. Ad hoc benefit enhancements create a separate UAAL base or ladder and are amortized on a level dollar basis over individual closed periods equal to the minimum of 12 years or the remaining life expectancy of the group; however, if the non-ad hoc (level percent) amortization factor is smaller due to a shorter amortization period based on the employer's size, ad hoc enhancements will be amortized the same as any other loss.
- e. For plans closed to new members, a 20-year level dollar amortization schedule is applicable with the consulting actuary's discretion to use a lower period, if necessary or appropriate, to be re-evaluated annually. Employers may request an extended amortization period up to 30 years subject to Board approval in consultation with the actuary and annual re-evaluation. The new higher rate will become effective the same date that the plan is closed and any applicable phase-in contribution rate will be eliminated. Benefit enhancements granted after the plan closing date are subject to more stringent funding requirements. Such funding requirements are subject to Board approval.

### ***Actuarially Determined Employer Contribution Phase-in Policy***

TMRS Act § 855.407(h)(1) allows the Board to phase-in contribution rate increases in excess of 0.5% resulting from actuarial changes (including changes in assumptions and/or methods) over a reasonable period of time. TMRS Act § 855.407(i) states that employers eligible to phase-in contribution rate increases are not required to do so. ~~The current Board adopted contribution phase-in policy is summarized below:~~

~~Net contribution rate increases in excess of 0.5% resulting from the 2019 changes in actuarial assumptions are eligible to be phased in at a maximum of 0.5% per year until the ADEC rate is attained. For this purpose, the net contribution rate increase is the contribution rate increase resulting solely from the change in actuarial assumptions adjusted by the contribution rate decrease attributable to experience gains, if any. Any remaining phase-in balance from the 2015 actuarial changes will be combined with the 2019 net contribution rate increase above 0.5% in determining the final 2019 phase-in balance. Calendar year 2021 is the first year in which a phase-in contribution different than the ADEC is available from the 2019 actuarial changes.~~

### ***Actuarial Assumptions for Actuarial Valuation and Funding Purposes***

TMRS Act § 855.205(c) requires that at least once every 5 years, the System's actuary perform an actuarial experience investigation study and make recommendations to the Board based on the results of the experience study. TMRS generally performs ~~an experience~~this investigation study ~~once~~ every 4 years. The recommendations for actuarial assumptions to be used in the annual actuarial valuations are grouped into the following two major categories:

1. Economic assumptions – including investment return, individual salary increases, overall payroll growth, etc.
2. Demographic assumptions – including rates of termination, forfeiture, service retirement, disability retirement, mortality, etc.

Actuarial assumptions adopted by the Board for use in the actuarial valuation affect only the timing of contributions. The ultimate contribution level is determined by the benefits and expense actually paid offset by actual investment returns. To the extent that actual experience deviates from the assumptions, experience gains and losses will occur. These gains (or losses) then serve to decrease (or increase) the future contribution requirements.

The actuarial assumptions represent the Board's best estimate of anticipated experience under TMRS and are intended to be long term in nature. In developing the actuarial assumption set, the Board considers not only past experience, but also trends, external forces and future expectations.

### **Repeating vs Ad hoc Benefits**

Under the TMRS Act, cities can provide Updated Service Credits (USC) and Cost of Living Adjustments (COLA) on (1) a repeating basis (which an ordinance from the City is not required each year) or (2) an ad hoc basis (which requires the City to readopt the new enhancement by ordinance each time it is granted). If the City has elected a repeating option, the actuarial valuation and resulting contribution rates assume that level of benefits will be provided in perpetuity.

Each time a City adopts a new ad hoc benefit, the value of that one enhancement is amortized over a 12-year period per item (d) in the Amortization Policy section above.

However, if a City triggers the conditions below of providing ad hoc enhancements on a regular basis, the enhancements will be deemed Effectively Repeating and an assumption will be incorporated into the funding cost anticipating the pattern will continue.

Due to the retroactive catch-up features of TMRS benefits, a new ad hoc enhancement will trigger the Effectively Repeating conditions if the same type of enhancement had also been granted in one of the three previous years, making the current enhancement the second in four or fewer years.

With USC and/or COLA plan changes adopted beginning in 2026 (i.e., for USC and COLA benefits effective January 1, 2027 or after), each time the City triggers the condition to be deemed Effectively Repeating, in addition to the cost of the ad hoc enhancement being granted, a repeating assumption equal to 20% of the level of benefit granted will be added into the funding cost. Thus, once a City has triggered the condition 5 times, the full repeating cost of the enhancement would be reflected in the contribution rate.

Once triggered, an ad hoc City will have to go three years without granting the enhancement to have the Effectively Repeating assumption removed. The City may formally request the assumption be removed before the end of the three-year period, with the conditions that (1) they will not grant another ad hoc enhancement of the same type within three years from their last adoption and (2) if they do grant another ad hoc in the three-year period, their funding costs will be reflected as 100% Repeating.

For a City with Repeating benefits to have the Repeating assumption removed, they will have to remove the repeating enhancement by ordinance. If an ad hoc enhancement of the same type is granted that year or in any of the next two years, the full 100% Effectively Repeating assumption will be reflected in the City's funding cost. If the City does not adopt an Ad hoc enhancement within the three-year window, they will then fall under the 20% graded Effectively Repeating rules.

***Funding Policy History***

Actuarial Funding Policy Effective January 1, 2026, adopted October 2, 2025

Actuarial Funding Policy Effective January 1, 2020 adopted December 5, 2019

Actuarial Funding Policy Effective December 31, 2015 adopted February 18, 2016

Actuarial Funding Policy Effective December 31, 2013 adopted October 24, 2014

## **Texas Municipal Retirement System Actuarial Funding Policy Effective January 1, 2026**

### ***Background***

The primary financial objective of the Texas Municipal Retirement System (“TMRS” or “System”) is to pre-fund the long-term costs of promised benefits to plan members and beneficiaries at an approximate level percent of payroll from year to year. As an agent multiple employer plan with over 940 participating municipalities (employers), administration of the System includes engaging the services of a consulting actuary to assist in establishing contribution rates that will accomplish these funding objectives. The purpose of this Actuarial Funding Policy is to document the current funding policy of TMRS effective January 1, 2026 (first applicable to the December 31, 2025 actuarial valuation and plan changes adopted in 2026) as established by Statute, Board Rule or Board resolution in consultation with the System’s consulting actuary. The individual participating employer contribution determined annually under this funding policy is called the actuarially determined employer contribution (ADEC) and serves as the basis for determining the Full Retirement Rate contribution under TMRS.

