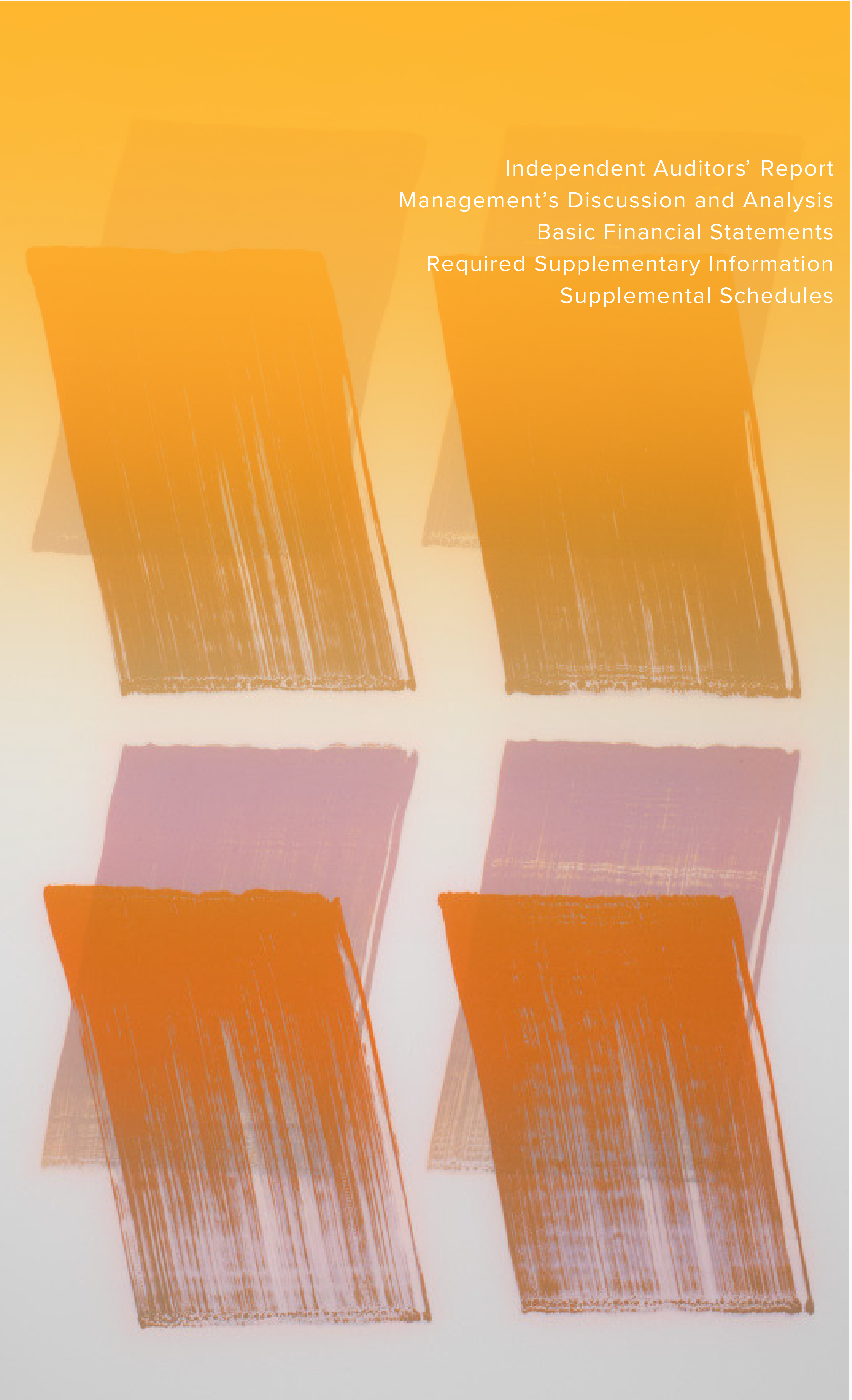
Financial Section



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Texas Municipal Retirement System
Austin, Texas

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Board of Trustees
Texas Municipal Retirement System

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TMRS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the TMRS' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Board of Trustees
Texas Municipal Retirement System

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

Supplementary Information

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

Other Information

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
June 15, 2026

Management's Discussion and Analysis (MD&A) provides an overview of the financial activities of the Texas Municipal Retirement System (TMRS) for the year ended December 31, 2025.

MD&A is intended to provide a summary of TMRS' financial condition and help the reader understand the key components of TMRS' financial statements. MD&A should be read along with the Executive Director's Letter of Transmittal in the Introductory Section and the Basic Financial Statements.

Overview of the Financial Statements

TMRS administers two fiduciary funds:

- The Pension Trust Fund, which accounts for the resources available for service and disability retirement benefits to retirees and their beneficiaries;
- The Supplemental Death Benefits Fund (SDBF), which provides a lump-sum death benefit to the beneficiaries of active members and retirees of participating cities that provide supplemental death benefits.

The Basic Financial Statements include:

- The Statement of Fiduciary Net Position, which presents the assets available for future payments of benefits to members, retirees and beneficiaries and current liabilities owed as of December 31, 2025.
- The Statement of Changes in Fiduciary Net Position, which includes the annual additions (investment income and contributions) and deductions (benefit payments and other expenses) for the year ended December 31, 2025.
- The Notes to the Financial Statements provide additional information, which is essential to a full understanding of the data in the Basic Financial Statements.

The Required Supplementary Information (Table F-17) includes the historical money-weighted investment returns on Trust Fund investments.

The Supplemental Schedules (Tables F-18, F-19, and F-20) include additional information regarding changes in fiduciary net position by fund, administrative and investment expenses, and professional services for the year ended December 31, 2025.

These financial statements and the required disclosures are prepared in accordance with Generally Accepted Accounting Principles and reporting guidelines as set forth by the Governmental Accounting Standards Board.

Financial Highlights

Net Position Restricted for Pensions – Pension Trust Fund

Tables F-1 and F-2 provide a summary of assets, liabilities, and fiduciary net position for the Pension Trust Fund as of December 31, 2025 and 2024, and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the Pension Trust Fund increased by $6.0 billion from 2024 to 2025, or 13.8%, reflecting appreciation in the investment portfolio's value during 2025.

