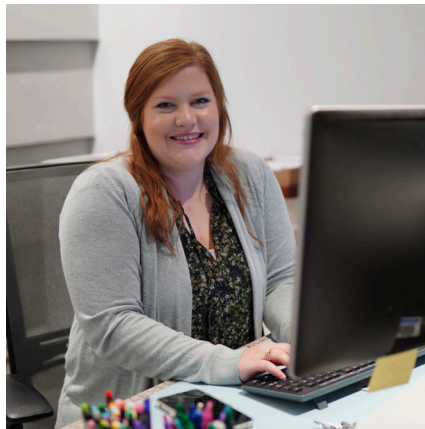
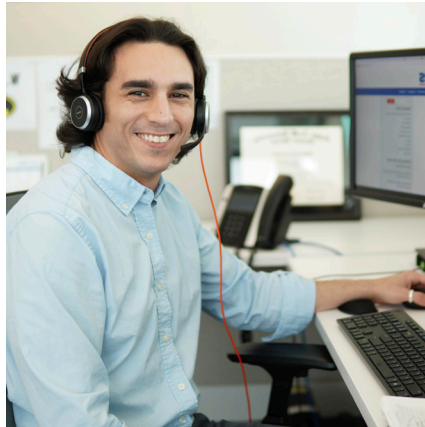


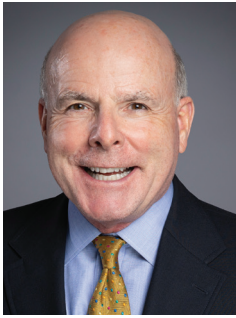


Popular Annual Financial Report

For the Year Ended December 31, 2021



TEXAS MUNICIPAL RETIREMENT SYSTEM



From the Executive Director

On behalf of the Texas Municipal Retirement System (TMRS) Board of Trustees and staff, I am pleased to present you with this Popular Annual Financial Report (PAFR) for the year ended December 31, 2021. The PAFR provides a summary of TMRS membership, financial, investment, actuarial and Board information. The financial data was taken from TMRS' Annual Comprehensive Financial Report for the Year Ended December 31, 2021 (ACFR), which is available at tmrs.com.

Your Plan is financially sound and well-funded. The 2021 net investment return was 12.86%, exceeding TMRS' 6.75% actuarial return assumption. The 2021 Trust Fund investments totaled \$38.8 billion as of December 31, 2021 – an all-time high. TMRS paid \$1.6 billion in benefits compared to \$1.5 billion in 2020, an increase of \$101.3 million, or 6.6%.

2021 was a year of staff achievement. Return to Work legislation removed significant barriers for retirees to return to work for the same city after a one-year break in service without forfeiting their TMRS retirement benefit. TMRS moved its Austin offices to The Grove at 2717 Perseverance Drive, with convenient Member and visitor access and parking. The 2021 Annual City Conference had record attendance and TMRS' first-ever Mobile App was introduced.

I want to thank Board Chair David Landis, Vice Chair Jesús Garza and their Board colleagues for their leadership and support. I also want to thank my staff colleagues for their unwavering commitment to serving our members, retirees, beneficiaries and participating cities.

Sincerely,

David B. Wescoe
Executive Director

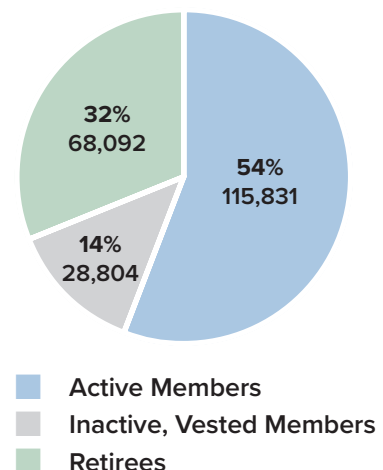
Membership and Participating Cities

TMRS administers a cash-balance defined benefit retirement plan for eligible employees of participating cities. At December 31, 2021, we had 212,727 members and retirees from 901 participating cities.

Members are eligible to retire based on their city's vesting, age and years of service requirements. Depending on the city's plan provisions, a member vests after either five or 10 years of service and 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.

TMRS also administers a Supplemental Death Benefits Fund that provides a one-time death benefit for active members and retirees of participating cities that elect this benefit.