### ***Goals and Objectives***

The goals and objectives of this funding policy are to:

1. Outline the funding policy components used in calculating the annual ADEC for each participating employer;
2. Achieve long-term full funding (funded ratio of 100% or greater) of the cost of promised and/or anticipated benefits;
3. Allocate the costs of benefits in a reasonable and equitable manner which promotes the principle of intergenerational equity;
4. Manage and control contribution rate volatility to the extent reasonably possible, consistent with other funding policy goals; and
5. Support transparency and accountability to stakeholders of TMRS.

### ***Actuarially Determined Employer Contribution Funding Policy Components***

TMRS Act § 855.405 and § 855.406 require each TMRS participating employer to contribute a monthly amount equal to the normal cost contribution and prior service contribution, respectively, as determined annually by the System’s consulting actuary. The normal cost contribution rate and prior service cost contribution rate are determined by the following three key components of this funding policy which are approved by the Board based on the advice of the actuary:

1. ***Actuarial Cost Method*** – *The technique used to allocate the total present value of future benefits (PVFB) over an employee’s working career.*

The Entry Age Normal (EAN) cost method is used in determining the normal cost (the portion of the PVFB allocated to the year following the valuation date) and the actuarial accrued liability (the portion of the PVFB allocated to years of service prior to the valuation date) of each active member. The individual EAN normal cost rate is the contribution rate which, if applied to a member’s compensation throughout their anticipated covered service with the employer, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total

normal cost rate. The total Actuarial Accrued Liability (AAL) is the sum of the individual AALs. The Unfunded Actuarial Accrued Liability (UAAL) reflects the difference between the AAL and the Actuarial (Smoothed) Value of Assets (AVA). The prior service contribution rate amortizes the UAAL over the applicable period for that city in accordance with the amortization policy described below. The funded ratio equals the ratio of the AVA to the AAL.

2. Asset Smoothing Method – *The technique used to recognize gains or losses in pension assets over some period of time so as to reduce the effects of market volatility and stabilize contributions.*

The Actuarial Value of Assets (AVA) is based on the Market Value of Assets (MVA) with ten-year smoothing applied. This is accomplished by recognizing each year 10% of the difference between the MVA and the expected AVA, based upon the assumed rate of return. Offsetting unrecognized gains and losses are immediately recognized, with the shortest remaining bases recognized first, and the net remaining bases continuing to be recognized over their original ten-year timeframe. The AVA is further adjusted by 33% of any difference between the initial value and a 12% corridor around the MVA, if necessary. A System-wide calculation to determine the ratio of the smoothed value to the market value in aggregate will be performed and that ratio will then be applied to each employer's market value of assets in determining their individual actuarial (smoothed) value of assets.

3. Amortization Policy – *The length of time and the structure selected for increasing or decreasing contributions to systematically eliminate any Unfunded Actuarial Accrued Liability (UAAL) or surplus.*

TMRS Act § 855.110(c) allows the Board the authority, after consultation with their consulting actuary, by rule or by funding policy, to:

- establish separate open or closed amortization periods up to a maximum of 30 years for each participating employer;
- decrease or increase amortization periods, not to exceed 30 years; and
- set different amortization periods for UAALs arising from different types of events that generate liabilities, and to ladder the amortization of the liabilities.

The current Board adopted amortization policy is summarized below:

- a. For underfunded plans, the amortization is a level percentage of payroll over a closed period using the process of "laddering" which separately tracks different amortization components or bases.  
Each valuation, new losses and benefit increases are amortized over a maximum period of 20 years with that period reduced by 1 year for each active member less than 15. Previously created amortization bases will continue to be amortized on their original schedule as determined by prior funding policy.
- b. New gains, including lump sum contributions, are offset against and amortized over the same period as the current largest outstanding loss base for the specific employer which, in turn, reduces contribution rate volatility.
- c. For overfunded plans, all prior bases (ad hoc and non-ad hoc) are erased and one surplus base is established. The asset surplus is used to generate a contribution credit for the year that is projected to remain the same over all time horizons and keep the funded ratio constant year over year. This provides for adequate surplus management and reduces contribution rate volatility.

- d. Ad hoc benefit enhancements create a separate UAAL base or ladder and are amortized on a level dollar basis over individual closed periods equal to the minimum of 12 years or the remaining life expectancy of the group; however, if the non-ad hoc (level percent) amortization factor is smaller due to a shorter amortization period based on the employer's size, ad hoc enhancements will be amortized the same as any other loss.
- e. For plans closed to new members, a 20-year level dollar amortization schedule is applicable with the consulting actuary's discretion to use a lower period, if necessary or appropriate, to be re-evaluated annually. Employers may request an extended amortization period up to 30 years subject to Board approval in consultation with the actuary and annual re-evaluation. The new higher rate will become effective the same date that the plan is closed and any applicable phase-in contribution rate will be eliminated. Benefit enhancements granted after the plan closing date are subject to more stringent funding requirements. Such funding requirements are subject to Board approval.

### ***Actuarially Determined Employer Contribution Phase-in Policy***

TMRS Act § 855.407(h)(1) allows the Board to phase-in contribution rate increases in excess of 0.5% resulting from actuarial changes (including changes in assumptions and/or methods) over a reasonable period of time. TMRS Act § 855.407(i) states that employers eligible to phase-in contribution rate increases are not required to do so.

### ***Actuarial Assumptions for Actuarial Valuation and Funding Purposes***

TMRS Act § 855.205(c) requires that at least once every 5 years, the System's actuary perform an actuarial experience investigation study and make recommendations to the Board based on the results of the experience study. TMRS generally performs this investigation study every 4 years. The recommendations for actuarial assumptions to be used in the annual actuarial valuations are grouped into the following two major categories:

1. Economic assumptions – including investment return, individual salary increases, overall payroll growth, etc.
2. Demographic assumptions – including rates of termination, forfeiture, service retirement, disability retirement, mortality, etc.