Table F-1

Summary of Fiduciary Net Position — Pension Trust Fund (dollars in millions)
As of December 31

	2025	2024	Increase/ (Decrease)	% Change
ASSETS				
Investments, at fair value	$ 49,126.2	$ 43,244.0	$ 5,882.2	13.6 %
Receivables	258.8	241.6	17.2	7.1
Cash and other assets	76.1	14.0	62.1	443.6
Capital assets, net	5.5	3.5	2.0	57.1
Total assets	49,466.6	43,503.1	5,963.5	13.7
LIABILITIES				
Payables and other liabilities	39.2	79.5	(40.3)	(50.7)
Funds held for SDBF	21.9	17.0	4.9	28.8
Total liabilities	61.1	96.5	(35.4)	(36.6)
FIDUCIARY NET POSITION	**$ 49,405.5**	**$ 43,406.5**	**$ 5,999.0**	**13.8 %**

Columns may not total due to rounding.

The most significant component of the fiduciary net position is the fair value of Trust Fund investments. The change in investments is due to the increase in the portfolio's value, or investment gains, during 2025. The fluctuation of receivables and payables is due primarily to the timing of investment trade activity resulting in open trades receivable and payable at year-end.

Table F-2

Summary of Changes in Fiduciary Net Position — Pension Trust Fund (dollars in millions)
For the Year Ended December 31

	2025	2024	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	$ 1,608.2	$ 1,349.1	$ 259.1	19.2 %
Member contributions	678.9	636.1	42.8	6.7
Net investment income/(loss)	6,029.7	4,100.4	1,929.3	47.1
Total additions	8,316.8	6,085.6	2,231.2	36.7
DEDUCTIONS				
Retirement benefits	2,197.9	2,050.5	147.4	7.2
Member account refunds	90.7	87.9	2.9	3.3
Administrative expenses	28.2	26.3	1.9	7.2
Income allocated to SDBF	1.0	0.6	0.4	66.7
Total deductions	2,317.8	2,165.4	152.4	7.0
CHANGE IN FIDUCIARY NET POSITION	**5,999.0**	**3,920.2**	**2,078.8**	**53.0**
FIDUCIARY NET POSITION				
Beginning of year	43,406.5	39,486.3	3,920.2	9.9
END OF YEAR	**$ 49,405.5**	**$ 43,406.5**	**$ 5,999.0**	**13.8 %**

Columns may not total due to rounding.

Net investment income/(loss) includes interest, dividends, and net appreciation/(depreciation) in the fair value of investments, less investment expenses. The change from 2024 to 2025 is due to investment performance over the periods. Time-weighted net investment returns were 13.75% in 2025 and 10.41% in 2024.

The increase in retirement benefits is due to growth in the number of retired member accounts from 75,706 in 2024 to 78,774 in 2025 and cost-of-living adjustments that may be applied.

Net Position – Supplemental Death Benefits Fund

Tables F-3 and F-4 provide a summary of fiduciary net position as of December 31, 2025 and 2024 for the SDBF and a summary of changes in fiduciary net position for the years then ended. The fiduciary net position of the SDBF increased by 26.2% due to increases in actuarially determined contribution rates effective January 1, 2023. These rates are set to ensure annual benefit claims can be met.

Table F-3

Summary of Fiduciary Net Position — SDBF (dollars in millions)
As of December 31

	2025	2024	Increase/ (Decrease)	% Change
TOTAL ASSETS AND FIDUCIARY NET POSITION	$ 23.6	$ 18.7	$ 4.9	26.2 %

Table F-4

Summary of Changes in Fiduciary Net Position — SDBF (dollars in millions)
For the Year Ended December 31

	2025	2024	Increase/ (Decrease)	% Change
ADDITIONS				
City contributions	$ 18.9	$ 20.7	$ (1.8)	-8.7 %
Income allocated from Interest Reserve Account	1.0	0.6	0.4	66.7
Total additions	19.9	21.3	(1.4)	(6.6)
DEDUCTIONS				
Supplemental death benefits	15.0	10.7	4.3	41.1
Total deductions	15.0	10.7	4.3	41.1
CHANGE IN FIDUCIARY NET POSITION	**4.9**	**10.6**	**(5.7)**	**54.7**
FIDUCIARY NET POSITION				
Beginning of year	18.7	8.0	10.7	133.8
END OF YEAR	**$ 23.6**	**$ 18.7**	**$ 5.0**	**26.9 %**

Columns may not total due to rounding.

Contributions from cities participating in the SDBF are based on the payroll of covered members at actuarially determined rates. Effective January 1, 2023, SDBF contribution rates increased significantly as a result of previous increases in claims experience. The SDBF receives a 5% statutory interest allocation from the Interest Reserve Account based on the SDBF's average balance during the year.

Requests for Information

Questions about the MD&A or requests for additional information should be emailed to ORR@tmrs.com.

Table F-5

Statement of Fiduciary Net Position
As of December 31, 2025

	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ASSETS			
Cash	$ 68,709,080	$ —	$ 68,709,080
Receivables			
Contributions	183,134,561	1,624,871	184,759,432
Interest and dividends	66,282,682	—	66,282,682
Unsettled investment trades	9,372,669	—	9,372,669
Total receivables	258,789,912	1,624,871	260,414,783
Investments, at fair value			
Short term investments	616,742,158	—	616,742,158
Public equity	18,406,282,009	—	18,406,282,009
Private equity	7,630,924,944	—	7,630,924,944
Tactical opportunities	1,713,238,279	—	1,713,238,279
Credit - fixed income securities	4,197,575,836	—	4,197,575,836
Credit funds	6,965,333,425		6,965,333,425
Real assets	9,596,101,075		9,596,101,075
Total investments	49,126,197,726	—	49,126,197,726
Capital assets, net	5,530,688	—	5,530,688
Other assets	7,395,121	—	7,395,121
Funds held by Interest Reserve Account	—	21,941,325	21,941,325
TOTAL ASSETS	49,466,622,527	23,566,196	49,490,188,723
LIABILITIES			
Accounts payable and other accrued liabilities	28,600,486	—	28,600,486
Unsettled investment trades payable	10,613,139	—	10,613,139
Funds held for Supplemental Death Benefits Fund	21,941,325	—	21,941,325
TOTAL LIABILITIES	61,154,950	—	61,154,950
FIDUCIARY NET POSITION			
Net position restricted for pensions	49,405,467,577	—	49,405,467,577
Fiduciary net position restricted for other benefits	—	23,566,196	23,566,196
TOTAL FIDUCIARY NET POSITION	$ 49,405,467,577	$ 23,566,196	$ 49,429,033,773

The accompanying notes are an integral part of these financial statements.