2021 MEMBERSHIP



Financial Information

The following table presents TMRS' assets and liabilities for the years ending December 31, 2021 and 2020. Fiduciary net position is the difference between assets and liabilities and represents the funds accumulated for the payment of future benefits.

Fiduciary Net Position – Pension Trust Fund (dollars in millions)

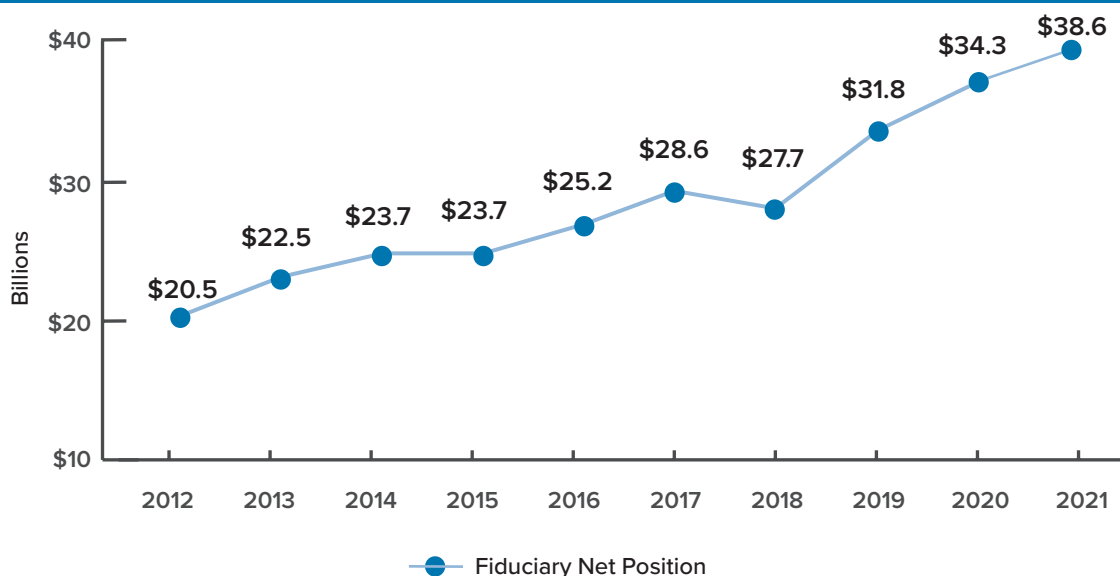
As of December 31

	2021	2020	Increase (Decrease)	% Change
ASSETS				
Investments, at fair value	\$ 38,790.2	\$ 34,522.3	\$ 4,267.9	12.4 %
Receivables	524.0	832.8	(308.8)	(37.1)
Cash and other assets	15.7	7.8	7.9	101.3
Capital assets, net	9.6	7.9	1.7	21.5
Total assets	39,339.5	35,370.8	3,968.7	11.2
LIABILITIES				
Payables and other liabilities	741.9	1,068.7	(326.8)	(30.6)
Due to depository bank	-	7.5	(7.5)	(100.0)
Funds held for SDBF	4.6	11.7	(7.1)	(60.7)
Total liabilities	746.5	1,087.9	(341.4)	(31.4)
FIDUCIARY NET POSITION	\$ 38,593.0	\$ 34,282.9	\$ 4,310.1	12.6 %

The Trust Fund's net position has steadily increased over the last 10 years from \$20.5 billion in 2012 to \$38.6 billion in 2021. Contributions from members and participating cities are invested in a diversified portfolio that includes equities, bonds and private investment funds. In 2021, investments increased in value by \$4.3 billion, or 12.4%.

Fiduciary Net Position – Pension Trust Fund

Last 10 Years (in billions)



The following table presents the changes in fiduciary net position for 2021 and 2020. Additions include contributions from members and participating cities and investment income. Deductions include benefit payments and administrative expenses.