Actuarial assumptions adopted by the Board for use in the actuarial valuation affect only the timing of contributions. The ultimate contribution level is determined by the benefits and expense actually paid offset by actual investment returns. To the extent that actual experience deviates from the assumptions, experience gains and losses will occur. These gains (or losses) then serve to decrease (or increase) the future contribution requirements.

The actuarial assumptions represent the Board's best estimate of anticipated experience under TMRS and are intended to be long term in nature. In developing the actuarial assumption set, the Board considers not only past experience, but also trends, external forces and future expectations.

### ***Repeating vs Ad hoc Benefits***

Under the TMRS Act, cities can provide Updated Service Credits (USC) and Cost of Living Adjustments (COLA) on (1) a repeating basis (which an ordinance from the City is not required

each year) or (2) an ad hoc basis (which requires the City to readopt the new enhancement by ordinance each time it is granted). If the City has elected a repeating option, the actuarial valuation and resulting contribution rates assume that level of benefits will be provided in perpetuity.

Each time a City adopts a new ad hoc benefit, the value of that one enhancement is amortized over a 12-year period per item (d) in the Amortization Policy section above.

However, if a City triggers the conditions below of providing ad hoc enhancements on a regular basis, the enhancements will be deemed Effectively Repeating and an assumption will be incorporated into the funding cost anticipating the pattern will continue.

Due to the retroactive catch-up features of TMRS benefits, a new ad hoc enhancement will trigger the Effectively Repeating conditions if the same type of enhancement had also been granted in one of the three previous years, making the current enhancement the second in four or fewer years.

With USC and/or COLA plan changes adopted beginning in 2026 (i.e., for USC and COLA benefits effective January 1, 2027 or after), each time the City triggers the condition to be deemed Effectively Repeating, in addition to the cost of the ad hoc enhancement being granted, a repeating assumption equal to 20% of the level of benefit granted will be added into the funding cost. Thus, once a City has triggered the condition 5 times, the full repeating cost of the enhancement would be reflected in the contribution rate.

Once triggered, an ad hoc City will have to go three years without granting the enhancement to have the Effectively Repeating assumption removed. The City may formally request the assumption be removed before the end of the three-year period, with the conditions that (1) they will not grant another ad hoc enhancement of the same type within three years from their last adoption and (2) if they do grant another ad hoc in the three-year period, their funding costs will be reflected as 100% Repeating.

For a City with Repeating benefits to have the Repeating assumption removed, they will have to remove the repeating enhancement by ordinance. If an ad hoc enhancement of the same type is granted that year or in any of the next two years, the full 100% Effectively Repeating assumption will be reflected in the City's funding cost. If the City does not adopt an Ad hoc enhancement within the three-year window, they will then fall under the 20% graded Effectively Repeating rules.

### ***Funding Policy History***

Actuarial Funding Policy Effective January 1, 2026, adopted October 2, 2025  
Actuarial Funding Policy Effective January 1, 2020 adopted December 5, 2019  
Actuarial Funding Policy Effective December 31, 2015 adopted February 18, 2016  
Actuarial Funding Policy Effective December 31, 2013 adopted October 24, 2014



September 16, 2025

**To: Board of Trustees**

**From: Yup S. Kim, Chief Investment Officer** YK

**Re: Agenda Item 10: Board Education: Credit Asset Class**

In accordance with the Investment Policy Statement, comprehensive asset class reviews are conducted annually. At the October Board meeting, Darren Schlissel (Senior Director, Head of Fixed Income) will present the Credit asset class review.