Table F-6

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

	Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS			
Contributions			
City	$ 1,608,171,218	$ 18,906,310	$ 1,627,077,528
Member	678,926,053	—	678,926,053
Total contributions	2,287,097,271	18,906,310	2,306,003,581
Net investment income			
Net appreciation in fair value of investments	5,093,786,923	—	5,093,786,923
Interest and dividends	979,082,469	—	979,082,469
Total investment income	6,072,869,392	—	6,072,869,392
Less investment expense	(43,198,176)	—	(43,198,176)
Net investment income	6,029,671,216	—	6,029,671,216
Other	(392)	—	(392)
Income allocated from Interest Reserve Account	—	1,023,452	1,023,452
TOTAL ADDITIONS	8,316,768,095	19,929,762	8,336,697,857
DEDUCTIONS			
Retirement benefits	2,197,859,214	—	2,197,859,214
Supplemental death benefits	—	15,052,506	15,052,506
Member account refunds	90,762,625	—	90,762,625
Administrative expenses	28,183,414	—	28,183,414
Income allocated to Supplemental Death Benefits Fund	1,023,452	—	1,023,452
TOTAL DEDUCTIONS	2,317,828,705	15,052,506	2,332,881,211
CHANGE IN FIDUCIARY NET POSITION	5,998,939,390	4,877,256	6,003,816,646
FIDUCIARY NET POSITION			
Fiduciary net position restricted for pensions			
Beginning of year	43,406,528,187	—	43,406,528,187
End of year	49,405,467,577	—	49,405,467,577
Fiduciary net position restricted for other benefits			
Beginning of year	—	18,688,940	18,688,940
End of year	—	23,566,196	23,566,196
TOTAL FIDUCIARY NET POSITION	**$ 49,405,467,577**	**$ 23,566,196**	**$ 49,429,033,773**

The accompanying notes are an integral part of these financial statements.

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Texas Municipal Retirement System (TMRS) is a statewide public retirement plan created by the State of Texas and administered in accordance with Texas Government Code, Title 8, Subtitle G (TMRS Act) for the benefit of the employees of TMRS participating cities. The TMRS Act places the administration and management of TMRS with a six-member Board of Trustees (Board) appointed by the Governor with the advice and consent of the Texas Senate. TMRS does not receive any funding from the State of Texas.

The accompanying financial statements include only the operations of TMRS. TMRS is not a component unit of any other entity and has no component units. TMRS manages two fiduciary funds: the Pension Trust Fund and the Supplemental Death Benefits Fund (SDBF).

B. Basis of Accounting

TMRS' financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The Pension Trust Fund and the SDBF are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of when payments are made. City and active member contributions are recorded when due, which is in the period the city reports compensation for its member employees. Benefits are recorded when payable, in accordance with TMRS' plan terms. Member account refunds are recorded and paid upon receipt of an approved refund application.

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

TMRS invests city and active member contributions in a diversified investment portfolio. Investments are exposed to various risks, such as interest rate risk, credit risk and market volatility risk (see Note 5.C. Investment Risk). Due to the risks associated with investments, changes in the fair value of investments will occur in the future and any such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

C. Basis of Presentation

TMRS maintains the following fiduciary funds that are segregated for the purpose of carrying out specific activities or complying with applicable statutory guidelines or restrictions.

The following is a brief description of each fund.

Pension Trust Fund

The Pension Trust Fund records the resources held in trust for the benefit of TMRS' members. TMRS is not legally required to create reserves but establishes the following accounts:

Benefit Accumulation Fund (BAF). The activity affecting each participating city's account is recorded in the BAF. The BAF is increased by contributions from participating cities and active members and decreased by benefit payments and refunds. Effective each December 31, the Board approves an interest credit to the BAF, allocated to each city in proportion to its BAF balance at January 1 of that year. The BAF received a 13.54% interest credit effective December 31, 2025.

Supplemental Disability Benefits Fund. Effective January 1, 1988, the TMRS Act was amended to terminate the Fund and closed participation to new members. There have been no contributions to this fund since 1987, but supplemental disability benefit payments continue to be paid. The TMRS Act requires that a 5% interest credit be allocated to the Fund effective each December 31 based on the average balance in the fund during the year.

Endowment Fund. The Endowment Fund includes the Interest Reserve Account and Perpetual Endowment Account. Investment income accumulated during the year is held in the Interest Reserve Account until it is allocated by the Board to the Benefit Accumulation Fund. Non-vested member account balances that have not received any employee contributions for at least seven years are held in the Perpetual Endowment Account.

Expense Fund. The Expense Fund records the expenses incurred for TMRS' administration. The Board authorizes transfers from the Endowment Fund's Interest Reserve Account to the Expense Fund for the amount estimated to cover annual administrative expenses.

Full Benefit Arrangement Fund (FBAF). Any portion of a retiree's annual retirement benefit that exceeds the limit set by Section 415(b) of the Internal Revenue Code (IRC) cannot be paid from the Pension Trust Fund. Cities contribute the excess amounts directly to the FBAF and the excess benefits are paid to the retiree from the FBAF.

Supplemental Death Benefits Fund (SDBF)

The SDBF records the resources available to pay supplemental death benefit claims for covered members and retirees. Cities may elect to provide a supplemental death benefit (SDB) for their active members and may also cover retirees. The TMRS Act requires that a 5% interest credit be allocated to the SDBF effective each December 31 based on the average balance in the SDBF during the year. SDB payments are payable only from the SDBF and are not an obligation of, or a claim against, other TMRS funds.

D. Investments

As of December 31, 2025, the Pension Trust Fund included short-term investments, public equity, private equity, tactical opportunities, including hedge funds, real assets, and credit, including public and private fixed income investments. Investment transactions are reported on a trade-date basis, with resulting gains/(losses) from sales determined by the average cost method. Short-term investments are reported at cost, which approximates fair value. Fixed income securities are valued by pricing vendors using quoted market prices, broker prices or other valuation methodologies. Public equity securities are valued by TMRS' custodian bank using the last trade date quoted market price supplied by various pricing data vendors. Fair values of commingled public equity funds are determined based on the funds' net asset values at the date of valuation. Fair values of private equity, tactical opportunities, real assets and credit funds are reported at their net asset values as provided by the fund's investment manager, which are based on audited financial statements of the respective funds. Withdrawal from private fund investments prior to a fund's liquidation may be allowed, subject to constraints as set forth in the fund's documents.

Futures contracts are considered derivative financial instruments and are reported at fair value, with valuation changes reported as investment income. The accumulated gain/(loss) of these derivative contracts is included in unsettled investment trades receivable or payable in the accompanying Statement of Fiduciary Net Position.

Investment expenses presented on the Statement of Changes in Fiduciary Net Position include the internal direct costs of investment administration and the fees invoiced and paid directly to external investment managers. Expenses of alternative investments are not reported separately but are included in the net appreciation in fair value of investments.