Changes in Fiduciary Net Position – Pension Trust Fund (dollars in millions) For the Years Ended December 31

	2021	2020	Increase (Decrease)	% Change
ADDITIONS				
City contributions	\$ 1,076.9	\$ 1,191.7	\$ (114.8)	(9.6) %
Member contributions	492.3	479.2	13.1	2.7
Net investment income	4,469.1	2,414.5	2,054.6	85.1
Other	0.5	-	0.5	-
Total additions	6,038.8	4,085.4	1,953.4	47.8
DEDUCTIONS				
Retirement benefits	1,645.3	1,544.0	101.3	6.6
Member account refunds	62.3	56.0	6.3	11.3
Administrative expenses	20.7	15.6	5.1	32.7
Income allocated to SDBF	0.4	0.7	(0.3)	(42.9)
Total deductions	1,728.7	1,616.3	112.4	7.0
CHANGE IN FIDUCIARY NET POSITION	4,310.1	2,469.1	1,841.0	74.6
FIDUCIARY NET POSITION				
Beginning of year	34,282.9	31,813.8	2,469.1	7.8
End of year	\$ 38,593.0	\$ 34,282.9	\$ 4,310.1	12.6 %

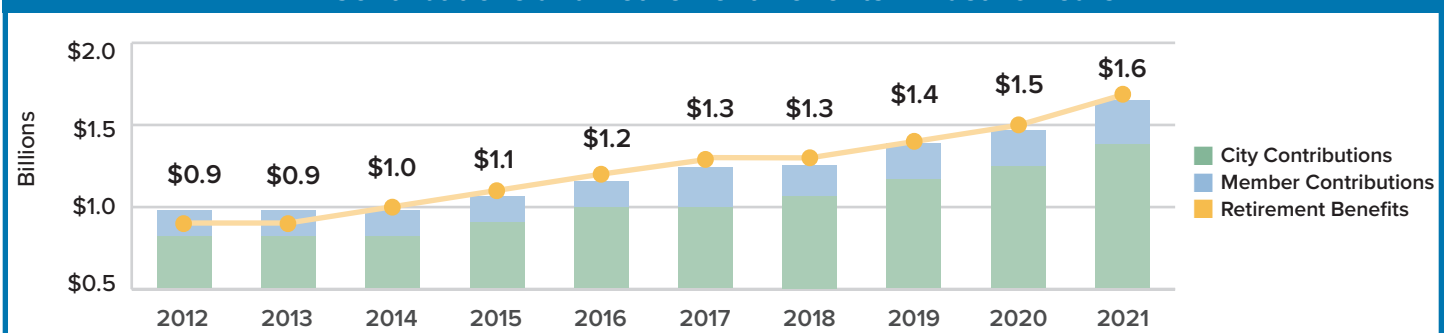
City contributions. A participating city's contribution rate is determined annually by TMRS' actuaries to fund future benefits. Cities may also make contributions in excess of their contribution rate; these lump sum contributions totaled \$62.3 million in 2021 and \$214.4 million in 2020.

Member contributions. Active member contribution rates are either 5%, 6% or 7% of a member's compensation, based on their city's plan provisions.

Net investment income. Net investment income includes investment earnings reduced by the expenses directly associated with managing the investment portfolio. The increase in net investment income from 2020 to 2021 is due to the market volatility experienced over the period.

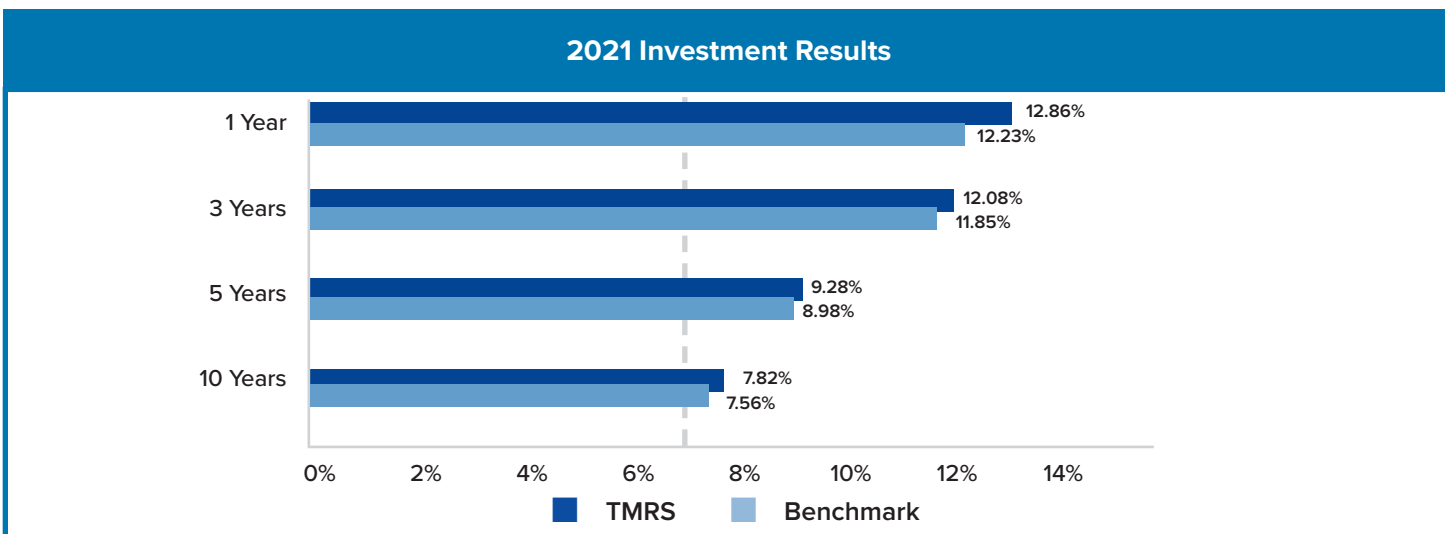
Retirement benefits. 2021 retirement benefit payments totaled \$1.6 billion, an increase of 6.6%, due to the growth in the number of retirees from 64,121 in 2020 to 68,092 in 2021.