# **BOARD OF TRUSTEES ANNUAL ASSET CLASS REVIEW: CREDIT**

Darren Schlissel, Senior Director of Fixed Income

October 2, 2025

# Credit Executive Summary

1

**Objective.** Per the Investment Guidelines: “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.

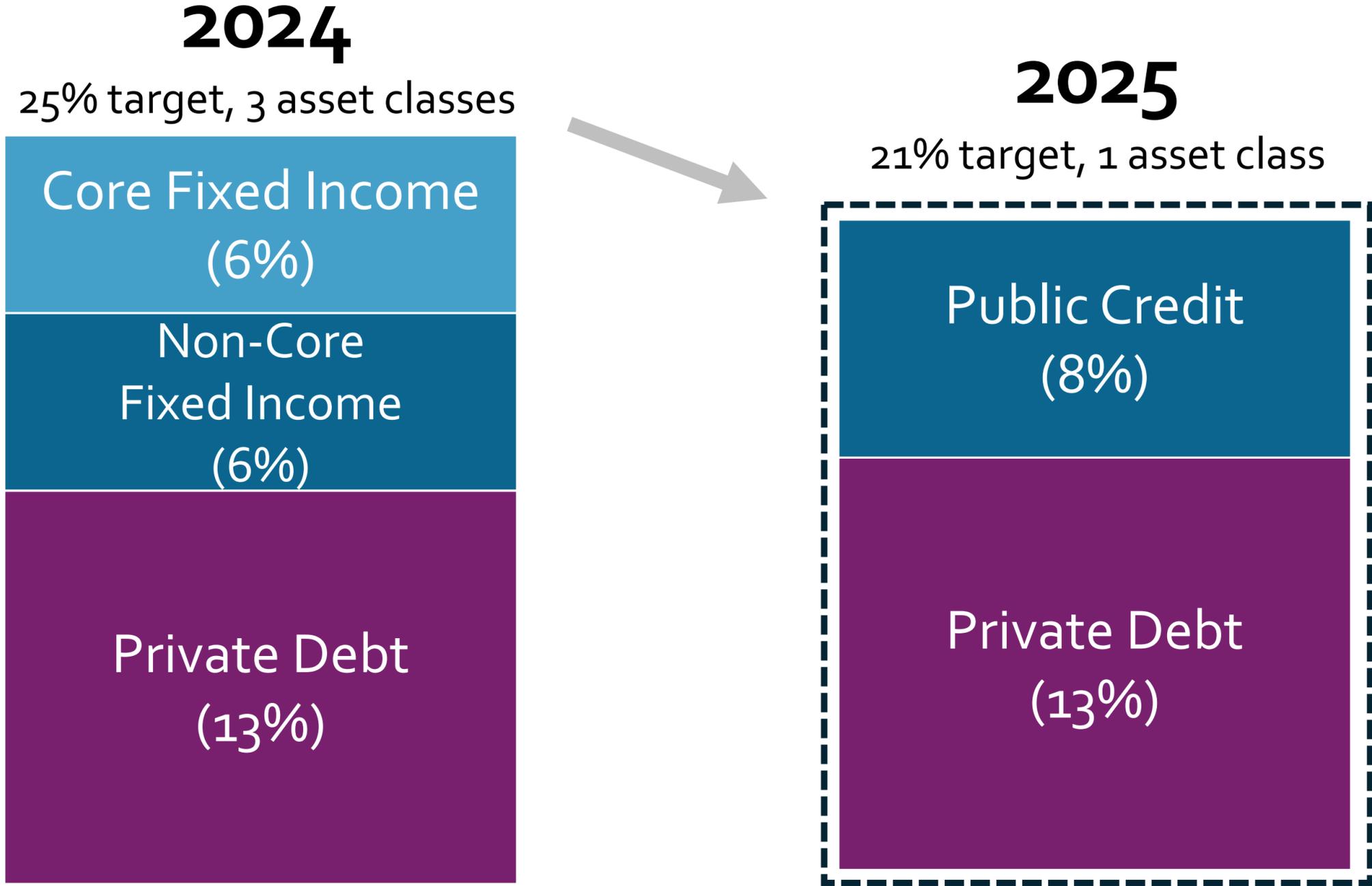
2

**Permissible Investments.** The credit portfolio can invest in public credit instruments across government debt, corporate debt, structure credit, and loans, among others. Private credit additionally includes bespoke loans and structured transactions that are debt-like in nature.

3

**Risk Management.** TMRS’ credit asset class manages risk through formal strategy concentration limitations. Additionally, geography, currency, interest rate, sector, credit quality and liquidity risks are tracked and managed closely.

# Credit Asset Class Evolution



The 2025 asset allocation reduced the target credit allocation from 25% to 21%. The updated allocation retains targets for both public and private credit.

# Credit Risk & Return

## Credit Risk/Return Sources

Risk-Free Rate

Term

Credit Spread

Liquidity

## Credit Risk Ratings

AAA & AA  
(~10% of the market)

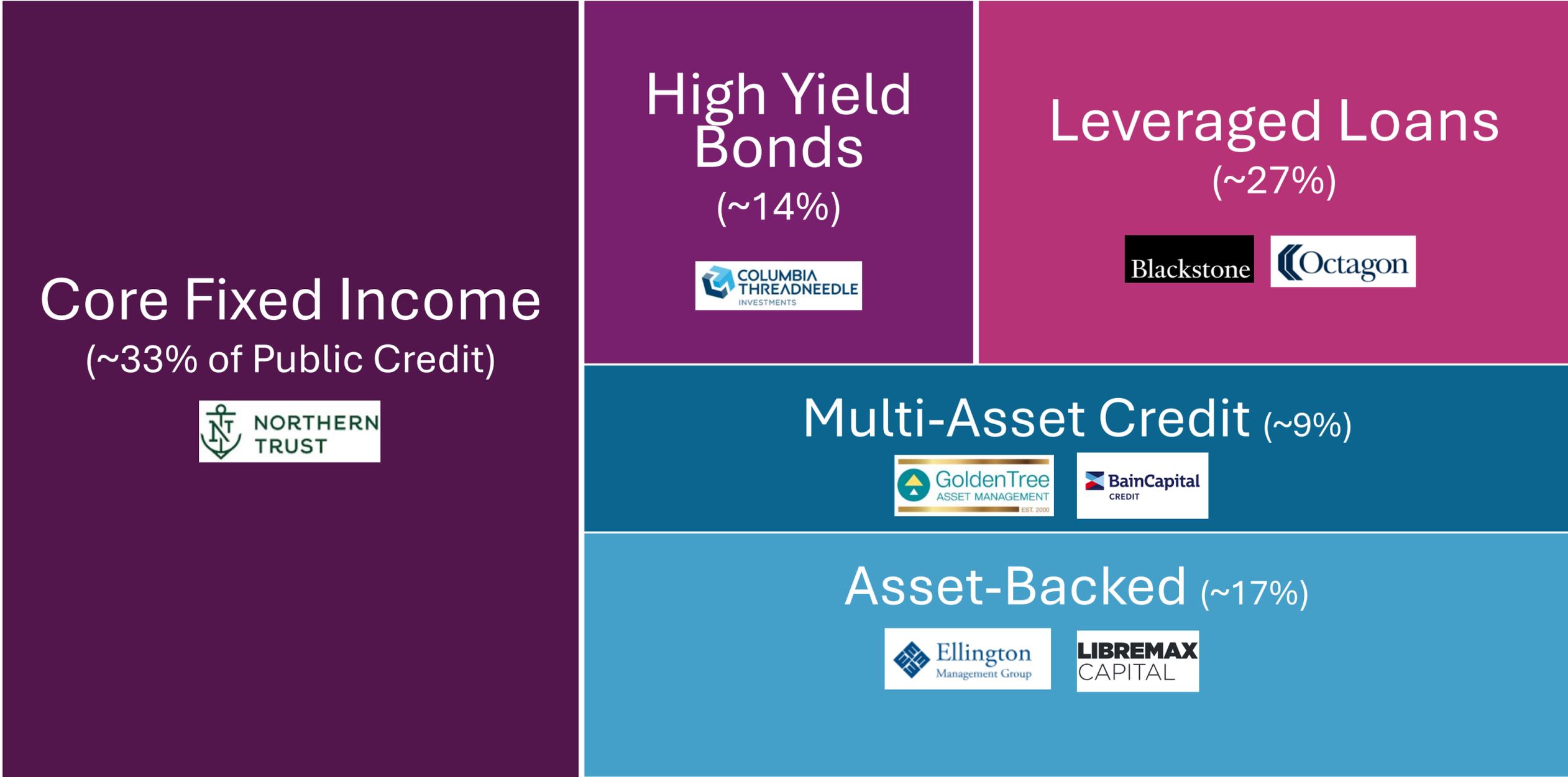
A to BBB  
(~65%)

BB to B  
(~20%)

CCC & Below  
(~5%)

Credit is a highly diverse asset class with a spectrum spanning from highly-rated cash substitutes to speculative and high return-seeking assets.

# Public Credit Strategies



Public credit is diversified across many managers and strategies. A commonality among all, is that all are tradable and are sources of liquidity for the Trust Fund. Public credit represents approximate 15.5% of the Trust Fund as of June 30, 2025, above the 8% longer-term target.