E. Capital Assets

Capital assets, which include leasehold improvements, furniture, equipment and software, are reported at cost less accumulated depreciation/amortization. TMRS capitalizes items that individually exceed $10,000. Depreciation of furniture, equipment and software is calculated on a straight-line basis over estimated useful lives, which range from three to ten years. Amortization of leasehold improvements is calculated on a straight-line basis over the lease term.

2. Plan Description

A. Pension Plan and Trust Fund

TMRS administers a defined benefit cash-balance plan for the eligible employees of 943 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system.

Membership. A city employee who works in a position the city determines normally requires at least 1,000 hours of work in a year must be a TMRS member. A member terminates participation in TMRS upon their account refund, death or, if not vested, absence from service with a participating city for more than 60 consecutive months. Member account information in Table F-7 includes multiple accounts for Members that have service with more than one TMRS participating city.

Table F-7

TMRS Member Accounts As of December 31, 2025	
Active member accounts	
Vested	72,550
Non-vested	57,751
TOTAL	130,301
Inactive member accounts entitled to but not yet receiving benefits	
Vested	44,495
Non-vested	47,914
TOTAL	92,409
Retirees and beneficiaries currently receiving benefits	91,685
TOTAL MEMBER ACCOUNTS	**314,395**

Service Credit. An active member earns service credit for each month they work in an eligible position at any participating city and the city pays the member's required contribution. Service credit can include other types of credit as defined in the TMRS Act (e.g., military service credit, repurchased previously refunded TMRS service credit, or service credit earned with another statewide retirement system through proportionate service).

Vesting and Retirement Eligibility. An active member vests after either five or 10 years of service, depending on their city's plan provisions. Members may work for more than one participating city during their career. If a member becomes vested in one participating city, they are vested in all participating cities.

Depending on a city's plan provisions, a member is eligible to retire at age 60 with either five or 10 years of service, or at any age with 20 or 25 years of service. If a member becomes eligible to retire in one participating city, they are eligible to retire in all participating cities.

If a vested member leaves city employment before reaching retirement eligibility, they can leave their contributions with TMRS, receive interest on their contributions, and when they reach the city's retirement eligibility, receive a lifetime monthly retirement benefit.

Contributions.

Active Members. Active member contribution rates are adopted by a participating city and may be either 5%, 6%, 7% or 8% of the member's total compensation. A city withholds the member's contribution from wages on a pre-tax basis and sends it to TMRS monthly.

Cities. A participating city's contribution rate is determined annually using the Entry Age Normal actuarial cost method that develops the annual cost of the city's retirement plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that attributable to benefits earned prior to the current year, known as prior service cost. Both are calculated as a level percent of the city's reported payroll. The normal cost contribution rate is the percentage of total gross payroll that, if applied to all employees' compensation throughout their period of anticipated employment with the city, would be sufficient to pay the expected benefits. The prior service contribution rate amortizes any unfunded actuarial accrued liability over the amortization period for that city. Both the normal cost and prior service contribution rates include the projected costs of annually repeating benefits adopted by a city, such as updated service credit and cost of living adjustments.

City contributions are required to be deposited with TMRS monthly. There is a one-year delay between the actuarial valuation that serves as the basis for a city's contribution rate and the calendar year when the rate goes into effect. Cities may make contributions to TMRS in excess of their actuarially determined contributions as additional monthly contributions or lump sum contributions.

Retirement Benefit Calculation. A member's retirement benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, their age at retirement, and other actuarial factors. City-financed monetary credits, which do not affect the amount a member will receive if they refund their account, are composed of three sources:

- Prior Service Credit is a monetary credit that a city may grant to eligible employees when the city joins TMRS. The credit is used in calculating the employee's retirement benefit and is based on compensation they earned while working for the city before the city joined TMRS.
- Current Service Credit is a monetary credit for service performed by a member after a city joins TMRS and is based on a city's matching ratio (1:1, 1.5:1 or 2:1) of the member's total contributions and interest. A change in a city's matching ratio is applied prospectively.
- Updated Service Credit (USC) is a monetary credit a city may grant to active members. The USC calculation is performed annually on a member's account and may grant supplemental financial credits. The USC calculation considers a member's salary history and the city's plan changes and may increase the value of a member's benefit at retirement.

Retirement Benefits.

Benefit Payment Options. When a member applies for retirement, they have three options to determine how their lifetime monthly benefit will be calculated.

- Retiree Life Only provides the largest monthly retirement benefit. A retiree receives a lifetime monthly retirement benefit with no survivor benefits. At the retiree's death, all TMRS payments cease.
- Retiree Life and Survivor provides a reduced lifetime monthly retirement benefit with a lifetime monthly benefit after the retiree's death to their beneficiary. At the retiree's death, the beneficiary receives a percentage (50%, 75% or 100%) of the retiree's monthly benefit each month for the rest of the beneficiary's life.
- Retiree Life and Guaranteed Term provides a reduced lifetime monthly retirement benefit with a monthly benefit to their beneficiary(ies) if the retiree dies before the guaranteed payment term ends. At retirement, the retiree selects a guaranteed payment term of 5, 10 or 15 years that begins at their retirement date.

Partial Lump-Sum Distribution (PLSD). After a member selects one of the three monthly benefit payment options, they can choose to receive a PLSD equal to 12, 24 or 36 times the Retiree Life Only monthly benefit amount. The PLSD cannot exceed 75% of the member's total contributions and interest. If a member chooses a PLSD, it reduces the amount of their monthly retirement benefit.

Cost-of-Living Adjustment (COLA). A participating city can increase the retiree's monthly benefit payment annually, effective January 1. Cities may adopt a COLA at a rate equal to either 30%, 50% or 70% of any increase in the Consumer Price Index – All Urban Consumers (CPI-U) between the December preceding the retiree's retirement date and the December one year before the effective date of the increase, minus any previously granted COLA increases. Additionally, cities may adopt a non-retroactive COLA equal to either 30%, 50%, or 70% of the increase in CPI-U, for the 12-month period ending December 31 one year prior to the effective date of the increase. The non-retroactive option is available for cities that adopt on an annually repeating basis until December 31, 2025.

Member Account Refunds. When a member terminates employment with all participating cities, they can request a refund of their total contributions, plus credited interest. A refund does not include city-financed monetary credits.

Investment Policy. The Board approves an Investment Policy Statement (IPS) that governs the investment and management of Pension Trust Fund assets. The IPS describes investment objectives, beliefs, benchmarks, asset allocation and responsibilities and limitations of the Board, TMRS staff, investment managers, and consultants.

The objective of TMRS' investment program is to ensure that members receive the benefits they have accrued through their work at participating cities, and at a reasonable and predictable cost to those cities. To achieve this objective, the Board is responsible for adopting an Actuarial Return Assumption (ARA), which is currently 6.75%. The Board's asset allocation is intended to produce long-term investment returns that meet or exceed the ARA at an acceptable level of risk.

