Annual Comprehensive Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2025

TEXAS MUNICIPAL RETIREMENT SYSTEM

Annual Comprehensive Financial Report

For the Year Ended December 31, 2025

Prepared by:
Debbie Muñoz, Executive Director
Cindy Demers, Chief Financial Officer

Artwork Credits

Cover Art
Ryan Thayer Davis, Grace Note, 2014
Oil and acrylic on canvas, 48 × 60 in.

Introductory Section
Andrea Muñoz Martinez, Cercas / Fences, 2019
Acrylic on canvas, 86 × 73 in.

Financial Section
Jeffrey Dell, Starliners, 2015
Screenprint on paper, 34 × 23 in.

Investment Section
Ryan Thayer Davis, One is Two, 2021
Gouache and watercolor on paper, 60 × 40 in.

Actuarial Section
Jeffrey Dell, Project Oxcart I, 2015
Screenprint on paper, 34 × 23 in.

Statistical Section
Erin Curtis, Tightrope, 2021
Acrylic on cut canvas, 40 × 30 in.

P.O. Box 149153
Austin, TX 78714-9153
800-924-8677

Table of Contents

Introductory Section

Financial Section

Investment Section

Actuarial Section

Statistical Section

Tables and Charts

Table of Contents
CONTINUED

This page intentionally left blank.

Introductory Section

Executive Director's Letter of Transmittal
Board of Trustees
Board Committees
Organization Chart
Professional Advisors
2025 Highlights
GFOA Certificate of Achievement for Excellence in Financial Reporting
PPCC Public Pension Standards Award for Funding and Administration

To the Trustees, Members, Retirees, Beneficiaries, and Participating Cities of the Texas Municipal Retirement System:

It is my pleasure to present the Texas Municipal Retirement System (TMRS) Annual Comprehensive Financial Report (Report) for the year ended December 31, 2025. Each year, this Report reflects not only the financial strength of our system, but also the collective dedication of our staff, our Board of Trustees (Board), and the thousands of public servants we proudly support.

TMRS Background

For nearly eighty years, TMRS has remained a trusted partner to Texas cities, ensuring meaningful and lasting retirement security for more than 265,000 members who serve our 946 participating cities. Today, our system continues to grow and evolve, delivering billions in lifetime benefits to active and retired city employees and their beneficiaries.

TMRS is a cash balance retirement plan. Each member's benefit is based on member contributions, interest credits, city funded monetary credits, age at retirement, and other actuarial factors. In 2025, TMRS paid $2.2 billion in benefits, an increase of $147.4 million, or 7.2%, from $2.05 billion in benefits paid in 2024.

Investments

TMRS's 2025 net investment return was 13.75%, and Trust Fund investments totaled $49.1 billion as of December 31, 2025, an increase of $5.88 billion from 2024 year-end. TMRS's three-, five- and ten-year net investment returns were 12.01%, 8.00% and 8.07%, respectively. The Investment Section provides additional investment program detail.

The Board of Trustees (Board) adopts an Investment Policy Statement (IPS) that establishes the Trust Fund's asset allocation, portfolio performance objectives, and benchmarks. The Board reviews the IPS and Trust Fund's asset allocation annually to reflect prevailing investment and economic conditions. Compliance with the IPS is monitored by our Chief Investment Legal and Compliance Officer.

Actuarial Valuation Report

Each year, the Board's independent actuary, Gabriel, Roeder, Smith & Company (GRS), completes an actuarial valuation (Valuation) of the Trust Fund's assets and liabilities. The Valuation conforms with the Actuarial Standards of Practice issued by the Actuarial Standards Board and complies with the requirements of the TMRS Act, the Internal Revenue Code, and the Statements of the Governmental Accounting Standards Board. The assumptions and methods used in the Valuation are summarized in the Actuarial Section.

Each participating city is responsible for establishing and funding its own retirement plan benefits and receives an annual actuarial valuation prepared by GRS. The Valuation calculates each city's annual contribution rate based on the city's assets, liabilities, and actuarial experience. City contribution rates and annual actuarial valuations are available on the TMRS website.

Pursuant to the TMRS Act, TMRS provides participating cities with a choice of benefit options for its employees and retirees, including options for employee contribution rates, the city's matching ratio, updated service credit, and cost of living adjustments. Each city funds those benefits through the city's annual contribution rate.

While each city has its own funded ratio, TMRS's system-wide funded ratio was 90.4% as of December 31, 2025, compared to 89.4% as of December 31, 2024.

2025 Operational Activities

Every year, TMRS's Senior Staff unite around a shared Action Plan, and I am proud to share that every item on the 2025 Action Plan has been completed. These accomplishments reflect innovation, teamwork, and deep dedication to those we serve.