# Private Credit Strategies



The Private Credit portfolio seeks to earn a higher return and complimentary diversification to the Public Credit portfolio. Private Credit represents approximately 9.5% of the Trust Fund as of June 30, 2025, below the 13% longer-term target.

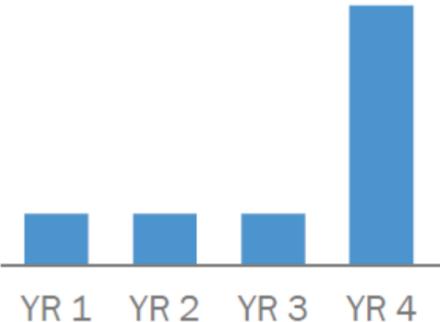
# Private Credit Strategies Compared

	Direct lending	Opportunistic Credit	Asset-based lending
<b>Security:</b>	Entire company	Seniority / priority structures, bespoke collateral packages	Assets held in a bankruptcy-remote lending facility
<b>Seniority:</b>	First lien	Senior and junior pieces	First or second lien
<b>Diversification:</b>	25-100 borrowers	15-30 borrowers	Often 1000's of underlying assets
<b>Protections:</b>	Generic covenants	Covenants, collateral, custom terms	Covenants, structure, collateral
<b>Workouts: Process:</b>	Good up-front manager underwriting to avoid defaults	Stressed at origination, expertise required	Straightforward – liquidating asset pool and/or hard asset collateral
<b>Spreads:</b>	350-500	500-1000	500-800+

Private Credit strategies differ by cashflow profile, path to repayment, and nature of the underlying risk exposure.

The TMRS private credit portfolio is constructed to be broadly diversified by segment, in order to produce strong performance in a variety of potential market scenarios.