Table F-8

Strategic Target Allocation
As of December 31, 2025

Asset Class	Minimum %	Target %	Maximum %
Public Equity	25%	35%	45%
Private Equity	10%	20%	25%
Tactical Opportunities	0%	6%	11%
Credit	16%	21%	26%
Real Assets	13%	18%	23%
Total		100%	

As of December 31, 2025, the annual money-weighted rate of return on Pension Trust Fund assets, net of investment expenses, was 13.70% . The money-weighted rate of return reflects investment performance, net of investment expense, adjusted for assets invested.

B. Supplemental Death Benefits Fund

TMRS administers the Supplemental Death Benefits Fund (SDBF), which is an optional death benefit plan that operates like a group-term life insurance plan. The SDBF allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. The SDBF had 828 participating cities as of December 31, 2025.

Table F-9

Supplemental Death Benefits Fund Member Accounts As of December 31, 2025	
Active member accounts	89,876
Inactive vested member accounts	13,673
Retirees eligible for benefits	42,500
Total	**146,049**

Contributions. Participating cities contribute to the SDBF monthly based on the payroll of their covered members at an annual actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with the assets of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year. The SDBF is a pay-as-you-go fund, and any excess contributions are available for future SDBF benefits.

Benefits. SDBF benefits are paid to designated beneficiaries upon TMRS' receipt of an approved benefit application. The death benefit for active members is a lump-sum payment approximately equal to the member's annual salary. The death benefit for retirees is $7,500 and is an "other post-employment benefit." SDBF benefits are paid from the SDBF and are not an obligation of the Pension Trust Fund.

3. TMRS as Employer

A. Pension Plan

TMRS as an employer participates in the TMRS Pension Plan and provides pension benefits to all of its eligible employees. Employees are vested after five years of service and may retire at age 60 with five years of service or at any age with 20 years of service. The contribution rate for TMRS employees is 7%, and TMRS' matching ratio is 2:1. TMRS provides 100% USC and COLA at 70% of the change in CPI-U, both on a repeating basis.

TMRS' net pension liability (NPL) and pension expense were measured as of the December 31, 2024 actuarial valuation, TMRS' measurement date for GASB Statement No. 68. The NPL of $7,533,652 is included in accounts payable and other accrued liabilities in the accompanying Statement of Fiduciary Net Position. TMRS' pension expense of $3,043,162 for the fiscal year 2025 is included in administrative expenses in the accompanying Statement of Changes in Fiduciary Net Position.

Table F-10

TMRS as Employer — Actuarial Valuation **As of Measurement Date**	
Member Accounts	
Active member accounts	112
Inactive member accounts	73
Retiree accounts	77
Total	262
Net Pension Liability	
Total pension liability	$ 77,184,427
Fiduciary net position	69,650,775
Net pension liability	$ 7,533,652
Plan Fiduciary Net Position as a % of Total Pension Liability	90.24 %
Sensitivity of the NPL to changes in the discount rate	
1% increase to 7.75%	$ (831,417)
Current rate assumption of 6.75%	$ 7,533,652
1% decrease to 5.75%	$ 17,641,140

B. Supplemental Death Benefits

As an employer, TMRS provides a supplemental death benefit to beneficiaries of its employees and retirees. TMRS contributes to the Supplemental Death Benefits Fund (SDBF) at an actuarially determined contribution rate. For 2025, the rate was 0.27% of payroll for covered members, of which 0.08% represented the retiree-only (other post-employment benefit) portion. TMRS' employer contributions to the SDBF for the years ended December 31, 2025, 2024 and 2023 were $49,256, $52,425 and $51,050, respectively, representing contributions for both employee and retiree coverage.

C. TMRS Insurance Benefits

TMRS' employees and retirees are eligible for insurance through the Texas Employees Group Benefits Program (GBP), administered by the Employees Retirement System of Texas (ERS), if they meet retiree insurance eligibility rules as defined by state law. If a retiree does not qualify for insurance benefits through the GBP, TMRS reimburses the retiree for a private policy depending upon the length of the retiree's service. The GBP is administered through a trust governed and managed by ERS. TMRS provides its employees with health, life, disability and dental insurance benefits, and subsidizes the cost of health coverage for its retirees. TMRS' contributions to the GBP for active employees for the years ended December 31, 2025, 2024 and 2023 were $1,264,823, $1,200,563 and $1,277,599, respectively. TMRS paid GBP and reimbursed for private health insurance plans for retirees totaling $133,763, $119,432, and $88,028, respectively.

TMRS' retirees who are eligible can elect to participate in the GBP's State Retiree Health Plan (SRHP), which is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers retired employees of the State of Texas and other entities as specified by the state legislature, including TMRS. As a cost-sharing plan, all assets and risks are pooled in the SRHP and the contribution rates are the same for each participating employer. Contribution requirements are established and may be amended by the Texas Legislature. ERS issues an Annual Comprehensive Financial Report that includes financial statements and required supplementary information for the GBP, available at ers.texas.gov.

D. Deferred Compensation

TMRS employees can participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits the deferral of a portion of the participant's salary during their employment.

4. Cash

A. Cash in Banks

Cash is held in demand deposit accounts with a banking institution under terms of a depository contract and with TMRS' custodian bank.

Demand deposit account balances with TMRS' depository bank totaled $193,512, with a book value of ($3,746,627) as of December 31, 2025. The negative book value represents uncleared checks and is classified as accounts payable and other accrued liabilities on the Statement of Fiduciary Net Position. Cash on deposit with TMRS' custodian bank totaled $68,709,080 as of December 31, 2025.

B. Custodial Credit Risk

TMRS' deposits are subject to custodial credit risk, which is the risk that, in the event of a bank failure, the deposits might not be recovered. Demand deposits held by the depository bank as of December 31, 2025, to the extent not insured by the Federal Deposit Insurance Corporation (FDIC), were collateralized by securities held by a third-party independent custodian, in TMRS' name, under a joint custody agreement giving TMRS unconditional rights and claims to collateral. Securities pledged as collateral had a fair value of $21,601,606 as of December 31, 2025. The current FDIC coverage limit is $250,000 for deposits held in non interest-bearing accounts. Deposits denominated in a foreign currency are neither collateralized nor insured as of December 31, 2025. See Table F-15 for more information.

5. Investments

A. Fair Value of Investments

TMRS categorizes its fair value measurements within a three-tiered hierarchy established by GAAP, as follows:

- Level 1: Investments with values based on quoted prices (unadjusted) for identical assets in active markets at the measurement date.
- Level 2: Investments with inputs, other than quoted prices included within Level 1, that are observable for an asset, either directly or indirectly.
- Level 3: Investments classified as Level 3 have unobservable inputs for an asset and may require a degree of professional judgment.