2025 Operational Highlights include:

- Delivered major technology upgrades that made member services easier, faster, and more secure by completing key multi year system improvements.
- Enhanced TMRS's public presence by modernizing the website, expanding social media and improving branding efforts.
- Advanced long term investment strategies.
- Centralized compliance work, ensuring strong oversight of all regulatory, investment, and organizational policies.
- Advanced TMRS's commitment to excellence by earning the Quality Texas Foundation Progress Level Award and submitted the final application for the Governor's Texas Award for Performance Excellence.
- Improved processes and service delivery by replacing legacy reporting with modern, self-service data tools.
- Successfully completed the 2023-2025 Strategic Plan thereby strengthening the TMRS's foundation for continued success.

Each milestone represents progress toward a more agile, informed, and member-centered organization.

Staff Update

In 2025, I was honored to become the first female Executive Director of TMRS. Upon assuming this role, I focused on maintaining TMRS's tradition of excellence by fostering strong leadership within the organization.

To ensure we continued to uphold our values and deliver outstanding service, I promoted the following colleagues to the Executive Leadership team: Tom Masthay as Chief Investment Officer, Anali Alanis as Chief Operating Officer, Colin Davidson as Chief Service Officer, Cindy Demers as Chief Financial Officer, and Nick O'Keefe as Chief Investment Legal and Compliance Officer. These promotions strengthened our leadership structure and positioned TMRS for ongoing success as we moved forward together.

In addition, I promoted key members of our Senior Staff: Darren Schlissel advanced to Managing Director - Credit; Kenneth Oliver was promoted to Director of Actuarial Services; April Hernandez was appointed Deputy Chief Service Officer and Director of City and Member Services; Andi Focht-Williams assumed the role of Director of Risk, Compliance and Quality; and Brian Farrar became Director of Procurement and Contract Management.

The ongoing success of TMRS is founded on the dedication and skill of our staff, and I am pleased to recognize and celebrate these well-earned promotions.

TMRS Accountability, Transparency, and Financial Integrity

Financial Statements. TMRS management prepared this Report and is responsible for the accuracy of the data contained in it and the completeness and fairness of the presentation of its financial information. To the best of management's knowledge, the Report's data is accurate in all material respects and is reported in a manner designed to present TMRS' operating results, financial position, and Trust Fund assets transparently.

TMRS' independent auditors, CliftonLarsonAllen LLP, performed an audit of the Report's 2025 financial statements. Information regarding the scope of their audit is included in the Independent Auditors' Report in the Financial Section.

Condensed financial information is provided after the Independent Auditors' Report in Management's Discussion and Analysis (MD&A) in the Financial Section. MD&A provides an analysis of financial information for the current and prior fiscal years and should be read in conjunction with this Transmittal Letter and the financial statements.

Internal Controls. TMRS management is responsible for establishing and maintaining internal controls designed to ensure that Trust Fund assets are protected from theft or misuse. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met.

Achievements in Financial Reporting and System Administration

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TMRS's Annual Comprehensive Financial Report for the year ended December 31, 2024, its Certificate of Achievement for Excellence in Financial Reporting. To receive this Certificate, a governmental entity must publish an easily readable and efficiently organized annual comprehensive financial report that satisfies both generally accepted accounting principles and applicable legal requirements. This was the 38th consecutive year that TMRS has achieved this recognition.

The GFOA's Certificate of Achievement is valid for one year. We believe that this Report meets the Certificate's requirements, and we will submit it to the GFOA to determine its eligibility for another Certificate.

The GFOA also recognized TMRS's 2024 Popular Annual Financial Report for Outstanding Achievement in Popular Annual Financial Reporting.

TMRS received the Public Pension Coordinating Council's 2025 Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

New Trustee Appointments and Board Leadership

In October 2025, Governor Abbott appointed four new Trustees to the Board: Bryan Langley, City Manager of Kyle; Jaime Reyes II, Assistant Fire Chief for the City of Plano; Isaac Tawil, City Manager of McAllen; and Pamela Williams, Director of Human Resources for the City of Abilene.

In December 2025, the Board elected Jim Parrish as Board Chair and Tommy Gonzalez as Vice Chair. This decision underscores the Board's collective confidence in their abilities to guide TMRS forward.

Further strengthening its governance structure, the Board appointed three Trustees to serve on both its Stakeholder Advisory Committee and Audit Committee. Additionally, the Board expanded the Budget and Compensation Committee to include all six Trustees, ensuring broader participation and oversight. And finally, to enhance investment oversight, the Board also established a new Investment Committee, comprising all six Trustees.