**Cashflow Profile**  
*Direct Lending*

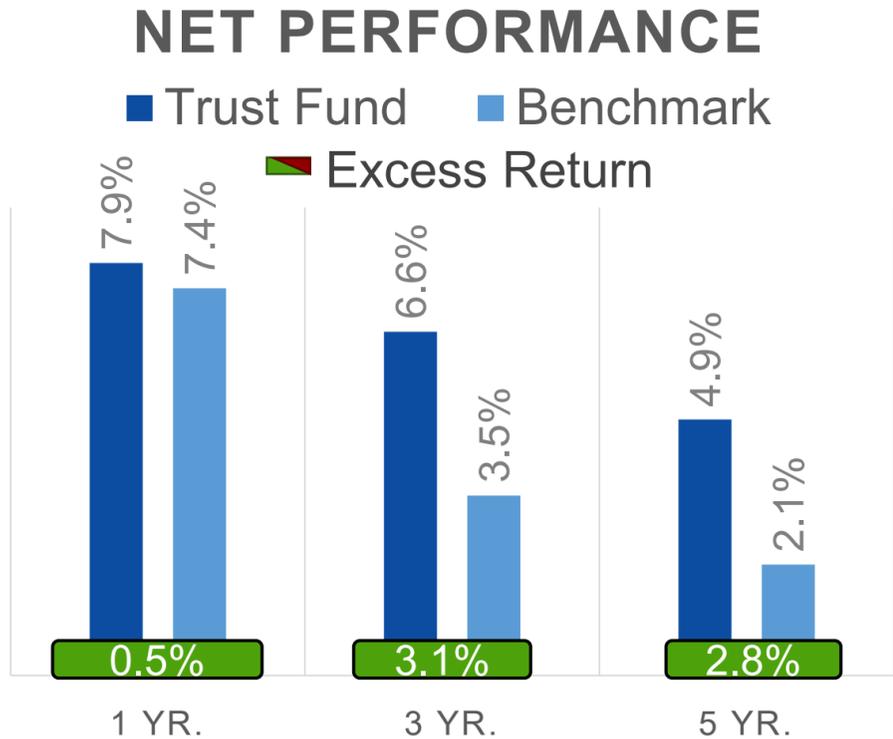


**Cashflow Profile**  
*Asset-Backed*

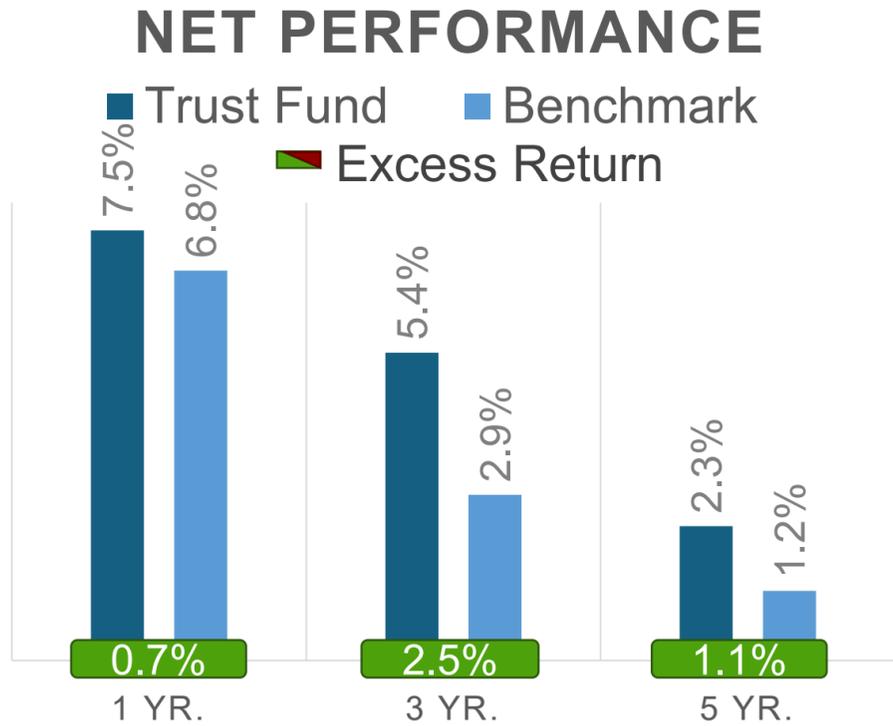


# Performance

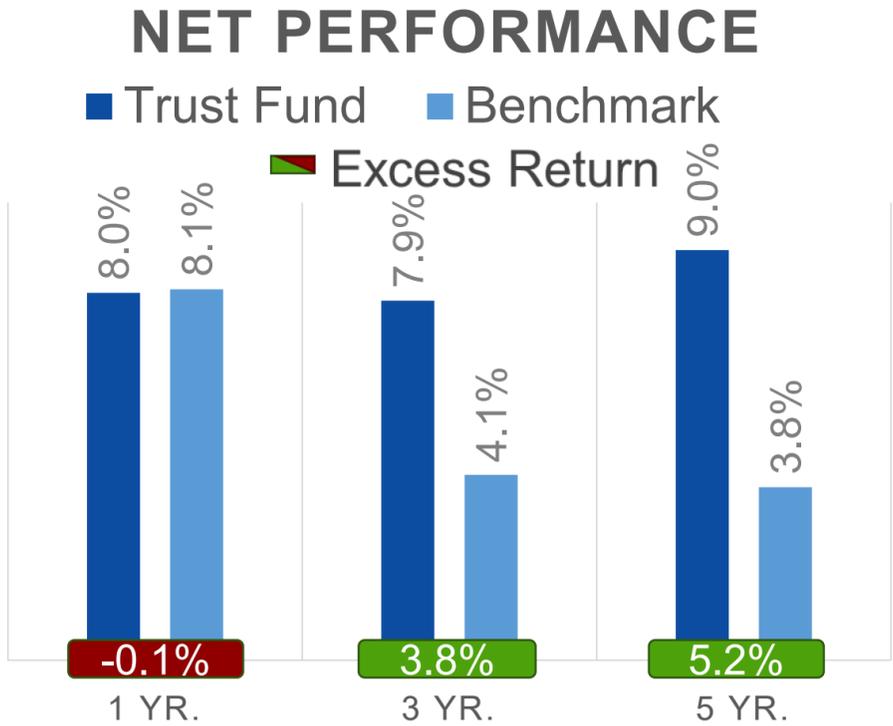
## Total Credit *as of 6/30/2025*



## Public Credit *as of 6/30/2025*



## Private Debt *as of 6/30/2025*



TMRS Credit portfolios continue to demonstrate strong performance and track closely their designated benchmarks. As credit returns are strongly associated with interest rates, it is likely that future years see a modest softening of returns.

# Progress vs. Plan

The investment team has been very active in 2025 with fund capital deployment and co-investment activity. During the year, team expects to allocate ~\$825m of fund partnership dollars and \$1,000+ to co-investment assets & vehicles.

In addition, various public markets manager transitions have been executed to improve performance and align managers more closely with TMRS benchmarks.



**2025 Goals**  
*Communicated at the Dec. 2024 Board Meeting*

- ✓ Commit \$1.6B+ of capital.
- ✓ Improve public portfolio benchmark alignment.
- ✓ Build strategic co-investment program.

# Looking Forward

---

1

**Advance toward Private Credit Target.** Goal is to measurably increase private credit allocation from 9.5% of the Trust Fund today toward the 13% asset allocation target.

2

**Co-Investment Scaling.** Goal is to measurably increase private credit co-investment percentage from ~2% today toward the 30%+ future goal.

3

**Portfolio Optimization.** The last year has resulted in scaling strategic relationships within the credit portfolio. Measurably increasing concentration with our strongest relationships will pair with selective new opportunities to balance deployment.



September 16, 2025

**To:** Board of Trustees

**From:** Yup S. Kim, Chief Investment Officer *YK*

**Re:** Agenda Item 11: Board Education: Tactical Opportunities Asset Class

In accordance with the Investment Policy Statement, comprehensive asset class reviews are conducted annually. At the October Board meeting, Tim Sweeney (Managing Director, Head of Public Markets) will present the Tactical Opportunities asset class review.

# **BOARD OF TRUSTEES ANNUAL ASSET CLASS REVIEW: TACTICAL OPPORTUNITIES**

Tim Sweeney, Managing Director, Head of Public Markets

October 2, 2025

A large, curved horizon of the Earth is visible at the bottom of the slide, showing the blue atmosphere and dark surface with some city lights. The background is a deep blue gradient.

# Tactical Opportunities Executive Summary

1

**Objective.** Per the Investment Guidelines: “Tactical Opportunities bucket targets diversifying investment strategies capable of beating the Public Equity benchmark.”