Table F-11

Fair Value of Investments
As of December 31, 2025

		Fair Value Measurements Using		
	Total Fair Value	**Level 1**	**Level 2**	**Level 3**
Credit - fixed income securities				
U.S. Treasury bonds/notes	$ 681,978,174	$ —	$ 681,978,174	$ —
U.S. government agency	21,038,380	—	21,038,380	—
U.S. government-sponsored enterprise	63,351,567	—	63,351,567	—
Municipal bonds	2,237	—	2,237	—
Corporate bonds	1,616,304,188	—	1,616,304,188	—
Collateralized mortgage obligations	810,429,977	—	810,429,977	—
Other asset-backed securities	1,004,471,313	—	1,004,471,313	—
	4,197,575,836	—	4,197,575,836	—
Public equities				
Equity securities - domestic	5,033,932,827	5,033,932,827	—	—
Equity securities - international	5,710,371,790	5,710,371,790	—	—
Global equity REITs	163,532,991	163,532,991	—	—
	10,907,837,608	10,907,837,608	—	—
Total investments by fair value level	**$ 15,105,413,444**	**$ 10,907,837,608**	**$ 4,197,575,836**	**$ —**
Investments measured at Net Asset Value (NAV)				
Equity commingled funds	7,498,444,401			
Private equity	7,630,924,944			
Tactical opportunities	1,713,238,279			
Credit funds	6,965,333,425			
Real assets	9,596,101,075			
Total investments measured at NAV	**33,404,042,124**			
Short term investments at amortized cost	**616,742,158**			
Total investments	**$ 49,126,197,726**			

Public equity securities classified as Level 1 are valued using prices quoted in active markets for those investments. Fixed income securities classified as Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. TMRS did not hold any Level 3 investments as of December 31, 2025.

Investments measured at Net Asset Value (NAV) per share or its equivalent generally do not have readily obtainable fair values. TMRS values these investments based on the financial statements of the investment funds. Table F-12 presents the unfunded commitments, redemption frequency (if eligible) and the approximate redemption notice period for TMRS' investments.

Table F-12

Investments Measured at Fair Value
As of December 31, 2025

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity commingled funds	$ 7,498,444,401	$ —	Daily	1-2 days
Tactical opportunities	1,713,238,279	526,730,141	Varies	Varies: 30-90 days+
Private equity funds	7,630,924,944	3,276,509,579	N/A	N/A
Real Assets	9,596,101,075	3,404,341,134	Varies	Varies: 45-90 days
Credit	6,965,333,425	4,445,210,367	Varies	Varies: 10 days+
Total	**$ 33,404,042,124**	**$ 11,652,791,221**		

B. Investments Measured at Net Asset Value

- **Equity commingled funds.** Equity commingled funds offer daily liquidity and provide return and risk characteristics that approximate the overall domestic and international securities included in an underlying index.
- **Private equity.** Private equity asset class primarily invests in non-publicly traded equity and debt. These investments are typically closed-end funds with duration of 10 - 14 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated.
- **Tactical opportunities.** The tactical opportunities asset class invests in hedge funds and related strategies. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 4-8 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated or paid off by the borrower.
- **Real assets.** Real assets asset class invests in real estate, infrastructure, and natural resources. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 8 - 12 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received in the form of quarterly income, as redemption proceeds, and/or as the underlying assets of the funds are liquidated.
- **Credit funds.** Credit funds include public and private fixed income investments. Liquidity, volatility, expected return and investment horizon vary with each strategy. TMRS invests in open-end funds, which typically have provisions that may limit withdrawals, and closed-end funds with duration of 6 - 10 years, during which the funds will purchase and dispose of assets. Distributions from each fund will be received as the underlying assets are liquidated or paid off by the borrower.

C. Investment Risk

TMRS' investments are subject to various risks, including custodial credit risk, credit default risk, concentration of credit risk, interest rate risk and foreign currency risk.

Custodial Credit Risk.

Custodial credit risk is the risk that, in the event of failure of the counterparty, TMRS will not be able to recover the value of its investments or collateral securities that are in the possession of the counterparty. TMRS' assets may be held in the name of agents, nominees, depository trust companies or other entities. As of December 31, 2025, all investment securities were registered in TMRS' name or in the name of its custodian and are held by the custodian.

Credit Default Risk.

Credit default risk is the risk that an issuer or other counterparty to an investment will not fulfill its repayment obligations. TMRS' investment guidelines set minimum credit ratings for the core fixed income portfolio to manage credit default risk. Investment guidelines established with the individual investment managers address the management of credit default risk for the non-core fixed income portfolio. As of December 31, 2025, TMRS' core fixed income portfolio complied with the investment guidelines on credit default risk.

Table F-13

Fixed Income Securities with Exposure to Credit Default Risk
As of December 31, 2025

Bond Rating	Total Fair Value	U.S. Government-Sponsored Enterprise	Municipal Bonds	Corporate Bonds	Collateralized Mortgage Obligations	Other Asset-Backed Securities	Non-Core Fixed Income Securities
Securities subject to credit default risk							
AAA	$ 191,022,249	$ —	$ —	$ 1,298,058	$ 46,609,230	$ 9,804,034	$ 143,114,961
AA	107,889,864	—	—	8,469,327	28,043,647	504,895	71,376,890
A	311,841,950	—	2,237	234,026,981	38,209,290	24,770	39,603,442
BBB	651,148,085	—	—	420,758,073	43,521,151	151,449	186,868,861
BB	528,740,988	—	—	396,202,041	69,717,138	—	62,821,809
B	402,998,826	—	—	381,919,162	11,849,291	—	9,230,373
CCC	210,598,772	—	—	171,290,180	12,678,726	—	26,629,866
CC	2,330,113	—	—	2,330,113	—	—	—
C	1,296,600	—	—	—	—	—	1,296,600
D	—	—	—	—	—	—	—
Not Rated	1,086,691,835	63,351,567	—	10,253	559,801,504	403,253	463,528,512
Total	**$ 3,494,559,282**	**$ 63,351,567**	**$ 2,237**	**$ 1,616,304,188**	**$ 810,429,977**	**$ 10,888,401**	**$ 1,004,471,314**
Securities not subject to credit default risk							
U.S. Treasury bonds/notes	681,978,174						
U.S. government agency	21,038,380						
Total	**$ 4,197,575,836**						

Table F-13 excludes credit funds which are exposed to credit default risk but for which credit ratings are not available.

Concentration of Credit Risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of TMRS' investment in a single issuer.