Contributions and Retirement Benefits — Last 10 Years

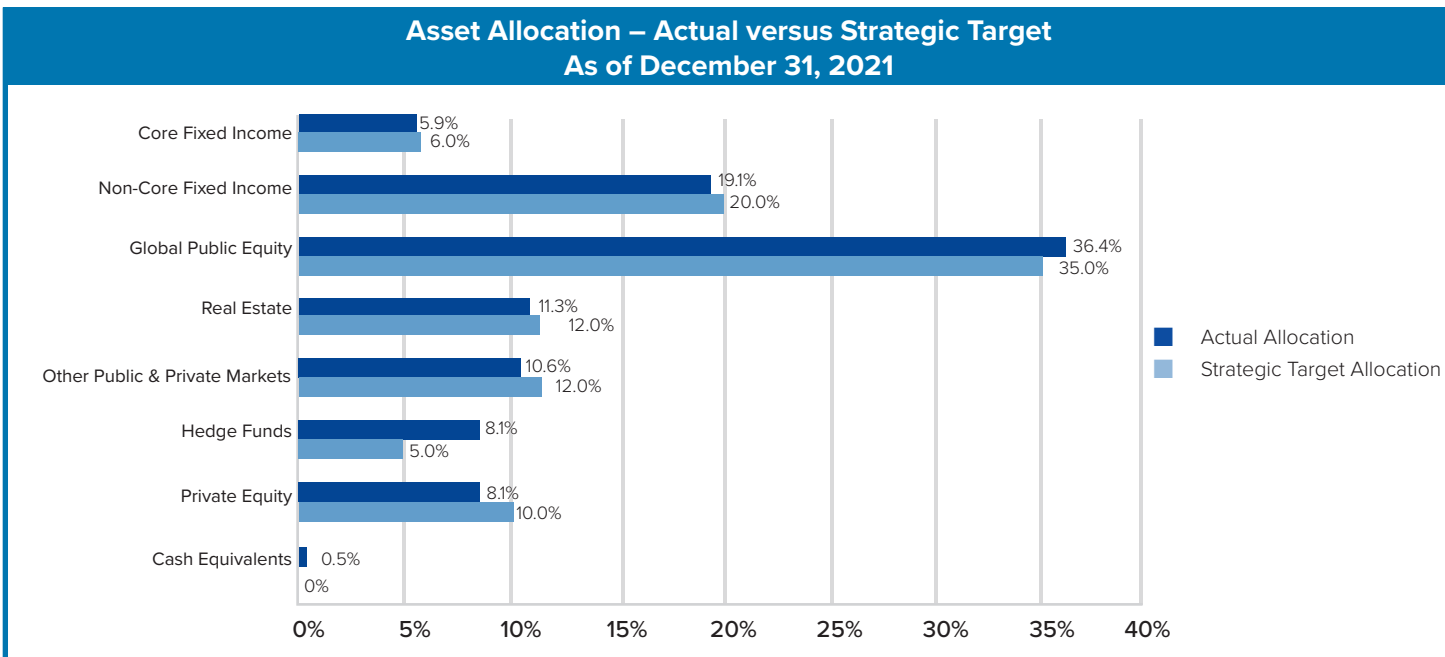


Investments

TMRS' 2021 net investment return was 12.86%, which exceeded our 6.75% actuarial return assumption. Trust Fund investments totaled \$38.8 billion, an all-time high, at December 31, 2021.