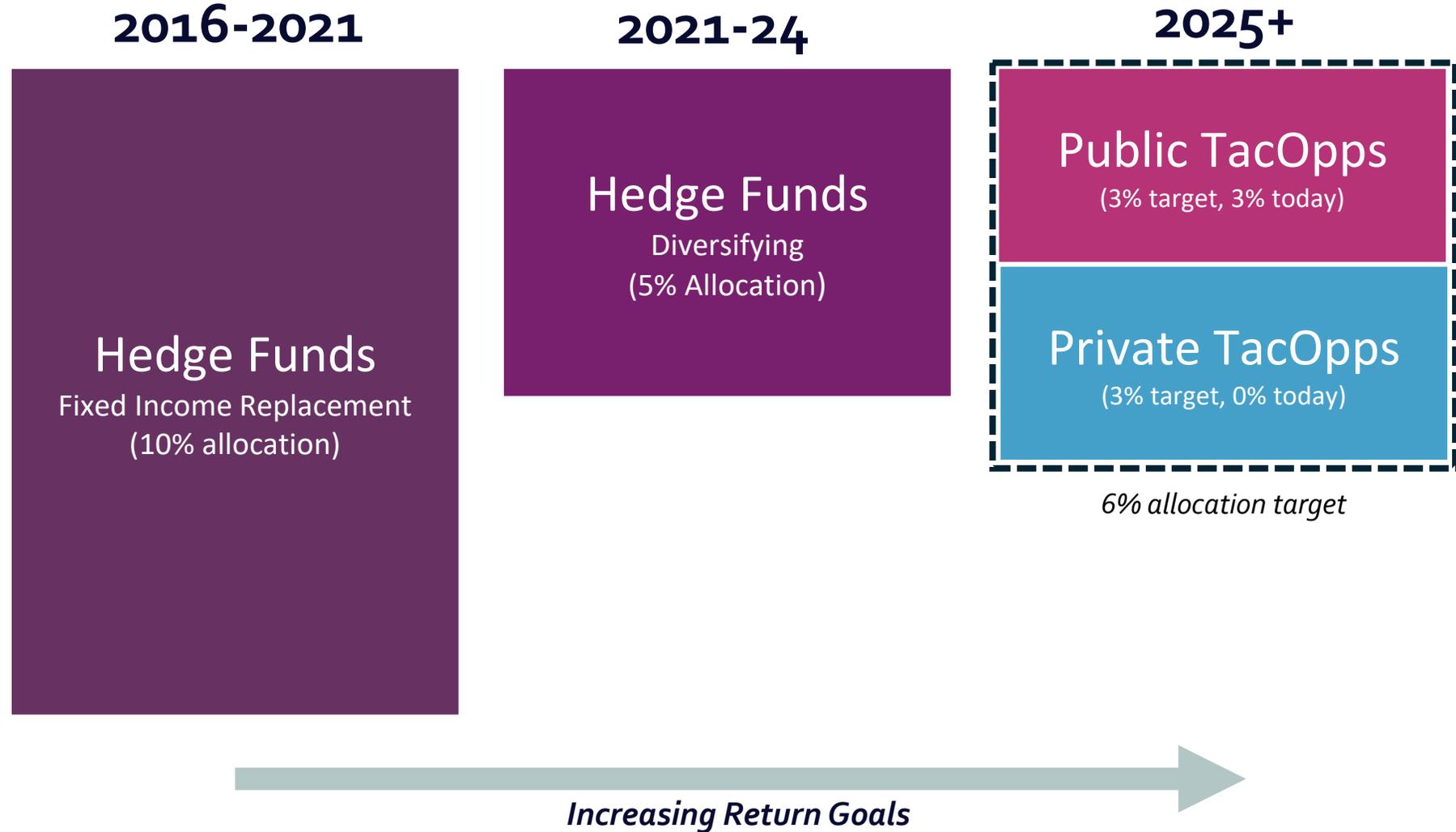
2

**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.

3

**Risk Management.** Liquidity of the asset class will be managed such that no more than 2/3rds of the asset class is invested in private market assets. Specific investments will be managed in accordance with the risk parameters of the underlying assets.

# Asset Class Evolution



## Public Tactical Opportunities Portfolio Composition

The TMRS Public Tactical Opportunities portfolio includes three key strategies:

### Equity

Staff increased equity exposure in the portfolio over the past three years from 25% to 55% which has helped improved returns.

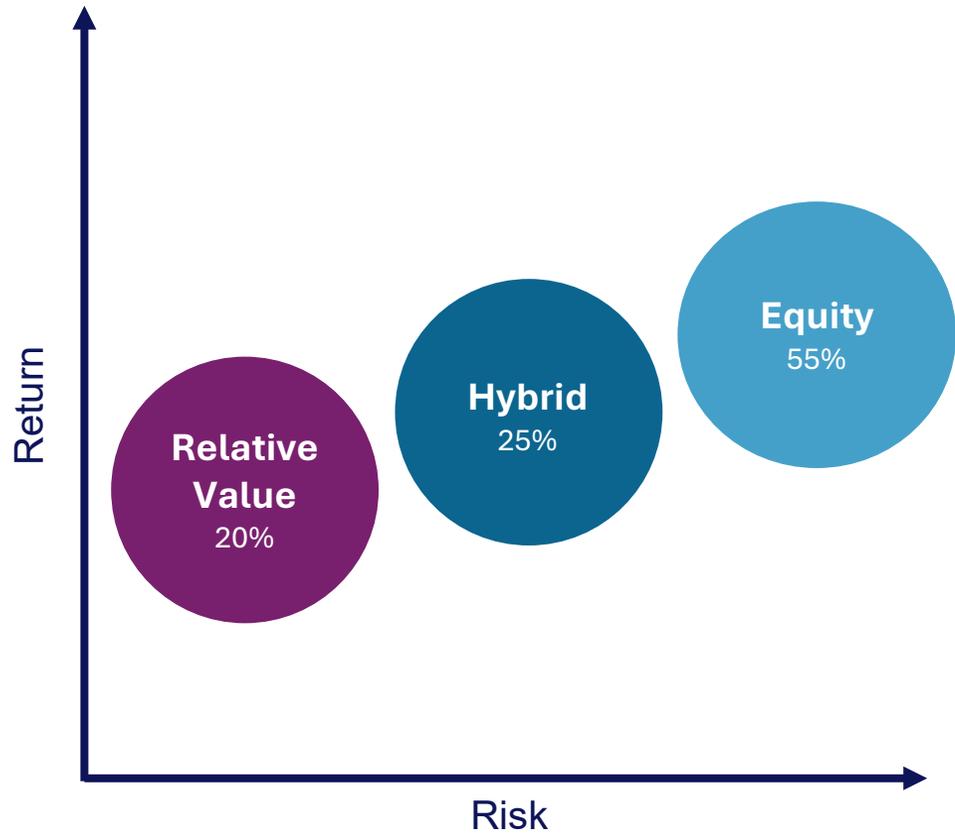
### Hybrid

These managers deploy a mixture of equities and fixed income to achieve a balanced return stream across changing market environments.

### Relative Value

This diverse source of return has a low correlation to global equity markets and insulates the portfolio during market dislocations.