Concentration risk is managed through diversification of investment managers, investment vehicles, sectors and geographic/economic locations. As of December 31, 2025, there was no single issuer that comprised more than 5% of TMRS' Fiduciary Net Position.

Interest Rate Risk.

Interest rate risk is the risk that changes in interest rates will affect the fair value of an investment. TMRS' fixed income securities held in the Credit asset class are exposed to interest rate risk.

Fixed Income. Interest rate risk of the fixed income portfolio is controlled through duration management. Duration is a measure of the sensitivity of the price of a fixed income investment to a change in interest rates, and is expressed as a number of years. TMRS' investment guidelines require duration of the core fixed income portfolio align with duration of the asset class benchmark, the ICE BofA 1-3 year A-BBB US Corporate Index which was 1.9 years as of December 31, 2025. As of December 31, 2025, TMRS' consolidated fixed income portfolio had an effective duration of 2.3 years and was therefore in alignment with the investment guidelines established with the investment managers related to interest rate risk.

Table F-14

Fixed Income Securities with Exposure to Interest Rate Risk
As of December 31, 2025

	Fair Value	Effective Duration
Securities subject to interest rate risk		
U.S. Treasury bonds/notes	$ 681,978,174	2.15
U.S. government agency	21,038,380	1.14
U.S. government-sponsored enterprise	63,351,567	2.14
Municipal bonds	2,237	3.85
Corporate bonds	1,616,304,188	2.51
Collateralized mortgage obligations	810,429,976	2.00
Other asset-backed securities	1,004,471,314	2.32
Totals	**$ 4,197,575,836**	**2.30**

Table F-14 excludes credit funds which are exposed to interest rate risk but for which duration information is not available.

Foreign Currency Risk. Foreign currency risk is the risk that changes in currency exchange rates will affect the fair value of an investment or a deposit. Table F-15 displays TMRS' direct exposure to foreign currency risk but does not include indirect exposure from the underlying assets of commingled or private investment funds.

Table F-15

Foreign Currency Exposure (in U.S. dollars)
As of December 31, 2025

Currency	Cash Equivalents	Foreign Currency Contracts	Credit	Public Equities	Private Equity	Real Assets	Total
Australian Dollar	$ 1,800,933	$ (541)	$ —	$ 211,146,889	$ —	$ 29,292,374	$ 242,239,655
Brazilian Real	1,328,849	—	—	78,858,149	—	—	80,186,998
Canadian Dollar	1,392,860	13,435	—	422,958,535	—	—	424,364,830
Chilean Peso	229,031	—	—	16,097,930	—	—	16,326,961
Czech Koruna	86,773	—	—	2,390,764	—	—	2,477,537
Colombian Peso	164,345	—	—	2,569,457	—	—	2,733,802
Danish Krone	212,871	(1,599)	—	68,769,253	—	—	68,980,525
Egyptian Pound	17,275	—	—	834,246	—	—	851,521
Euro Currency	5,376,903	(10,245)	19,980,535	1,327,915,779	100,151,621	231,397,145	1,684,815,738
Hong Kong Dollar	68,518	—	—	685,821	—	—	754,339
Hungarian Forint	21,191	2,176	—	13,384,358	—	—	13,407,725
Indian Rupee	1,307,836	6,260	—	375,895,103	—	—	377,209,199
Indonesian Rupiah	249,936	—	—	22,831,833	—	—	23,081,769
Japanese Yen	7,825,854	(54,333)	—	993,914,312	—	—	1,001,685,833
Malaysian Ringgit	569,545	—	—	24,305,476	—	—	24,875,021
Mexican Peso	299,070	—	—	33,667,247	—	—	33,966,317
New Israeli Shequel	270,762	—	—	36,937,005	—	—	37,207,767
New Taiwan Dollar	1,055,639	—	—	492,509,670	—	—	493,565,309
New Zealand Dollar	31,299	—	—	5,682,764	—	—	5,714,063
Norwegian Krone	204,614	(1,458)	—	22,986,266	—	—	23,189,422
Peruvian Soles	3,814			38,914			42,728
Philippine Peso	126,552	—	—	10,375,017	—	—	10,501,569
Polish Zloty	69,605	(2,438)	—	27,618,725	—	—	27,685,892
Pound Sterling	2,196,328	9,849	—	525,944,738	—	140,293	528,291,208
Qatari Rial	26,476	—	—	14,009,787	—	—	14,036,263
Saudi Riyal	223,690	—	—	53,739,798	—	—	53,963,488
Singapore Dollar	327,791	32	—	70,918,837	—	—	71,246,660
South African Rand	629,574	(40,381)	—	77,205,453	—	—	77,794,646
South Korean Won	10,827,702	7,514	—	339,448,072	—	—	350,283,288
Swedish Krona	279,853	568	—	119,348,503	—	—	119,628,924
Swiss Franc	472,207	(1,244)	—	285,487,154	—	—	285,958,117
Thailand Baht	485,896	—	—	26,050,424	—	—	26,536,320
Turkish Lira	84,227	—	—	11,719,827	—	—	11,804,054
UAE Dirham	139,369	—	—	44,777,066	—	—	44,916,435
Total	**$ 38,407,188**	**$ (72,405)**	**$ 19,980,535**	**$ 5,761,023,171**	**$ 100,155,621**	**$ 260,829,812**	**$ 6,180,323,923**

C. Derivatives

TMRS may allow its investment managers to use derivatives to manage risk. Derivative instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. TMRS' derivative instruments are considered investments and not hedges for accounting purposes.

Table F-16 details TMRS' exposure to derivatives at December 31, 2025.

Table F-16

Futures Contracts
As of December 31, 2025

Futures Contract	Expiration Date	Notional	Accumulated Gain/(Loss)
U.S. 10-Yr Treasury Note Futures	3/20/2026	$ (45,199,875)	$ 153,891
U.S. 5-Yr Treasury Note Futures	3/31/2026	(24,702,859)	37,078
U.S. 2-Yr Treasury Note Futures	3/31/2026	(23,175,586)	(4,336)
U.S. 2-Yr Treasury Note Futures	3/31/2026	34,032,617	(14,060)
U.S. Ultra Bond Futures	3/20/2026	(6,608,000)	114,093
U.S. 5-Yr Treasury Note Futures	3/31/2026	(105,151,110)	330,589
U.S. Ultra 10-Yr Bond Futures	3/20/2026	(25,073,406)	153,005
EURO FX Currency Futures	3/16/2026	(19,289,750)	(71,675)
AUD SPI 200 Futures	3/19/2026	4,917,751	18,198
CND S+P/TSX 60 IX Futures	3/19/2026	6,519,876	27,902
EURO STOXX 50 Futures	3/20/2026	15,846,520	202,935
EURO DAX Index Futures	3/20/2026	724,930	7,528
JPY TOPIX Index Futures	3/12/2026	11,106,479	130,151
GBP FTSE 100 Index Futures	3/20/2026	8,290,106	160,794
ZAR FTSE/JSE Top 40 Futures	3/19/2026	1,781,739	35,025
U.S. IFSC Nifty 50 Futures	1/27/2026	3,836,223	(23,909)
U.S. FTSE Taiwan Index Futures	1/29/2026	6,529,440	113,576
Total		**$ (155,614,906)**	**$ 1,370,786**

Futures contracts classified in Level 1 are valued using prices quoted in the active markets for these contracts. The notional values are not recorded on the financial statements and the accumulated gains/(losses) are recorded as unsettled trades on the Statement of Fiduciary Net Position.