Each Trustee brings valuable experience from their respective cities, offering unique insights and demonstrating a strong commitment to public service. Their collective dedication strengthens the Board and reinforces its mission to serve TMRS' members and their beneficiaries for generations to come.

On behalf of TMRS's members, staff, and stakeholders, we extend our gratitude to our Trustees for their service and dedication to advancing TMRS's mission.

Honored to Serve

As I reflect on the past year, I am filled with pride and optimism for the future. TMRS is thriving because our mission is clear and our people believe deeply in the work we do. We have a strong strategic plan, a talented team, and a Board committed to fulfilling its fiduciary responsibilities.

I am honored to lead this next chapter as Executive Director, and I look forward to working alongside our Board, staff, members, and cities to advance a vision that is member focused and grounded in long-term sustainability.

It is a privilege to serve our hard-working members and lead this remarkable organization, and I am excited about what we will achieve in the years to come.

Respectfully,

Debbie J. Muñoz
Executive Director

June 9, 2026

Board of Trustees

AS OF DECEMBER 31, 2025

Board Committees

AS OF DECEMBER 31, 2025

Stakeholder Advisory Committee

The Stakeholder Advisory Committee provides the Board with input on benefit design matters. The Committee has 10 non-Board members: seven Group Representatives from organizations that represent TMRS Members and three Individual Representatives consisting of two active TMRS members and one TMRS retiree.

Chair: Jaime Reyes, II
Vice Chair: Pamela Williams
Member: Jim Parrish

Group Representatives

- Christi Klyn, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- Greg Shipley, Combined Law Enforcement Associations of Texas
- Brad McCutcheon, Texas State Association of Fire Fighters
- Monty Wynn, Texas Municipal League
- Casey Srader, Government Finance Officers Association of Texas

Individual Representatives

- Brenda Martin, TMRS Retiree
- David Garza, City of McAllen
- Jay Warren, City of Arlington

Audit Committee

The Audit Committee provides oversight of the internal and external audit functions, risk management and internal controls.

Chair: Tommy Gonzalez
Vice Chair: Bryan Langley
Member: Isaac Tawil

Budget and Compensation Committee

The Budget and Compensation Committee reviews the annual budget and compensation policies.