# Public Tactical Opportunities Portfolio Construction

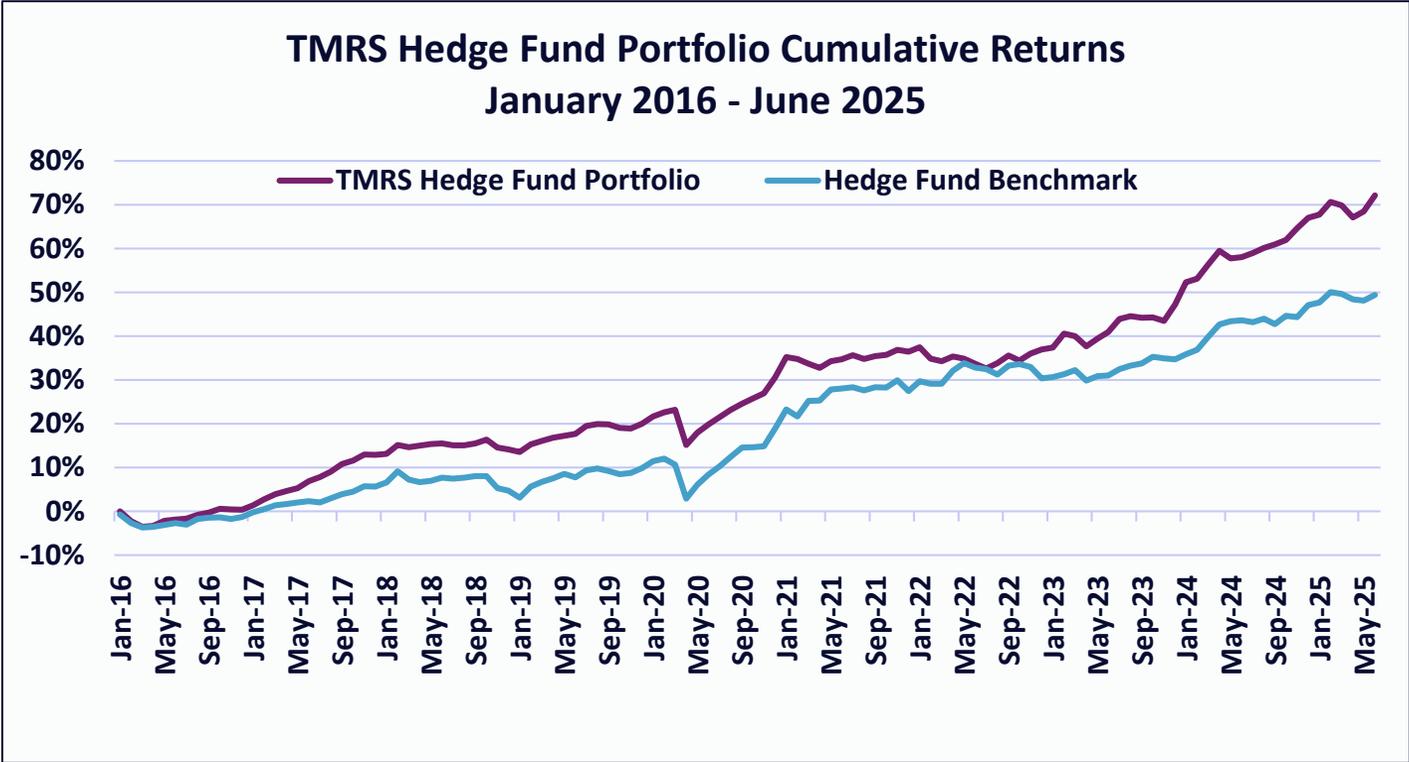


## Key portfolio construction goals:

- Diversify Sources of Return
- Increase Return Profile
- Work with Operationally Strong Partners

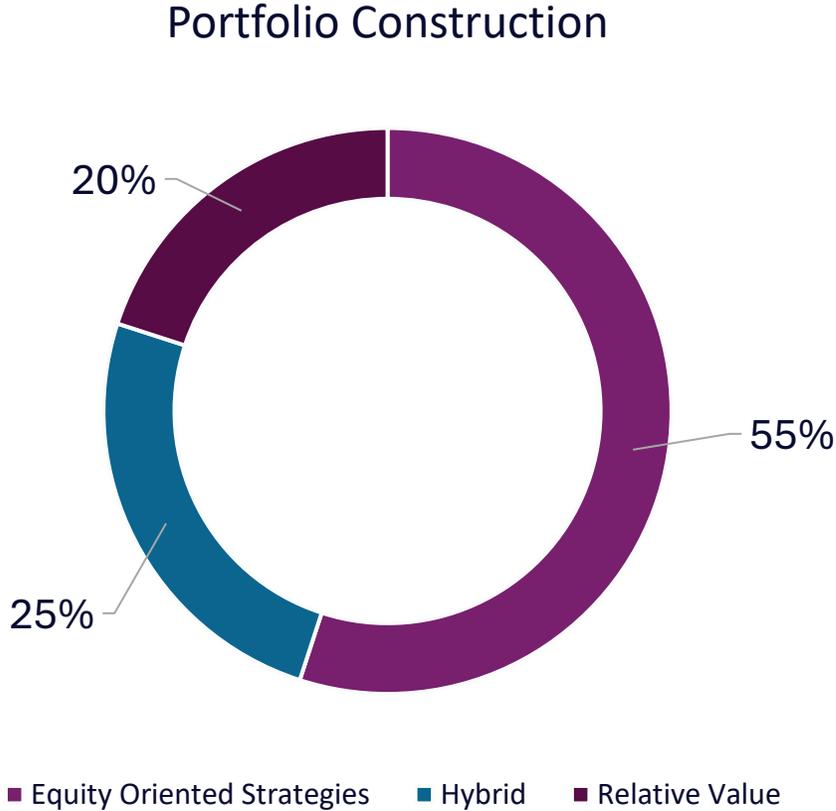
# Performance (as of June 30, 2025)

June 2025	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	ITD
<b>TMRS Tactical Opportunities Portfolio</b>	8.91%	8.77%	7.49%	5.89%	5.62%	5.39%
<b>Tactical Opportunities Benchmark</b>	4.04%	3.99%	6.65%	4.81%	3.80%	3.91%
<b>Excess Return</b>	<b>4.86%</b>	<b>4.78%</b>	<b>0.84%</b>	<b>1.08%</b>	<b>1.81%</b>	<b>1.48%</b>



Performance continues to be strong following the portfolio restructuring in 2022

# Performance Post-Updated Approach (as of June 30, 2025)



Then

2014 – June 2022

28bps

ITD Annualized Excess Returns

4.2%

Annualized Return

Since Then

June 2022 - JUNE 2025

478bps

3Y Annualized Excess Returns

8.8%

Annualized

# Looking Forward



**Benchmark Outperformance.** Continue to enhance the liquid tactical opportunities portfolio to achieve a high return in a risk-controlled manner. Focus on equity strategies that can mitigate market downside but still outperform with a high degree of confidence.



**Strategic Partnerships.** Continue to scale relationships across asset classes with high conviction managers that have proven track records of success. The liquid tactical opportunities portfolio is now concentrated across eight core managers.



**Private TacOpps Plan Development.** Develop and communicate a plan for approaching private tactical opportunities investments.

29%