6. Commitments and Contingencies

As of December 31, 2025, TMRS had $11.7 billion of unfunded commitments to private investment funds.

Table F-17 presents the money-weighted rate of return over the last 10 years for TMRS' investments in accordance with GASB 67, which differs from the time-weighted performance reported elsewhere in this Report.

Table F-17

Money-Weighted Rate of Return — Pension Trust Fund
For the Years Ended December 31

Year	Rate of Return
2025	13.70 %
2024	10.40 %
2023	11.64 %
2022	(7.36)%
2021	12.92 %
2020	7.55 %
2019	14.68 %
2018	(2.38)%
2017	13.82 %
2016	7.55 %

Table F-18

Combined Schedule of Changes in Fiduciary Net Position
For the Year Ended December 31, 2025

	Benefit Accumulation Fund	Supplemental Disability Benefits Fund	Endowment Fund	Expense Fund	Full Benefit Arrangement Fund	Total Pension Trust Fund	Supplemental Death Benefits Fund	Total
ADDITIONS								
City contributions	$ 1,605,757,486	$ —	$ —	$ —	$ 2,413,732	$ 1,608,171,218	$ 18,906,310	$ 1,627,077,528
Member contributions	678,926,053	—	—	—	—	678,926,053	—	678,926,053
Net investment income	—	—	6,044,219,909	(14,548,693)	—	6,029,671,216	—	6,029,671,216
Other	—	—	(392)	—	—	(392)	—	(392)
Total additions	**2,284,683,539**	**—**	**6,044,219,517**	**(14,548,693)**	**2,413,732**	**8,316,768,095**	**18,906,310**	**8,335,674,405**
DEDUCTIONS								
Retirement benefits	2,195,416,088	29,394	—	—	2,413,732	2,197,859,214	—	2,197,859,214
Supplemental death benefits	—	—	—	—	—	—	15,052,506	15,052,506
Member account refunds	90,762,625	—	—	—	—	90,762,625	—	90,762,625
Administrative expenses	—	—	—	28,183,414	—	28,183,414	—	28,183,414
Total deductions	**2,286,178,713**	**29,394**	**—**	**28,183,414**	**2,413,732**	**2,316,805,253**	**15,052,506**	**2,331,857,759**
FUND TRANSFERS								
Operating budget transfer	—	—	(40,051,174)	40,051,174	—	—	—	—
Allocation from Interest Reserve	5,802,817,383	8,648	(5,803,849,483)	—	—	(1,023,452)	1,023,452	—
Escheated funds	(4,124,017)	—	4,124,017	—	—	—	—	—
Net fund transfers	**5,798,693,366**	**8,648**	**(5,839,776,640)**	**40,051,174**	**—**	**(1,023,452)**	**1,023,452**	**—**
CHANGE IN FIDUCIARY NET POSITION	**5,797,198,192**	**(20,746)**	**204,442,877**	**(2,680,933)**	**—**	**5,998,939,390**	**4,877,256**	**6,003,816,646**
FIDUCIARY NET POSITION								
Beginning of year	**42,859,125,598**	**188,097**	**540,574,421**	**6,640,071**	**—**	**43,406,528,187**	**18,688,940**	**43,425,217,127**
End of year	**$ 48,656,323,790**	**$ 167,351**	**$ 745,017,298**	**$ 3,959,138**	**$ —**	**49,405,467,577**	**$ 23,566,196**	**$ 49,429,033,773**

See accompanying Independent Auditors' Report.

Table F-19

Schedule of Administrative and Investment Expenses For the Year Ended December 31, 2025	Administrative Expenses	Investment Expenses
Personnel services		
Staff salaries and payroll taxes	$ 13,168,223	$ 7,071,993
Employee benefits	4,331,790	1,404,852
Contract labor/temporary services	331,337	—
Total personnel services	17,831,350	8,476,845
Professional services		
Actuarial	684,496	—
Audit	227,250	—
Custodial and banking	—	1,515,000
Information services consulting	338,124	—
Investment consulting	—	2,102,378
Legal	288,953	780,286
Other services	669,229	—
Total professional services	2,208,052	4,397,664
Facilities	2,818,806	—
City and member outreach	682,166	—
Information technology	—	
Cloud services	1,544,195	1,349,468
Hardware/software and support	1,073,833	—
Total information technology	2,618,028	1,349,468
Other administrative		
Board of Trustees and Committees	68,063	—
Depreciation/Amortization	395,143	—
Professional development	337,695	24,423
Supplies/document storage/miscellaneous	997,298	16,084
Travel	226,813	284,209
Total other administrative	2,025,012	324,716
Investment management fees paid from Trust Fund	—	28,649,483
Totals	**$ 28,183,414**	**$ 43,198,176**

See accompanying Independent Auditors' Report.

Fees for private investments are not reflected as investment expenses in TMRS' financial statements but are included in the net appreciation in fair value of investments as reported on the Statement of Changes in Fiduciary Net Position.

Table F-20

Schedule of Professional Services For the Year Ended December 31, 2025		
Actuarial		
Gabriel, Roeder, Smith & Company	$	684,496
Audit		
CliftonLarsonAllen LLP		227,250
Information services consulting		
Network/Cloud Security		250,418
Enterprise-wide IT Service Management Support		87,705
Total information services consulting		338,123
Legal		
Fiduciary counsel		121,800
Other legal services		167,153
Total legal		288,953
Other services		
Recruiting		76,308
Professional Development, Coaching and Training		161,545
Governmental relations support		108,000
Organizational Process Improvement		221,775
Disability review		28,140
Organizational Health		64,908
Insurance risk management		8,554
Total other services		669,229
Total Professional Services	**$**	**2,208,052**[1]

See accompanying Independent Auditors' Report.

[1] Excludes investment related professional and consulting services