The Board approves a strategic target allocation that sets target allocations for various asset classes, with the objective of meeting or exceeding TMRS' 6.75% actuarial return assumption. TMRS' actual asset allocation as of December 31, 2021 compared with the strategic targets, is presented below.



Actuarial

GRS, the Board's independent actuary, performs an annual actuarial valuation for each TMRS participating city and calculates the city's annual contribution rate required to fully fund benefits. These contribution rates go into effect January 1 of the year following the date of the valuation. Participating city rate letters are available at tmrs.com

TMRS is one of the best-funded public pension plans in the U.S. and is well positioned to meet its commitments to current and future retirees. While every participating city has its own funded ratio, TMRS' composite funded ratio was 90.5% as of December 31, 2021. The funded ratio compares a plan's assets to its anticipated future benefits.

Funded Ratio — Last 10 Years

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
87.2%	84.1%	85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%	90.5%

2021 Board of Trustees

TMRS is governed by a six-member Board of Trustees who are appointed by the Governor of Texas and confirmed by the Texas Senate. Board members serve six-year terms and have fiduciary oversight of TMRS.

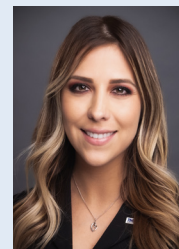
In May 2021, the Texas Senate unanimously confirmed the appointments of Trustees Alanis, Huizar, Philibert and Scott to the Board. In May 2022, Governor Abbott reappointed Trustee Landis for a six-year term, which requires Senate confirmation in 2023.



David Landis
2021 Chair
City Manager
City of Perryton



Jesús Garza
2021 Vice Chair
City Manager
City of Victoria



Anali Alanis
Assistant City Manager
City of Pharr



Johnny Huizar
City Manager
City of Pleasanton



Bill Philibert
Director of Human Resources
and Risk Management
City of Deer Park



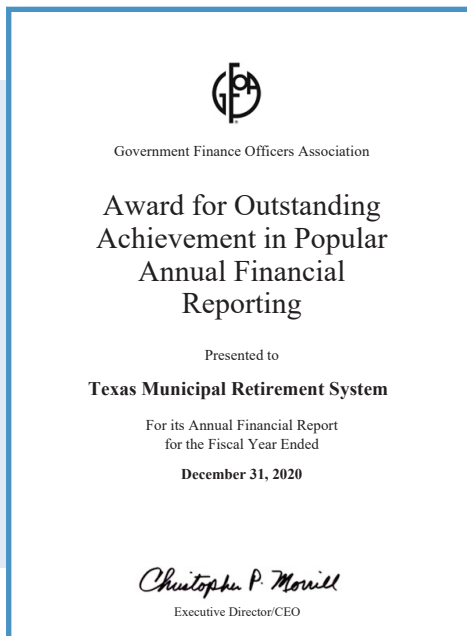
Bob Scott
Assistant City Manager and
Chief Financial Officer
City of Carrollton

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) to TMRS for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2020. This award recognizes conformance with the highest standards for preparation of state and local government popular reports. TMRS has received this award for the last 16 consecutive years.

In order to receive a PAFR Award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal. A PAFR Award is valid for a period of one year only.

TMRS also received the 2021 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.



For More Information

The PAFR is intended to provide you with an overview of TMRS' financial performance during the past year. Unlike the financial data in the ACFR, the data in this PAFR is unaudited and does not include all of the financial statements and note disclosures required by generally accepted accounting principles. In addition, while TMRS also administers the Supplemental Death Benefits Fund, the PAFR includes only the financial information of the Pension Trust Fund. For more detailed financial information, please refer to the ACFR at tmrs.com.

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800-924-8677

tmrs.com

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On the cover are TMRS employees. From left to right, top to bottom: Tim Sweeney, Investments; Shannon Lucero, Member Education Center; Naqqash Sharif, Member Service Center; Natalie Garza, Communications; Barrett Smith, Member Service Center; Nadia Ali, Finance; Chyrlynn Crockett and Ricardo Zavala, Records; Brittany Zenge, Human Resources; and Joshua Garcia, Investments. Photos by Angel Vidal, TMRS Communications.