Chair: Isaac Tawil
Vice Chair: Jaime Reyes, II
Members: All Trustees

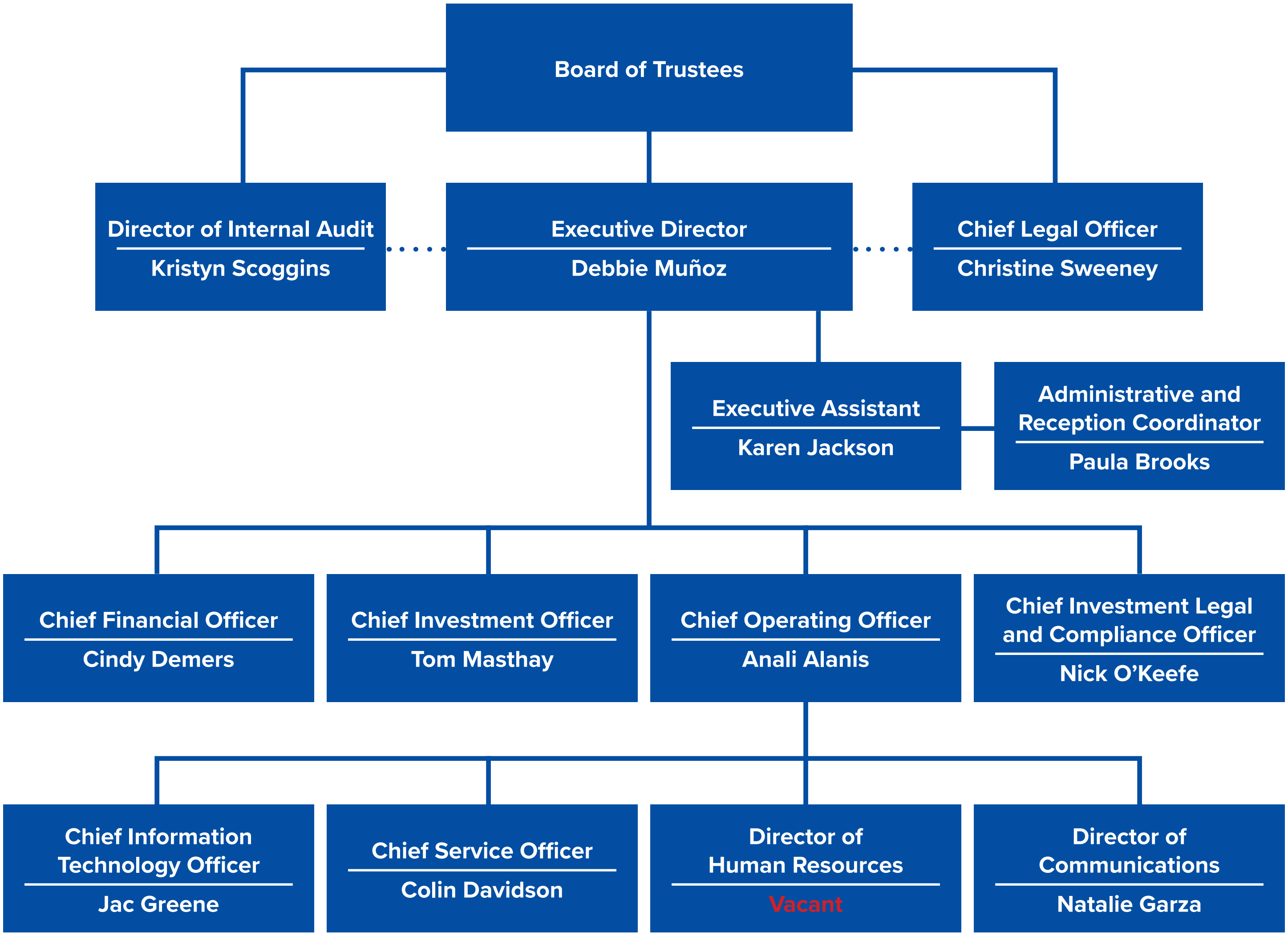
Investment Committee

The Investment Committee advises and assist the Board in fulfilling its fiduciary oversight responsibilities with respect to the investment of TMRS assets.

Chair: Bryan Langley
Vice Chair: Pamela Williams
Members: All Trustees

Organization Chart

JUNE 2026



Professional Advisors

AS OF DECEMBER 31, 2025

Actuary

Gabriel, Roeder, Smith & Company
Irving, TX

Custodian

State Street Bank and Trust Company
Boston, MA

Depository Bank

JPMorgan Chase Bank, N.A.
New York, NY

Fiduciary Counsel

Robert D. Klausner, Esq.
Klausner, Kaufman, Jensen & Levinson
Plantation, FL

Independent Auditor

CliftonLarsonAllen LLP
Baltimore, MD

Investment Consultants

Albourne America, LLC
San Francisco, CA

NEPC, LLC
Boston, MA

TMRS' investments are managed by TMRS staff and external investment managers. Investment expenses, external investment fees and investment managers are presented in Tables I-6, I-7 and I-8 in the Investment Section.

2025 Highlights

AS OF DECEMBER 31, 2025

Financial Highlights (dollars in millions)	
City Contributions	$1,608.2
Member Contributions	$678.9
Retirement Benefits Paid	$2,197.9
Member Account Refunds	$90.7
Fiduciary Net Position	$49,405.5
System Funded Ratio	90.4 %

Investments (dollars in millions)	
Investments	$49,126.2
Time-Weighted Net Investment Returns:	
1 Year	13.75 %
3 Years	12.01 %
5 Years	8.00 %
10 Years	8.07 %
Actuarial Investment Return Assumption	6.75 %

Membership Statistics	
Active Members	130,121
Retired Members	78,774
Inactive, Vested and Non-Vested Members	56,171
Total Members	265,066

Highlights presented are for the Pension Trust Fund.

Participating Cities	
Total Participating Cities	943
New Participating Cities	6
Number of Cities with:	
City Match -- 1:1	158
City Match -- 1.5:1	92
City Match -- 2:1	693
Member Contribution Rate -- 3%	3
Member Contribution Rate -- 5%	291
Member Contribution Rate -- 6%	105
Member Contribution Rate -- 7%	489
Member Contribution Rate -- 8%	55
5-Year Vesting	913
10-Year Vesting	30

GFOA Certificate of Achievement for Excellence in Financial Reporting

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Municipal Retirement System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2024

Christopher P. Morrill

Executive Director/CEO

This Certificate of Achievement for Excellence in Financial Reporting was presented to TMRS by the Government Finance Officers Association (GFOA) for the year ended December 31, 2024. This is the 38th consecutive year that TMRS has received this prestigious award.

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2025

Presented to

Texas Municipal Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Robert A. Wylie
Program Administrator

This Public Pension Standards Award for Funding and Administration was presented to TMRS by the Public Pension Coordinating Council (PPCC) for 2025. This is the 20th consecutive year that TMRS has received the award for meeting these standards.